

MISSIONSAFE: A NEW BEGINNING, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2018 and 2017

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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MISSIONSAFE: A NEW BEGINNING, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017



Mission Statement

MissionSAFE works with highly at-risk youth to help them gain the skills and confidence to thrive, not simply survive and to give back to their community and the larger world around them.

MissionSAFE believes all youth have the right and the ability to be happy, successful global citizens, and to discover and foster their unique potential to its fullest.

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REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1
Statements of Financial Position as of December 31, 2018 and 2017.....	2
Statements of Activities for the Years Ended December 31, 2018 and 2017.....	3
Statement of Functional Expenses for the Year Ended December 31, 2018..... <i>(With Summarized Comparative Totals for 2017)</i>	4
Statement of Functional Expenses for the Year Ended December 31, 2017.....	5
Statements of Cash Flows for the Years Ended December 31, 2018 and 2017.....	6
Notes to Financial Statements.....	7 - 14

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MissionSAFE: A New Beginning, Inc.
Roxbury, Massachusetts

We have audited the accompanying financial statements MissionSAFE: A New Beginning, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 MissionSAFE: A New Beginning, Inc. as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
July 8, 2019

MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash	\$ 124,151	\$ 71,154
Pledges and Grants Receivable, Current	110,974	91,348
Prepaid Expenses	13,058	14,650
Security Deposit	2,098	2,098
Total Current Assets	<u>250,281</u>	<u>179,250</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Net of Accumulated Depreciation	<u>11,900</u>	<u>15,300</u>
<u>NON-CURRENT ASSETS:</u>		
Grant Receivable, Non-Current	<u>25,000</u>	<u>50,000</u>
<u>TOTAL ASSETS</u>	<u>\$ 287,181</u>	<u>\$ 244,550</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Line-of-Credit	\$ -	\$ 45,000
Current Portion of Long-Term Debt	7,912	10,673
Accounts Payable and Accrued Expenses	17,940	9,985
Accrued Payroll and Related Costs	6,850	15,593
Total Current Liabilities	<u>32,702</u>	<u>81,251</u>
<u>LONG-TERM LIABILITIES:</u>		
Long-Term Debt, Net of Current Portion	<u>6,975</u>	<u>9,943</u>
Total Long-Term Liabilities	<u>6,975</u>	<u>9,943</u>
<u>TOTAL LIABILITIES</u>	<u>39,677</u>	<u>91,194</u>
<u>NET ASSETS:</u>		
Net Assets (Deficit) Without Donor Restrictions	40,808	(12,568)
Net Assets With Donor Restrictions	206,696	165,924
Total Net Assets	<u>247,504</u>	<u>153,356</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 287,181</u>	<u>\$ 244,550</u>

MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 138,638	\$ 269,700	\$ 408,338	\$ 129,829	\$ 267,500	\$ 397,329
Government Grants	109,299	-	109,299	104,988	-	104,988
Gross Proceeds from Special Fund Raising Events	362,902	-	362,902	234,712	-	234,712
Less: Cost of Direct Benefits to Donors	(116,946)	-	(116,946)	(68,114)	-	(68,114)
<i>Other Revenue:</i>						
Other Income	7,268	-	7,268	-	-	-
Interest Income	<u>12</u>	<u>-</u>	<u>12</u>	<u>38</u>	<u>-</u>	<u>38</u>
Total Support and Revenues	501,173	269,700	770,873	401,453	267,500	668,953
<i>Reclassification of Net Assets:</i>						
Satisfaction of Program Restrictions	<u>228,928</u>	<u>(228,928)</u>	<u>-</u>	<u>258,674</u>	<u>(258,674)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES</u>	<u>730,101</u>	<u>40,772</u>	<u>770,873</u>	<u>660,127</u>	<u>8,826</u>	<u>668,953</u>
<u>AND RECLASSIFICATIONS</u>						
<u>EXPENSES:</u>						
Program Services	497,524	-	497,524	507,733	-	507,733
<i>Supporting Services:</i>						
Administrative	106,702	-	106,702	116,061	-	116,061
Fund Raising	<u>72,499</u>	<u>-</u>	<u>72,499</u>	<u>64,360</u>	<u>-</u>	<u>64,360</u>
<u>TOTAL EXPENSES</u>	<u>676,725</u>	<u>-</u>	<u>676,725</u>	<u>688,154</u>	<u>-</u>	<u>688,154</u>
<u>CHANGE IN NET ASSETS</u>	<u>53,376</u>	<u>40,772</u>	<u>94,148</u>	<u>(28,027)</u>	<u>8,826</u>	<u>(19,201)</u>
<u>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</u>	<u>(12,568)</u>	<u>165,924</u>	<u>153,356</u>	<u>15,459</u>	<u>157,098</u>	<u>172,557</u>
<u>NET ASSETS (DEFICIT) - END OF YEAR</u>	<u>\$ 40,808</u>	<u>\$ 206,696</u>	<u>\$ 247,504</u>	<u>\$ (12,568)</u>	<u>\$ 165,924</u>	<u>\$ 153,356</u>

MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Comparative Totals for 2017)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2018</u>	<u>2017</u>
Salaries and Wages	\$ 203,939	\$ 38,583	\$ 33,071	\$ 275,593	\$ 303,845
Payroll Taxes	18,131	3,430	2,940	24,501	25,869
Employee Benefits	13,494	2,553	2,188	18,235	34,428
Youth Stipends	111,581	-	-	111,581	109,012
Temporary Help	21,615	-	-	21,615	33,000
Professional Fees	-	35,022	16,080	51,102	50,295
Occupancy	52,500	9,932	8,514	70,946	50,353
Program Supplies and Activities	46,030	-	-	46,030	24,039
Minor Equipment and Furnishings	1,477	1,666	-	3,143	4,340
Vehicle Expenses	14,487	-	-	14,487	15,741
General and Liability Insurance	5,681	1,019	-	6,700	8,312
Office Supplies and Expenses	-	1,420	44	1,464	9,840
Telephone and Communications	6,145	2,828	3,000	11,973	7,942
Staff Travel and Development	830	535	296	1,661	1,295
Meetings and Conferences	-	1,000	40	1,040	465
Interest Expense	-	2,642	-	2,642	1,174
Dues, Fees, and Licenses	1,614	2,155	4,858	8,627	3,607
Depreciation	-	3,400	-	3,400	1,700
Miscellaneous	-	517	1,468	1,985	2,897
	<u>497,524</u>	<u>106,702</u>	<u>72,499</u>	<u>676,725</u>	<u>688,154</u>
Total Expenses per the Statement of Activities					
Cost of Direct Benefits to					
Donors at Special Fund Raising Events	<u>-</u>	<u>-</u>	<u>116,946</u>	<u>116,946</u>	<u>68,114</u>
Total Functional Expenses	<u>\$ 497,524</u>	<u>\$ 106,702</u>	<u>\$ 189,445</u>	<u>\$ 793,671</u>	<u>\$ 756,268</u>

MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Salaries and Wages	\$ 225,531	\$ 42,835	\$ 35,479	\$ 303,845
Payroll Taxes	18,792	3,995	3,082	25,869
Employee Benefits	17,190	13,373	3,865	34,428
Youth Stipends	109,012	-	-	109,012
Temporary Help	31,847	-	1,153	33,000
Professional Fees	3,350	31,645	15,300	50,295
Occupancy	49,434	919	-	50,353
Program Supplies and Activities	24,039	-	-	24,039
Minor Equipment and Furnishings	2,436	1,904	-	4,340
Vehicle Expenses	15,699	42	-	15,741
General and Liability Insurance	3,595	4,717	-	8,312
Office Supplies and Expenses	-	9,746	94	9,840
Telephone and Communications	5,456	2,057	429	7,942
Staff Travel and Development	1,277	18	-	1,295
Meetings and Conferences	75	390	-	465
Interest Expense	-	1,174	-	1,174
Dues, Fees, and Licenses	-	1,249	2,358	3,607
Depreciation	-	1,700	-	1,700
Miscellaneous	-	297	2,600	2,897
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses per the Statement of Activities	507,733	116,061	64,360	688,154
Cost of Direct Benefits to Donors at Special Fund Raising Events	-	-	68,114	68,114
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u>\$ 507,733</u>	<u>\$ 116,061</u>	<u>\$ 132,474</u>	<u>\$ 756,268</u>

MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 94,148	\$ (19,201)
<i>Adjustments to Reconcile the Above to Net Cash Used by Operating Activities:</i>		
Depreciation Expense	3,400	1,700
<i>(Increase) Decrease in Current Assets:</i>		
Pledges and Grants Receivable	(19,626)	(12,832)
Prepaid Expenses	1,592	(2,444)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	7,955	5,642
Accrued Payroll and Related Costs	(8,743)	4,583
<i>(Increase) Decrease in Non-Current Assets:</i>		
Pledges and Grants Receivable	25,000	(35,000)
Net Adjustment	9,578	(38,351)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>103,726</u>	<u>(57,552)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Fixed Assets	-	(17,000)
Net Cash Flows from Investing Activities	-	(17,000)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from (Repayments of) Line-of-Credit	(45,000)	15,000
Principal Payments on Long-Term Debt	(5,729)	(5,234)
Proceeds from Note Payable	-	15,000
Net Cash Flows from Financing Activities	(50,729)	24,766
<u>NET DECREASE/ (INCREASE) IN CASH BALANCES</u>	<u>52,997</u>	<u>(49,786)</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>71,154</u>	<u>120,940</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 124,151</u>	<u>\$ 71,154</u>
<i>Supplemental Disclosures:</i>		
Cash Paid for Interest	\$ 2,642	\$ 1,174

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 ORGANIZATION

MissionSAFE: A New Beginning, Inc. (“MissionSAFE” or the “Organization”), was incorporated in 1998 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

MissionSAFE: A New Beginning, Inc. is a relational, trauma-informed youth development program for at- and high- risk young people. Its mission is to work with youth and their families to gain the skills and confidence to thrive, not just survive, and to help improve their community and the larger world. MissionSAFE is committed to helping youth realize their full and unique potential. To accomplish these goals, MissionSAFE offers the following programming:

Explorers Academy (EA):

Out-of-school time programming for youth ages 11 - 14 that focuses on academic enhancement, social, emotional growth, leadership, problem-solving, and communication skills development, community service, violence prevention, civic engagement and exploration of arts, places, careers and college.

Youth Leadership Service Corps (YLSC):

Out-of-school time programming for youth ages 15 - 22 that focuses on personal growth, leadership development, communication, problem-solving skills development, violence prevention, community service, civic engagement, college and career exploration, and job readiness training with strong academic support that includes collaboration with schools that youth are attending and intensive tutoring by college students.

MissionSAFE Futures/Futures Junior:

Works with young people ages 15 - 28 who have been involved in violence or with the courts, and who are unemployed and/or have dropped out of school. MissionSAFE Futures focuses on providing job readiness as well as job and life-skill skill training and case management to create a path for long-term self-sufficiency, employment, growth and fulfillment. Futures Junior focuses on moving youth from anger and violence to a path with future goals, academic advancement, financial literacy, job readiness training and life skills by providing case management, workshops and horizon-broadening experiences.

Youth, Street & School Outreach:

An ongoing recruitment/interaction initiative of MissionSAFE in which staff reach out to and meet youth and their families in their homes, on the streets, and in the schools to gain and maintain a better sense of youths' lives in their community context and to monitor and help transform their academic experience.

Parents on a Mission:

In truly grassroots style, parents and alums of MissionSAFE youth come together to support the program and explore ways in which to support each other and promote positive change in their lives.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 2 (Continued)

Counseling and Restorative Circles:

MissionSAFE recognizes the importance of individual and group counseling activities such as young women's and men's groups, as well as restorative circles as mean of expression and communication that allow youth to deal with difficult issues in their lives, build confidence and trust.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in the management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Net Assets Without Donor Restrictions - consists of assets, contributions from the general public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represent the portion of net assets of the Organization that is not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets without donor restrictions of the Organization may include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests and may include investment income earned on restricted funds.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

Pledges and Grants Receivable:

Pledges and Grants Receivable represents amounts which are due from unconditional grant awards and multi-year pledge commitments and are reported at their net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Amounts scheduled for receipt within one year are reported as current, and amounts are reported as non-current when the expected date of receipt exceeds one year. As of December 31, 2018, the non-current portion of grants receivable were due in 2020. Management believes that these amounts are fully collectible, and therefore, no allowance for doubtful amounts has been established. If a pledge or grant is determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the years presented, the Organization reported no losses from uncollectible pledges and grants receivable.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$2,500 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment.

As of December 31, 2018 and 2017, property and equipment consisted of a van purchased during 2017 for \$17,000 with a five-year estimated useful life. Accumulated depreciation on the van was \$5,100 and \$1,700 as of December 31, 2018 and 2017, respectively.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the year received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

Revenue Recognition:

MissionSAFE is the recipient of a government funded service contract from the Boston Public Health Commission which is included in *Government Grants* in the accompanying Statement of Activities. The contract is administered on a cost reimbursement basis; accordingly, the funding source is billed as eligible costs are incurred, and program service revenues along with the related receivables are recorded in the period during which the costs are incurred. This contract is subject to an annual renewal process and future funding is not guaranteed.

Donated Goods and Services:

MissionSAFE maintains a policy to record certain in-kind transactions as required by the *FASB Accounting Standards Codification*TM. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. For the years presented, the Organization did not receive in-kind donations which met the recognition criteria.

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. *Salaries and Wages, Payroll Taxes and Employee Benefits* are allocated on the basis of estimated time and effort. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to MissionSAFE's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

Recent Accounting Guidance:

Recently Implemented Standards

In August 2016, the Financial Accounting Standards Board (“FASB”) issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. This ASU modified the current guidance over several criteria, of which the following affected the Organization’s financial statements:

- The Organization’s net assets are segregated into two categories, “with donor restrictions” and “without donor restrictions” as opposed to the previous requirement of three classes of net assets.
- The Organization provided qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.
- The Organization provided a more in depth explanation of the methods used to allocate costs among program and supporting functions.

In accordance with this ASU, the Organization has applied a modified retrospective application of the above standard, and as a result, is not presenting a liquidity and availability disclosure for the year ended December 31, 2017.

Recently Issued Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2019. The adoption of this ASU is not expected to have a material effect on the Organization’s financial position or change in net assets.

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2019. The adoption of this ASU is not expected to have a material effect on the Organization’s financial position or change in net assets.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 *(Continued)*

In February 2016, the FASB issued ASC Update No. 2016-02, (Topic 842) *Leases* which establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2020. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The adoption of this ASU is not expected to have a material effect on the Organization's financial position or change in net assets.

NOTE 4 NOTES PAYABLE

The Organization signed a promissory note to the Sisters of Social Service effective March 20, 2007. The principal advance of \$55,000 was for operations of MissionSAFE. The note was payable in 54 monthly installments of \$1,350, including interest at the rate of 3%. The note matured November 2011; however, the Sisters of Social Service has allowed an extension to MissionSAFE to repay as funds are available. As of December 31, 2018 and 2017, the unpaid balance is \$4,850 and \$7,850, respectively, and is classified as a current liability in the accompanying Statements of Financial Position.

In February 2017, the Organization signed a promissory note to purchase a vehicle for \$17,000, of which amount \$15,000 was financed by Salem Five Cents Savings Bank. The note is payable in 60 monthly installments for \$283 which includes principal and interest at the rate of 5%. As of December 31, 2018 and 2017, the unpaid balance is \$10,037 and \$12,766, respectively.

As of December 31, 2018, the current principal portion of the long-term debt is \$7,912 while the principal maturities for the following periods are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2020	\$3,120
December 31, 2021	3,279
December 31, 2022	<u>576</u>
Total	<u>\$6,975</u>

NOTE 5 LINE-OF-CREDIT

During 2016, the Organization secured a \$100,000 line-of-credit with Salem Five Cents Savings Bank. The line-of-credit is secured by all business assets of the Organization and has an annual interest rate of prime plus 2% (7.5% and 6.5% as of December 31, 2018 and 2017, respectively). The outstanding balance on the line-of-credit was \$45,000 as of December 31, 2017, and is renewable annually upon the Bank's review. There was no outstanding balance as of December 31, 2018.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018, and 2017, net assets with donor restrictions consisted of assets restricted by donors for the following purposes:

<u>Purpose</u>	<u>2018</u>	<u>2017</u>
Futures Junior Program	\$114,196	\$ 75,924
Time Restricted	77,500	75,000
Capital Grant	15,000	-
Office Rent	-	<u>15,000</u>
Total	<u>\$206,696</u>	<u>\$165,924</u>

For the years presented, net assets were released from restrictions for the following purposes:

<u>Purpose</u>	<u>2018</u>	<u>2017</u>
Youth Transition	\$ 40,000	\$ 40,000
Futures Junior Program	125,228	63,340
Junior Violence Prevention	-	27,500
Office Rent	30,000	38,829
Time Restricted	25,000	-
Other Programs	<u>8,700</u>	<u>89,005</u>
Total	<u>\$228,928</u>	<u>\$258,674</u>

NOTE 7 FUND RAISING ACTIVITIES

During 2018 and 2017, the Organization sponsors fundraising events to generate contributions as well as to gain public awareness for its programs and charitable purpose. Proceeds from the fund raising event are reported on the Statement of Activities, net of the direct costs of the events. The results of fund raising event are summarized below:

	<u>2018</u>	<u>2017</u>
Gross Event Proceeds	\$362,902	\$234,712
Less: Direct Event Costs	<u>(116,946)</u>	<u>(68,114)</u>
Net Event Proceeds	<u>\$ 245,956</u>	<u>\$166,598</u>

NOTE 8 OPERATING LEASE OBLIGATIONS

The Organization leases two units of approximately 3,500 square feet of office and program space in Boston, Massachusetts under a lease agreement expiring July 15, 2019 with an option to extend for an additional two years.

Future minimum lease payments under the above lease agreement is \$39,744, due in 2019.

Total rent expense for the years ended December 31, 2018 and 2017 was \$65,666 and \$47,184, respectively, and is included in *Occupancy Expense* in the accompanying Statement of Functional Expenses.

MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 9 RELATED PARTY TRANSACTIONS

During January 2016, two Board members signed pledge agreements which guarantee funding grants to the Organization in the amount of \$15,000 each per year to be used for rent through 2018. An additional Board member guaranteed up to \$15,000 annually for future rent payments if the Organization should need it.

NOTE 10 CONCENTRATIONS

Pledges and Grants Receivable:

As of December 31, 2018 and 2017, approximately 95% and 75% of all the *Pledges and Grants Receivable* represent the amounts due from two grants.

Government Grants:

As of December 31, 2017, 70% of *Government Grants* represent amounts received from one agency.

NOTE 11 LIQUIDITY AND AVAILABILITY

Financial assets available for use by MissionSAFE within one year from the statement of financial position date (December 31, 2018) are as follows:

Liquid Capital as of December 31, 2018:

Cash	\$124,151
Current Portion of Receivables	<u>110,974</u>
Total	<u>\$235,125</u>

MissionSAFE currently sponsors two golf tournaments annually, which represent their major fundraising events. In 2018, net receipts of \$245,956 were realized from these events. MissionSAFE anticipates exceeding those net receipts in 2019. MissionSAFE also receives revenue from grants, corporate, foundation and individual contributions throughout the year.

NOTE 12 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through July 8, 2019, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.