



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

MASS211, INC.

Contents
June 30, 2020 and 2019

| | <u>Pages</u> |
|--|--------------|
| Independent Auditor’s Report | 1 |
| Financial Statements: | |
| Statements of Financial Position | 2 |
| Statements of Activities and Changes in Net Assets | 3 |
| Statements of Cash Flows | 4 |
| Notes to Financial Statements | 5 - 10 |



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Directors of
Mass211, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Mass211, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mass211, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Boston, Massachusetts
October 8, 2020

MASS211, INC.Statements of Financial Position
June 30, 2020 and 2019

| Assets | 2020 | 2019 |
|---------------------------------------|-------------------|-------------------|
| Current Assets: | | |
| Cash | \$ 435,486 | \$ 102 |
| Accounts receivable | 210,058 | 120,933 |
| Total current assets | <u>\$ 645,544</u> | <u>\$ 121,035</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable | \$ 18,701 | \$ 365,172 |
| Long-Term Debt | 150,000 | - |
| Total liabilities | 168,701 | 365,172 |
| Net Assets Without Donor Restrictions | 476,843 | (244,137) |
| Total liabilities and net assets | <u>\$ 645,544</u> | <u>\$ 121,035</u> |

MASS211, INC.Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|---------------------|
| Operating Support and Revenues: | | |
| Government grants | \$ 1,703,704 | \$ 1,040,480 |
| Annual assessments | 349,088 | 320,332 |
| Grants and contributions | <u>107,050</u> | <u>23,000</u> |
| Total operating support and revenues | <u>2,159,842</u> | <u>1,383,812</u> |
| Operating Expenses: | | |
| Operational service and management fees | 1,438,529 | 1,376,509 |
| Professional and filing fees | <u>333</u> | <u>15,494</u> |
| Total operating expenses | <u>1,438,862</u> | <u>1,392,003</u> |
| Changes in net assets without donor restrictions | 720,980 | (8,191) |
| Net Assets Without Donor Restrictions: | | |
| Beginning of year | <u>(244,137)</u> | <u>(235,946)</u> |
| End of year | <u>\$ 476,843</u> | <u>\$ (244,137)</u> |

MASS211, INC.Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|---------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets without donor restrictions | \$ 720,980 | \$ (8,191) |
| Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by (used in) operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (89,125) | (6,198) |
| Accounts payable | <u>(346,471)</u> | <u>11,958</u> |
| Net cash provided by (used in) operating activities | 285,384 | (2,431) |
| Cash Flows from Financing Activities: | | |
| Proceeds from long-term debt | <u>150,000</u> | <u>-</u> |
| Net Change in Cash | 435,384 | (2,431) |
| Cash: | | |
| Beginning of year | <u>102</u> | <u>2,533</u> |
| End of year | <u>\$ 435,486</u> | <u>\$ 102</u> |

MASS211, INC.

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Operations

Mass211, Inc. (Mass211) is a nonprofit organization founded in April 2000, in conjunction with the Massachusetts Association of Information and Referral Services (MAIRS) and the Council of Massachusetts United Ways (COMUW). Mass211 was established to serve the residents of the Commonwealth of Massachusetts by developing and managing a statewide information and referral system that has an N11 dialing code and provides high quality and community-based services. Mass211 creates a critical connection between individuals and families seeking services or volunteer opportunities with the appropriate community-based organizations and government agencies.

Nonprofit Status

Mass211 is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Mass211 is also exempt from state income taxes. Donors may deduct contributions made to Mass211 within the IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

Mass211 prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

During fiscal year 2020, Mass211 adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Mass211 adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019. There were no material changes to the recognition of contribution revenue during fiscal year 2020.

During fiscal year 2020, Mass211 also adopted ASC Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on Mass211's financial statements as Mass211's current revenue sources are not subject to this accounting standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding and Revenue Recognition

Contributed income may include gifts of cash, or promises to give. Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received and are recorded in the appropriate net asset category in accordance with donor-imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions are substantially met. When considered material, grants and contributions to be received after one (1) year are discounted at an appropriate discount rate commensurate with the risk involved. Multi-year commitments are recorded during the year of the initial pledge.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, Mass211 must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Mass211 should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met (see Note 8).

Grants and contributions, including annual assessments and government grants, are recorded when received or unconditionally committed. Unconditional grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the grant and contribution is recognized. All other donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Expenses Allocation

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

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are operational service and management fees and professional and filing fees, which are allocated based on management's estimate of time incurred by the United Way organization's personnel.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by Mass211.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimates of accounts that may be uncollectible, if any. There was no allowance for doubtful accounts deemed necessary at June 30, 2020 and 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Mass211 follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that Mass211 would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

Mass211 uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Mass211. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

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

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

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

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All of Mass211's qualifying assets and liabilities are valued using Level 1 inputs.

Estimates

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

Income Taxes

Mass211 accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Mass211 has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. Mass211's information returns are subject to examination by the Federal and state jurisdictions.

MASS211, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 8, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. EXPENSES - NATURAL AND FUNCTIONAL CLASSIFICATION

Mass211's operating expenses for the year ended June 30, 2020, by their natural and functional classifications are as follows:

| | <u>Program</u> | <u>General and Adminis- trative</u> | <u>Total</u> |
|---|---------------------|---|---------------------|
| Operational service and management fees | \$ 1,120,535 | \$ 317,994 | \$ 1,438,529 |
| Professional and filing fees | <u>333</u> | <u>-</u> | <u>333</u> |
| | <u>\$ 1,120,868</u> | <u>\$ 317,994</u> | <u>\$ 1,438,862</u> |

Mass211's operating expenses for the year ended June 30, 2019, by their natural and functional classifications are as follows:

| | <u>Program</u> | <u>General and Adminis- trative</u> | <u>Total</u> |
|---|---------------------|---|---------------------|
| Operational service and management fees | \$ 1,083,420 | \$ 293,089 | \$ 1,376,509 |
| Professional and filing fees | <u>494</u> | <u>15,000</u> | <u>15,494</u> |
| | <u>\$ 1,083,914</u> | <u>\$ 308,089</u> | <u>\$ 1,392,003</u> |

4. COMMITMENTS

Operational Service and Management Fees

Mass211 and a certain United Way organization (the Organization) entered into an agreement effective July 1, 2014, through June 30, 2019. This agreement stated that the Organization is entitled to receive a management fee equal to the costs incurred to carry out the services required by Mass211's grants and contracts. The Organization incurred costs of approximately \$1,439,000 and \$1,377,000 for the years ended June 30, 2020 and 2019, respectively, which were billed to Mass211 and are reflected as operational service and management fees in the accompanying statements of activities and changes in net assets. Mass211 is currently negotiating a new agreement with the Organization, and the old agreement will stay in effect until the new agreement is finalized.

As of June 30, 2020 and 2019, \$18,701 and \$365,172, respectively, is owed to the Organization and is reflected as accounts payable in the accompanying statements of financial position.

MASS211, INC.

Notes to Financial Statements
June 30, 2020 and 2019

5. CONCENTRATIONS

Approximately 79% of total operating support was earned from four sources for the years ended June 30, 2020 and 2019. For the years ended June 30, 2020 and 2019, 100% and approximately 89% of Mass211's accounts receivable was due from four and three sources, respectively.

6. LINE OF CREDIT

During fiscal year 2019, Mass211 entered into a line of credit with a bank in the amount of \$95,000. Borrowings under the agreement are due on demand and interest is payable monthly at the prime rate (3.25% and 5.25% at June 30, 2020 and 2019, respectively), plus 1%. Borrowings are secured by all business assets and guaranteed by a United Way organization. There was no amount outstanding as of June 30, 2020 and 2019.

7. LONG-TERM DEBT

During fiscal year 2020, Mass211 applied for and was awarded an Economic Injury Disaster Loan of \$150,000 from the U.S. Small Business Administration. The loan bears interest at 2.75% per annum. Monthly principal and interest payments of \$641 are due beginning on May 19, 2021 through May 18, 2050 (maturity), with payments being applied first to interest accrued to date, and the balance, if any, applied to principal. This loan is secured by all business assets of Mass211.

Future minimum principal payments over the next five years are as follows:

| | | |
|------|----|-------|
| 2021 | \$ | - |
| 2022 | \$ | 261 |
| 2023 | \$ | 3,620 |
| 2024 | \$ | 3,721 |
| 2025 | \$ | 3,824 |

8. CONDITIONAL GRANTS

Mass211 has been awarded conditional grants from certain government agencies. Payment of these grants is conditional upon certain factors as specified in the grant agreements and Mass211 incurring eligible costs and running its various programs. Accordingly, \$2,166,695, representing the remaining balances of these contracts, has not been reflected in the accompanying financial statements as of June 30, 2020. Of the remaining balances of these contracts, \$1,411,466 is expected to be recognized as revenue during fiscal year 2021, and the remaining balance of \$755,229 is expected to be recognized as revenue during fiscal year 2022.

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Mass211's financial assets available within one year from the statements of financial position date for general operating expenses as of June 30, 2020 and 2019, are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Cash | \$ 435,486 | \$ 102 |
| Accounts receivable | <u>210,058</u> | <u>120,933</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 645,544</u> | <u>\$ 121,035</u> |

MASS211, INC.

Notes to Financial Statements
June 30, 2020 and 2019

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

In accordance with the operational service and management fees agreement (see Note 4), Mass211's expenses are paid by the Organization, which is then reimbursed for the costs incurred to carry out the services required by Mass211's grants and contracts. Mass211 reimburses the Organization when the grants and contracts funds become available. In the event of an unanticipated liquidity need, management could also draw upon its \$95,000 bank line of credit (see Note 6).

10. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on Mass211's operations and financial position. As a result, the adverse impact COVID-19 will have on Mass211's businesses, operating results, cash flows and financial condition is uncertain. The financial impact to Mass211, if any, cannot be reasonably estimated at this time.

11. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the fiscal year 2020 presentation.