



**LITTLE SISTERS OF THE ASSUMPTION  
FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

**COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Contents  
June 30, 2016 and 2015

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## Independent Auditor's Report

To the Board of Directors of  
Little Sisters of the Assumption Family Health Services of  
Massachusetts, Inc. d/b/a Project Hope and Affiliate:

### **Report on the Combining Financial Statements**

We have audited the accompanying combining financial statements of Little Sisters of the Assumption Family Health Services of Massachusetts, Inc. d/b/a Project Hope and Affiliate (Massachusetts corporations, not for profit), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related combining statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

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

Management is responsible for the preparation and fair presentation of these combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

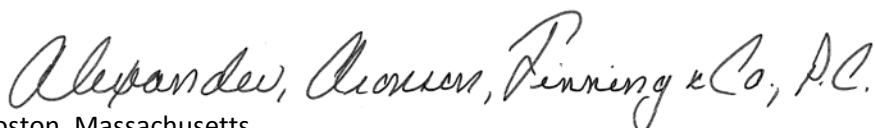
Our responsibility is to express an opinion on these combining financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the combining financial position of Little Sisters of the Assumption Family Health Services of Massachusetts, Inc. d/b/a Project Hope and Affiliate as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts  
November 2, 2016

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.**  
**D/B/A PROJECT HOPE AND AFFILIATE**

Statements of Financial Position  
June 30, 2016 and 2015

Assets	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:								
Cash and cash equivalents	\$ 295,941	\$ 96,171	\$ -	\$ 392,112	\$ 759,171	\$ 326,924	\$ -	\$ 1,086,095
Contracts and other receivables	616,175	20,000	-	636,175	393,402	10,000	-	403,402
Pledges receivable	125,000	-	-	125,000	111,200	-	-	111,200
Prepaid expenses and deposit	75,245	-	-	75,245	98,189	-	-	98,189
Total current assets	<u>1,112,361</u>	<u>116,171</u>	<u>-</u>	<u>1,228,532</u>	<u>1,361,962</u>	<u>336,924</u>	<u>-</u>	<u>1,698,886</u>
Investments	939,598	-	168,000	1,107,598	910,713	-	168,000	1,078,713
Property and Equipment, net	<u>4,922,643</u>	<u>-</u>	<u>-</u>	<u>4,922,643</u>	<u>5,056,025</u>	<u>-</u>	<u>-</u>	<u>5,056,025</u>
Total assets	<u>\$ 6,974,602</u>	<u>\$ 116,171</u>	<u>\$ 168,000</u>	<u>\$ 7,258,773</u>	<u>\$ 7,328,700</u>	<u>\$ 336,924</u>	<u>\$ 168,000</u>	<u>\$ 7,833,624</u>
<b>Liabilities and Net Assets</b>								
Current Liabilities:								
Accounts payable and accrued expenses	\$ 418,377	\$ -	\$ -	\$ 418,377	\$ 398,170	\$ -	\$ -	\$ 398,170
Deferred revenue	<u>35,500</u>	<u>-</u>	<u>-</u>	<u>35,500</u>	<u>35,190</u>	<u>-</u>	<u>-</u>	<u>35,190</u>
Total current liabilities	<u>453,877</u>	<u>-</u>	<u>-</u>	<u>453,877</u>	<u>433,360</u>	<u>-</u>	<u>-</u>	<u>433,360</u>
Contingent Note Payable	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Total liabilities	<u>513,877</u>	<u>-</u>	<u>-</u>	<u>513,877</u>	<u>503,360</u>	<u>-</u>	<u>-</u>	<u>503,360</u>
Net Assets:								
Unrestricted:								
Operating	1,364,964	-	-	1,364,964	1,675,432	-	-	1,675,432
Property and equipment	4,862,643	-	-	4,862,643	4,920,912	-	-	4,920,912
Board designated	<u>233,118</u>	<u>-</u>	<u>-</u>	<u>233,118</u>	<u>228,996</u>	<u>-</u>	<u>-</u>	<u>228,996</u>
Total unrestricted	<u>6,460,725</u>	<u>-</u>	<u>-</u>	<u>6,460,725</u>	<u>6,825,340</u>	<u>-</u>	<u>-</u>	<u>6,825,340</u>
Temporarily restricted	-	116,171	-	116,171	-	336,924	-	336,924
Permanently restricted	<u>-</u>	<u>-</u>	<u>168,000</u>	<u>168,000</u>	<u>-</u>	<u>-</u>	<u>168,000</u>	<u>168,000</u>
Total net assets	<u>6,460,725</u>	<u>116,171</u>	<u>168,000</u>	<u>6,744,896</u>	<u>6,825,340</u>	<u>336,924</u>	<u>168,000</u>	<u>7,330,264</u>
Total liabilities and net assets	<u>\$ 6,974,602</u>	<u>\$ 116,171</u>	<u>\$ 168,000</u>	<u>\$ 7,258,773</u>	<u>\$ 7,328,700</u>	<u>\$ 336,924</u>	<u>\$ 168,000</u>	<u>\$ 7,833,624</u>

The accompanying notes are an integral part of these combining statements.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE

Statement of Activities  
For the Year Ended June 30, 2016  
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016					2015
	Operating	Unrestricted Property and Equipment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Support:</b>						
Gifts, grants, contributions and United Way allocation	\$ 1,397,961	\$ -	\$ 1,397,961	\$ 25,578	\$ -	\$ 1,423,539
Special events	654,561	-	654,561	-	-	654,561
Donated goods and services	155,808	-	155,808	-	-	155,808
Net assets released from purpose restrictions	180,441	-	180,441	(180,441)	-	-
Less - grants paid to others	(188,000)	-	(188,000)	-	-	(188,000)
	<u>2,200,771</u>	<u>-</u>	<u>2,200,771</u>	<u>(154,863)</u>	<u>-</u>	<u>2,045,908</u>
<b>Earned Income and Other:</b>						
Contracts	2,342,171	-	2,342,171	-	-	2,342,171
Investment income	18,970	-	18,970	-	-	18,970
Fees and other	9,631	-	9,631	-	-	9,631
	<u>2,370,772</u>	<u>-</u>	<u>2,370,772</u>	<u>-</u>	<u>-</u>	<u>2,370,772</u>
Total operating support, earned income and other	<u>4,571,543</u>	<u>-</u>	<u>4,571,543</u>	<u>(154,863)</u>	<u>-</u>	<u>4,416,680</u>
<b>Operating Expenses:</b>						
Program services:						
Shelter Services	792,773	56,666	849,439	-	-	849,439
Adult Education Services	505,218	27,258	532,476	-	-	532,476
Housing Services	648,923	20,123	669,046	-	-	669,046
Family Day Care	736,562	12,976	749,538	-	-	749,538
Employer Partners	558,639	28,752	587,391	-	-	587,391
External Affairs and Speaker's Bureau	179,117	7,348	186,465	-	-	186,465
Co-Opportunity	-	-	-	-	-	-
Total program services	<u>3,421,232</u>	<u>153,123</u>	<u>3,574,355</u>	<u>-</u>	<u>-</u>	<u>3,574,355</u>
Supporting services:						
General and Administrative	745,628	27,562	773,190	-	-	773,190
Fundraising	387,046	12,373	399,419	-	-	399,419
Total supporting services	<u>1,132,674</u>	<u>39,935</u>	<u>1,172,609</u>	<u>-</u>	<u>-</u>	<u>1,172,609</u>
Total operating expenses	<u>4,553,906</u>	<u>193,058</u>	<u>4,746,964</u>	<u>-</u>	<u>-</u>	<u>4,746,964</u>
Changes in net assets from operations	<u>17,637</u>	<u>(193,058)</u>	<u>(175,421)</u>	<u>(154,863)</u>	<u>-</u>	<u>(330,284)</u>
<b>Non-Operating Revenue (Expense):</b>						
Forgiveness of debt	-	10,000	10,000	-	-	10,000
Unrealized gain on investments	9,855	-	9,855	-	-	9,855
Net gain on unwind of Co-Opportunity, Inc.	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Net assets released from capital restrictions	-	65,890	65,890	(65,890)	-	-
Total non-operating revenue (expense)	<u>9,855</u>	<u>75,890</u>	<u>85,745</u>	<u>(65,890)</u>	<u>-</u>	<u>19,855</u>
<b>Loss on Discontinued Operations</b>	<u>(255,607)</u>	<u>(19,332)</u>	<u>(274,939)</u>	<u>-</u>	<u>-</u>	<u>(274,939)</u>
Changes in net assets	<u>\$ (228,115)</u>	<u>\$ (136,500)</u>	<u>\$ (364,615)</u>	<u>\$ (220,753)</u>	<u>\$ -</u>	<u>\$ (585,368)</u>
						<u>\$ 1,326,920</u>

The accompanying notes are an integral part of these combining statements.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE

Combining Statement of Activities  
For the Year Ended June 30, 2015

	Project Hope								
	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Co- Opportunity	Eliminations	Total
	Operating	Property and Equipment							
<b>Operating Revenues and Support:</b>									
Gifts, grants, contributions and United Way allocation	\$ 1,430,347	\$ -	\$ 1,430,347	\$ 119,344	\$ -	\$ 1,549,691	\$ -	\$ -	\$ 1,549,691
Special events	385,526	-	385,526	-	-	385,526	-	-	385,526
Donated goods and services	218,775	-	218,775	-	-	218,775	-	-	218,775
Net assets released from purpose restrictions	302,081	-	302,081	(302,081)	-	-	-	-	-
Less - grants paid to others	(1,000)	-	(1,000)	-	-	(1,000)	-	-	(1,000)
	<u>2,335,729</u>	<u>-</u>	<u>2,335,729</u>	<u>(182,737)</u>	<u>-</u>	<u>2,152,992</u>	<u>-</u>	<u>-</u>	<u>2,152,992</u>
<b>Earned Income and Other:</b>									
Contracts	2,194,460	-	2,194,460	-	-	2,194,460	-	-	2,194,460
Investment income	26,926	-	26,926	-	-	26,926	-	-	26,926
Rental income	-	-	-	-	-	-	18,000	(18,000)	-
Fees and other	1,478	-	1,478	-	-	1,478	2,040	-	3,518
	<u>2,222,864</u>	<u>-</u>	<u>2,222,864</u>	<u>-</u>	<u>-</u>	<u>2,222,864</u>	<u>20,040</u>	<u>(18,000)</u>	<u>2,224,904</u>
Total operating support, earned income and other	<u>4,558,593</u>	<u>-</u>	<u>4,558,593</u>	<u>(182,737)</u>	<u>-</u>	<u>4,375,856</u>	<u>20,040</u>	<u>(18,000)</u>	<u>4,377,896</u>
<b>Operating Expenses:</b>									
Program services:									
Shelter Services	805,128	34,290	839,418	-	-	839,418	-	(2,913)	836,505
Adult Education Services	553,857	15,880	569,737	-	-	569,737	-	(4,564)	565,173
Housing Services	428,129	9,448	437,577	-	-	437,577	-	(2,925)	434,652
Family Day Care	751,717	5,536	757,253	-	-	757,253	-	(1,039)	756,214
Employer Partners	511,812	10,259	522,071	-	-	522,071	-	(621)	521,450
External Affairs and Speaker's Bureau	148,069	2,364	150,433	-	-	150,433	-	(719)	149,714
Co-Opportunity	-	-	-	-	-	-	91,293	-	91,293
Total program services	<u>3,198,712</u>	<u>77,777</u>	<u>3,276,489</u>	<u>-</u>	<u>-</u>	<u>3,276,489</u>	<u>91,293</u>	<u>(12,781)</u>	<u>3,355,001</u>
Supporting services:									
General and Administrative	808,071	11,803	819,874	-	-	819,874	-	(3,480)	816,394
Fundraising	328,798	6,288	335,086	-	-	335,086	-	(1,739)	333,347
Total supporting services	<u>1,136,869</u>	<u>18,091</u>	<u>1,154,960</u>	<u>-</u>	<u>-</u>	<u>1,154,960</u>	<u>-</u>	<u>(5,219)</u>	<u>1,149,741</u>
Total operating expenses	<u>4,335,581</u>	<u>95,868</u>	<u>4,431,449</u>	<u>-</u>	<u>-</u>	<u>4,431,449</u>	<u>91,293</u>	<u>(18,000)</u>	<u>4,504,742</u>
Changes in net assets from operations	<u>223,012</u>	<u>(95,868)</u>	<u>127,144</u>	<u>(182,737)</u>	<u>-</u>	<u>(55,593)</u>	<u>(71,253)</u>	<u>-</u>	<u>(126,846)</u>
<b>Non-Operating Revenue (Expense):</b>									
Forgiveness of debt	-	10,000	10,000	-	-	10,000	-	-	10,000
Unrealized gain on investments	3,690	-	3,690	-	-	3,690	-	-	3,690
Net gain on unwind of Co-Opportunity, Inc.	-	699,478	699,478	-	-	699,478	246,886	415,625	1,361,989
Capital grants	-	35,982	35,982	129,018	-	165,000	-	-	165,000
Net assets released from capital restrictions	-	73,889	73,889	(73,889)	-	-	-	-	-
Net assets released from purpose restriction - building expansion	-	3,548,261	3,548,261	(3,548,261)	-	-	-	-	-
Total non-operating revenue (expense)	<u>3,690</u>	<u>4,367,610</u>	<u>4,371,300</u>	<u>(3,493,132)</u>	<u>-</u>	<u>878,168</u>	<u>246,886</u>	<u>415,625</u>	<u>1,540,679</u>
<b>Loss on Discontinued Operations</b>	<u>(75,751)</u>	<u>(11,162)</u>	<u>(86,913)</u>	<u>-</u>	<u>-</u>	<u>(86,913)</u>	<u>-</u>	<u>-</u>	<u>(86,913)</u>
Changes in net assets	<u>\$ 150,951</u>	<u>\$ 4,260,580</u>	<u>\$ 4,411,531</u>	<u>\$ (3,675,869)</u>	<u>\$ -</u>	<u>\$ 735,662</u>	<u>\$ 175,633</u>	<u>\$ 415,625</u>	<u>\$ 1,326,920</u>

The accompanying notes are an integral part of these combining statements.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Combining Statements of Changes in Net Assets  
For the Years Ended June 30, 2016 and 2015

	<b>Project Hope</b>								
	<b>Unrestricted</b>			<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Co- Opportunity</b>	<b>Eliminations</b>	<b>Total</b>
	<b>Operating</b>	<b>Property and Equipment</b>	<b>Total Unrestricted</b>						
<b>Net Assets, June 30, 2014</b>	\$ 1,822,341	\$ 591,468	\$ 2,413,809	\$ 4,012,793	\$ 168,000	\$ 6,594,602	\$ (175,633)	\$ (415,625)	\$ 6,003,344
Changes in net assets	150,951	4,260,580	4,411,531	(3,675,869)	-	735,662	175,633	415,625	1,326,920
Net assets transfer	(68,864)	68,864	-	-	-	-	-	-	-
<b>Net Assets, June 30, 2015</b>	1,904,428	4,920,912	6,825,340	336,924	168,000	7,330,264	-	-	7,330,264
Changes in net assets	(228,115)	(136,500)	(364,615)	(220,753)	-	(585,368)	-	-	(585,368)
Net assets transfer	(78,231)	78,231	-	-	-	-	-	-	-
<b>Net Assets, June 30, 2016</b>	<u>\$ 1,598,082</u>	<u>\$ 4,862,643</u>	<u>\$ 6,460,725</u>	<u>\$ 116,171</u>	<u>\$ 168,000</u>	<u>\$ 6,744,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,744,896</u>

The accompanying notes are an integral part of these combining statements.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Combining Statements of Cash Flows  
For the Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>			<b>Total</b>
	<b>Project Hope</b>	<b>Project Hope</b>	<b>Co- Opportunity</b>	<b>Eliminations</b>	
<b>Cash Flows from Operating Activities:</b>					
Changes in net assets	\$ (585,368)	\$ 735,662	\$ 175,633	\$ 415,625	\$ 1,326,920
Adjustments to reconcile changes in net assets to net cash used in operating activities:					
Depreciation and amortization	212,390	107,030	63,170	-	170,200
Bad debt	7,126	-	-	-	-
Capital grants	-	(165,000)	-	-	(165,000)
Unrealized gain on investments	(9,855)	(3,690)	-	-	(3,690)
Forgiveness of debt	(10,000)	(10,000)	-	-	(10,000)
Net gain on unwind of Co-Opportunity, Inc.	-	(699,478)	(246,886)	(415,625)	(1,361,989)
Changes in operating assets and liabilities:					
Contracts and other receivables	(239,899)	(108,638)	-	-	(108,638)
Pledges receivable	(13,800)	-	-	-	-
Due from related parties	-	(8,649)	8,649	-	-
Prepaid expenses and deposit	22,944	(46,802)	-	-	(46,802)
Accounts payable and accrued expenses	85,320	79,987	(2,972)	-	77,015
Deferred revenue	310	35,190	-	-	35,190
Net cash used in operating activities	<u>(530,832)</u>	<u>(84,388)</u>	<u>(2,406)</u>	<u>-</u>	<u>(86,794)</u>
<b>Cash Flows from Investing Activities:</b>					
Redemption of replacement reserve	-	-	25,000	-	25,000
Transfer of cash	-	46,464	(46,464)	-	-
Purchase of investments	(19,030)	(14,823)	-	-	(14,823)
Acquisition of property and equipment	(144,121)	(72,783)	-	-	(72,783)
Net cash used in investing activities	<u>(163,151)</u>	<u>(41,142)</u>	<u>(21,464)</u>	<u>-</u>	<u>(62,606)</u>
<b>Cash Flows from Financing Activities:</b>					
Capital grants received	-	165,000	-	-	165,000
<b>Net Change in Cash and Cash Equivalents</b>	(693,983)	39,470	(23,870)	-	15,600
<b>Cash and Cash Equivalents:</b>					
Beginning of year	1,086,095	1,046,625	23,870	-	1,070,495
End of year	<u>\$ 392,112</u>	<u>\$ 1,086,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,086,095</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Unrealized gain on investments	<u>\$ 9,855</u>	<u>\$ 3,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,690</u>
<b>Supplemental Disclosure of Non-Cash Investing Activities:</b>					
Assumption (transfer) of property and equipment	<u>\$ -</u>	<u>\$ 4,780,525</u>	<u>\$ (4,780,525)</u>	<u>\$ -</u>	<u>\$ -</u>
Property and equipment additions included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 65,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,113</u>

The accompanying notes are an integral part of these combining statements.



LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE

Statement of Functional Expenses  
For the Year Ended June 30, 2016  
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016											2015	
	Program Services								Supporting Services			Total	
	Shelter Services	Adult Education Services	Housing Services	Family Day Care	Employer Partners	External Affairs and Speaker's Bureau	Program Support and Evaluation	Facility	Total Program Services	General and Administrative	Fundraising		
<b>Operating Expenses:</b>													
Salaries and related:													
Salaries	\$ 377,988	\$ 289,724	\$ 300,245	\$ 142,602	\$ 350,788	\$ 107,951	\$ 65,304	\$ 81,429	\$ 1,716,031	\$ 363,829	\$ 203,281	\$ 2,283,141	\$ 2,194,176
Employee benefits	75,248	55,092	42,149	17,145	40,612	11,913	11,583	16,584	270,326	69,712	21,781	361,819	389,223
Payroll taxes	32,862	30,056	26,110	11,627	30,019	8,851	5,351	6,892	151,768	30,746	16,490	199,004	185,693
Total salaries and related	486,098	374,872	368,504	171,374	421,419	128,715	82,238	104,905	2,138,125	464,287	241,552	2,843,964	2,769,092
Occupancy:													
Depreciation	-	-	-	-	-	-	-	207,585	207,585	-	-	207,585	125,718
Utilities	10,823	-	-	-	-	-	-	66,583	77,406	-	-	77,406	85,246
Rent	-	-	-	-	-	-	-	64,100	64,100	-	-	64,100	21,600
Insurance	7,782	-	1,471	-	-	-	-	30,051	39,304	23,267	-	62,571	61,721
Repairs and maintenance	186	-	-	-	-	-	-	27,303	27,489	2,958	-	30,447	33,839
Total occupancy	18,791	-	1,471	-	-	-	-	395,622	415,884	26,225	-	442,109	328,124
Other costs:													
Provider fees	-	-	-	451,332	-	-	-	-	451,332	-	-	451,332	425,181
Donated goods and services	66,844	15,789	11,390	7,351	23,030	350	-	-	124,754	31,054	-	155,808	218,775
Client expense	8,170	7,464	134,439	130	2,867	857	-	-	153,927	-	-	153,927	65,242
Contracted services	-	-	-	2,140	-	-	-	63,597	65,737	9,597	-	75,334	68,162
Consultants	9,063	8,986	8,625	3,795	-	2,610	22,975	-	56,054	12,281	6,950	75,285	123,726
Professional fees	-	2,917	-	-	7,083	-	-	-	10,000	57,010	-	67,010	51,146
Direct donor benefits	-	-	-	-	-	10,781	-	-	10,781	-	53,440	64,221	24,924
Information technology	2,838	1,463	12,828	273	4,152	19	28	371	21,972	40,360	922	63,254	62,357
Printing and postage	420	847	1,457	651	962	7,448	59	28,196	40,040	3,006	18,881	61,927	41,460
Supplies	18,574	7,302	4,285	4,676	4,273	1,019	40	7,726	47,895	11,202	904	60,001	55,488
Food	28,924	1,000	1,375	6,345	1,479	4,904	313	82	44,422	7,236	-	51,658	45,986
Transportation	148	1,007	2,292	38,424	1,882	425	63	38	44,279	2,250	901	47,430	49,868
Miscellaneous	7,237	1,401	-	2,772	-	5,272	-	2,374	19,056	19,775	5,154	43,985	56,380
Pass-through client services	-	-	39,159	-	-	-	-	-	39,159	-	-	39,159	11,644
Telephone	3,835	201	2,273	1,271	1,706	520	150	25,705	35,661	1,701	846	38,208	31,619
Indirect special event expenses	-	-	-	-	-	-	-	-	-	-	28,242	28,242	27,468
Dues and subscriptions	-	35	675	2,392	500	995	12,040	-	16,637	570	2,588	19,795	16,378
Training	-	932	-	765	100	345	1,525	12,854	16,521	1,536	1,391	19,448	8,287
Advertising	397	1,402	1,424	-	6,797	-	307	-	10,327	70	-	10,397	3,344
Conferences and meetings	111	1,156	403	4,670	248	280	209	-	7,077	2,011	1,224	10,312	4,577
Special activity	432	250	150	675	175	33	-	129	1,844	2,241	93	4,178	9,747
Equipment depreciation	1,896	194	-	-	412	-	222	-	2,724	763	269	3,756	43,341
Equipment maintenance	1,488	-	-	-	-	-	-	46	1,534	170	-	1,704	23,011
Interest	-	-	-	-	-	-	-	-	-	-	-	-	18,224
Total other costs	150,377	52,346	220,775	527,662	55,666	35,858	37,931	141,118	1,221,733	202,833	121,805	1,546,371	1,486,335
Total operating expenses before program support and facility allocations	655,266	427,218	590,750	699,036	477,085	164,573	120,169	641,645	3,775,742	693,345	363,357	4,832,444	4,583,551
Program support allocation	31,133	24,776	18,433	11,895	25,964	-	(112,201)	-	-	-	-	-	-
Facility allocation	163,040	80,482	59,863	38,607	84,342	21,892	23,165	(587,298)	(115,907)	79,845	36,062	-	-
Allocations included in discontinued operations	-	-	-	-	-	-	(31,133)	(54,347)	(85,480)	-	-	(85,480)	(78,809)
Total operating expenses	\$ 849,439	\$ 532,476	\$ 669,046	\$ 749,538	\$ 587,391	\$ 186,465	\$ -	\$ -	\$ 3,574,355	\$ 773,190	\$ 399,419	\$ 4,746,964	\$ 4,504,742

The accompanying notes are an integral part of these combining statements.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE

Combining Statement of Functional Expenses  
For the Year Ended June 30, 2015

	Project Hope												Co- Opportunity	Eliminations	Total
	Program Services								Supporting Services						
	Shelter Services	Adult Education Services	Housing Services	Family Day Care	Employer Partners	External Affairs and Speaker's Bureau	Program Support and Evaluation	Facility	Total Program Services	General and Adminis- trative	Fundraising	Total			
<b>Operating Expenses:</b>															
Salaries and related:															
Salaries	\$ 349,696	\$ 288,652	\$ 227,604	\$ 176,015	\$ 308,995	\$ 94,378	\$ 56,934	\$ 79,564	\$ 1,581,838	\$ 426,863	\$ 185,475	\$ 2,194,176	\$ -	\$ -	\$ 2,194,176
Employee benefits	81,940	72,169	45,123	19,404	50,802	11,429	5,305	16,402	302,574	67,059	19,590	389,223	-	-	389,223
Payroll taxes	31,218	25,521	20,314	16,466	27,162	7,924	4,375	7,532	140,512	29,222	15,959	185,693	-	-	185,693
Total salaries and related	462,854	386,342	293,041	211,885	386,959	113,731	66,614	103,498	2,024,924	523,144	221,024	2,769,092	-	-	2,769,092
Occupancy:															
Depreciation and amortization	-	-	-	-	-	-	-	62,548	62,548	-	-	62,548	63,170	-	125,718
Utilities	8,102	-	-	-	-	-	-	77,144	85,246	-	-	85,246	-	-	85,246
Rent	-	-	-	-	-	-	-	39,600	39,600	-	-	39,600	-	(18,000)	21,600
Insurance	7,476	-	1,766	-	-	-	-	29,602	38,844	22,877	-	61,721	-	-	61,721
Repairs and maintenance	646	-	-	-	-	-	-	32,212	32,858	981	-	33,839	-	-	33,839
Total occupancy	16,224	-	1,766	-	-	-	-	241,106	259,096	23,858	-	282,954	63,170	(18,000)	328,124
Other costs:															
Provider fees	-	-	-	425,181	-	-	-	-	425,181	-	-	425,181	-	-	425,181
Donated goods and services	96,221	32,590	9,035	7,157	33,777	265	-	-	179,045	39,730	-	218,775	-	-	218,775
Client expense	8,012	643	46,182	738	3,039	628	6,000	-	65,242	-	-	65,242	-	-	65,242
Contracted services	-	-	-	2,103	-	-	-	56,578	58,681	9,481	-	68,162	-	-	68,162
Consultants	11,096	16,231	-	8,087	-	5,361	51,833	-	92,608	25,455	5,663	123,726	-	-	123,726
Professional fees	-	-	-	-	10,833	-	-	-	10,833	30,945	-	41,778	9,368	-	51,146
Direct donor benefits	-	-	-	-	-	-	-	-	-	-	24,924	24,924	-	-	24,924
Information technology	440	5,831	832	934	2,296	48	1,166	2,570	14,117	47,663	577	62,357	-	-	62,357
Printing and postage	252	322	481	630	509	5,506	-	19,488	27,188	1,460	12,812	41,460	-	-	41,460
Supplies	20,071	6,312	1,584	6,357	4,144	210	149	11,124	49,951	4,242	1,295	55,488	-	-	55,488
Food	26,928	1,415	997	6,990	1,018	4,596	243	-	42,187	3,799	-	45,986	-	-	45,986
Transportation	156	1,941	1,200	42,714	2,701	270	-	-	48,982	778	108	49,868	-	-	49,868
Miscellaneous	1,358	-	360	2,076	-	1,268	-	131	5,193	45,501	5,155	55,849	531	-	56,380
Pass-through client services	-	-	11,644	-	-	-	-	-	11,644	-	-	11,644	-	-	11,644
Telephone	3,592	-	1,123	1,044	989	448	244	22,606	30,046	865	708	31,619	-	-	31,619
Indirect special event expenses	-	-	-	-	-	-	-	-	-	-	27,468	27,468	-	-	27,468
Dues and subscriptions	-	160	-	122	2,000	232	11,485	-	13,999	650	1,729	16,378	-	-	16,378
Training	-	3,362	757	40	-	1,130	57	-	5,346	380	2,561	8,287	-	-	8,287
Advertising	125	470	-	-	2,449	-	-	-	3,044	275	25	3,344	-	-	3,344
Conferences and meetings	411	520	60	89	341	167	826	-	2,414	600	1,563	4,577	-	-	4,577
Special activity	200	666	150	1,044	150	4,614	25	-	6,849	2,805	93	9,747	-	-	9,747
Equipment depreciation and amortization	4,591	323	-	-	541	-	1,010	35,915	42,380	362	599	43,341	-	-	43,341
Equipment maintenance	5,091	-	-	-	-	-	-	17,920	23,011	-	-	23,011	-	-	23,011
Interest	-	-	-	-	-	-	-	-	-	-	-	-	18,224	-	18,224
Total other costs	178,544	70,786	74,405	505,306	64,787	24,743	73,038	166,332	1,157,941	214,991	85,280	1,458,212	28,123	-	1,486,335
Total operating expenses before program support and facility allocations	657,622	457,128	369,212	717,191	451,746	138,474	139,652	510,936	3,441,961	761,993	306,304	4,510,258	91,293	(18,000)	4,583,551
Program support allocation	32,643	35,083	21,284	12,473	21,895	-	(123,378)	-	-	-	-	-	-	-	-
Facility allocation	149,153	77,526	47,081	27,589	48,430	11,959	12,817	(461,218)	(86,663)	57,881	28,782	-	-	-	-
Allocations included in discontinued operations	-	-	-	-	-	-	(29,091)	(49,718)	(78,809)	-	-	(78,809)	-	-	(78,809)
Total operating expenses	\$ 839,418	\$ 569,737	\$ 437,577	\$ 757,253	\$ 522,071	\$ 150,433	\$ -	\$ -	\$ 3,276,489	\$ 819,874	\$ 335,086	\$ 4,431,449	\$ 91,293	\$ (18,000)	\$ 4,504,742

The accompanying notes are an integral part of these combining statements.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**1. OPERATIONS AND NONPROFIT STATUS**

Little Sisters of the Assumption Family Health Services of Massachusetts, Inc. d/b/a Project Hope (Project Hope) is a Massachusetts not-for-profit corporation founded on November 4, 1981. Project Hope works with homeless, formerly homeless and low-income families in the North Dorchester/Roxbury area of Boston. Project Hope offers a comprehensive range of services that are a direct response to the expressed needs of this community, including emergency shelter, licensed day care, family child care, adult basic education, homeless prevention, and workforce development services.

Project Hope is the lead agency and fiscal manager of the Collaborative Shelter Program (CSP). CSP is a collaborative which consists of nine nonprofit agencies, including seven Family Shelters, Greater Boston Legal Services and The Boston Health Care for the Homeless Program, Inc. A Steering Committee of the above organizations meets quarterly to advance the CSP. Funding for this collaborative program flows into Project Hope's Adult Education Services and Employer Partners Programs. CSP assists homeless families to achieve economic security through an extensive assessment process, a series of specially designed career exploration workshops, and referrals to education, training and employment opportunities.

Project Hope 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). Project Hope is also exempt from state income taxes. Donors may deduct contributions made to Project Hope within the IRC requirements.

**Co-Opportunity, Inc.**

Co-Opportunity, Inc. (Co-Opportunity) was a Massachusetts not-for-profit corporation founded on June 13, 1988. Co-Opportunity shared a common Board of Directors with Project Hope and, accordingly, has been combined with Project Hope in the accompanying combining financial statements (see Note 8). Co-Opportunity provided housing and related services to low-income individuals and engaged in activities relating to the purchase and rehabilitation of low-income housing and the development of a limited equity housing cooperative (the Property). Co-Opportunity was dissolved during fiscal year 2015 (see Note 8).

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**Principles of Combination**

The combining financial statements include the accounts of Project Hope and Co-Opportunity (collectively, the Agency) (see Note 8). All significant balances between classes of net assets, intercompany balances and transactions have been eliminated in the accompanying combining financial statements.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

Gifts, grants and contributions received or unconditionally pledged are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions (see Note 4). When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combining statements of activities as net assets released from restrictions. Temporarily restricted revenues received and used for their intended purpose in the same period are reported as unrestricted revenues. Contracts are recorded when services are provided and costs are incurred. Contract revenue received in advance of services being performed is recorded as deferred revenue.

Interest, dividends and mutual fund distributions are recorded as investment income when earned. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 5). All other revenue is recorded when earned or as the services are provided.

**Special Events**

Special events revenue is recorded when earned and is recorded as special events revenue in the accompanying combining financial statements for the years ended June 30, 2016 and 2015. Indirect and direct special event expenses are reflected as direct donor benefits and indirect special event expenses, respectively, in the accompanying combining statements of functional expenses.

**Expense Allocations**

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.

**Donated Goods and Services**

Volunteers and other organizations contribute goods and services to Project Hope in support of various aspects of its programs. These goods and services are reflected in the accompanying combining financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management.

The value of these goods and services is as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Food and supplies	\$ 160,017	\$ 192,199
Contracted and professional services	<u>17,299</u>	<u>39,780</u>
	<u>\$ 177,316</u>	<u>\$ 231,979</u>

Included in loss on discontinued operations is \$21,508 and \$13,204 of donated goods and services during fiscal years 2016 and 2015, respectively.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising Costs**

Project Hope expenses advertising costs as they are incurred. During the years ended June 30, 2016 and 2015, Project Hope incurred \$10,792 and \$3,952, respectively, of advertising costs, including \$395 and \$608 during fiscal years 2016 and 2015, respectively, which are included in loss on discontinued operations in the accompanying combining financials statements

**Cash and Cash Equivalents**

For purposes of the combining statements of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less, excluding money market accounts (see Note 5), to be cash and cash equivalents.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. The allowance is based upon collection experience and other circumstances which may affect the ability of the Agency to collect. There was no allowance for doubtful accounts deemed necessary at June 30, 2016 and 2015.

**Funding**

Project Hope receives a significant portion of its funding from the Commonwealth of Massachusetts (the Commonwealth) under cost reimbursement and unit-rate contracts. Payments to Project Hope are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of Project Hope as of June 30, 2016 or 2015, or on its results of operations for the years then ended.

Three government agencies represent approximately 38% and 36% of total operating revenues and support for the years ended June 30, 2016 and 2015, respectively, along with 54% and 56% of total contracts and other receivables as of June 30, 2016 and 2015, respectively. In addition, at June 30, 2016, approximately 18% of contracts and other receivables were due from another funding source.

**Property and Equipment and Depreciation**

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Building improvements	10 - 20 years
Leasehold improvements	Life of lease or 10 years
Computer and office equipment	3 - 10 years
Vehicle	5 years

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements**

The Agency 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 the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency 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 the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

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

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

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

**Investments**

Investments are recorded in the combining financial statements at fair value. The Agency has adopted investment policies for endowment net assets that aim to achieve growth of the investment principal with limited volatility in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (see Note 6). Assets are to be invested in equities, preferred stock, convertibles, Real Estate Investment Trusts, investment grade bonds, short-term instruments, including money market funds and U. S. Treasury securities, and mutual funds to accomplish these goals. The endowment assets are invested to achieve a return that exceeds inflation by 4% over a five-year horizon. Risk and diversification parameters have been established and the endowment is maintained and re-balanced, if necessary, according to the Agency's investment policy. The Agency relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends).

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

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

**Income Taxes**

The Agency 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 combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at June 30, 2016 and 2015.

**Subsequent Events**

Subsequent events have been evaluated through November 2, 2016, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combining financial statements.

**Combining Statements of Activities**

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and support and operating expenses in the accompanying combining statements of activities. Peripheral or incidental transactions are reported as non-operating revenue (expense). Non-operating revenue (expense), consistent with industry practice, includes capital grants for long-lived assets, forgiveness of debt, unrealized gains on investments (see Note 5), and the net gain on unwind of Co-Opportunity.

**3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 69,848	\$ 69,848
Building	4,948,074	4,948,074
Leasehold improvements	454,028	454,028
Computer and office equipment	345,169	345,169
Building improvements	81,147	81,147
Vehicle	30,309	30,309
Construction in process	79,008	-
	<u>6,007,583</u>	<u>5,928,575</u>
Less - accumulated depreciation	<u>1,084,940</u>	<u>872,550</u>
	<u>\$ 4,922,643</u>	<u>\$ 5,056,025</u>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**3. PROPERTY AND EQUIPMENT (Continued)**

During fiscal year 2015, Co-Opportunity's property was transferred to Project Hope (see Note 8).

The Agency accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Accounting for the Impairment or Disposal of Long-Lived Assets*. As of June 30, 2016 and 2015, the Agency has not recognized any impairment in the carrying value of its property and equipment.

Depreciation expense was \$212,390 and \$169,579 for the years ended June 30, 2016 and 2015, respectively, including \$1,049 and \$1,141 which is included in loss on discontinued operations for the years ended June 30, 2016 and 2015.

**4. NET ASSETS**

**Unrestricted Net Assets**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

**Operating** – represent funds available to carry on the operations of the Agency.

**Property and equipment** – reflect and account for the activities relating to the Agency's property and equipment, net of related debt.

**Board designated** – consists of funds designated by the Board for the following at June 30:

	<u>2016</u>	<u>2015</u>
Program expansion and capital needs	\$ 162,585	\$ 162,585
Interest earned on endowment funds (see Note 6)	<u>70,533</u>	<u>66,411</u>
	<u>\$ 233,118</u>	<u>\$ 228,996</u>

These amounts may only be used with the approval of the Board of Directors.

**Temporarily Restricted Net Assets**

Project Hope receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or time restrictions. Temporarily restricted net assets are restricted for the following as of June 30:

	<u>2016</u>	<u>2015</u>
Capital restrictions	\$ 85,558	\$ 151,448
Purpose restrictions	<u>30,613</u>	<u>185,476</u>
	<u>\$ 116,171</u>	<u>\$ 336,924</u>



**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICES OF MASSACHUSETTS, INC.  
D/B/A PROJECT HOPE AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2016 and 2015

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**4. NET ASSETS** (Continued)

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following at June 30, 2016 and 2015:

Covington Gilmore Community Development Endowment Fund	\$ 100,000
The Shanley Family Fund	38,500
Maxine and Raymond Kyser Living Trust	<u>29,500</u>
	<u>\$ 168,000</u>

The above amounts are restricted by the donors against any expenditure of principal (see Note 6). The earnings are available to further the mission of Project Hope.

**5. INVESTMENTS**

Investments are recorded at fair value and consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Money market	\$ 282,839	\$ 279,860
Mutual funds:		
Bonds	677,102	655,620
Equities	<u>147,657</u>	<u>143,233</u>
Total investments	<u>\$ 1,107,598</u>	<u>\$ 1,078,713</u>

Investments are not insured and are subject to on-going market fluctuations. Investments are not intended to be used for current operations and, therefore, are presented as non-current assets in the accompanying combining financial statements.

**6. ENDOWMENT**

Project Hope's endowment includes donor-restricted funds (see Note 4) established to fund general operating activities. Income from the funds has been considered unrestricted. The Board of Directors has designated all investment income to accumulate in a fund to be used by Project Hope in the future.

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**6. ENDOWMENT (Continued)**

A reconciliation of endowment investment activity for fiscal years 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Donor Restricted</u>		<u>Total Donor Restricted</u>	<u>Total Endowment</u>
	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Endowment net assets, June 30, 2014	\$ 63,170	\$ -	\$ 168,000	\$ 168,000	\$ 231,170
Investment income	-	3,241	-	3,241	3,241
Appropriation of endowment assets for expenditure	<u>3,241</u>	<u>(3,241)</u>	<u>-</u>	<u>(3,241)</u>	<u>-</u>
Endowment net assets, June 30, 2015	66,411	-	168,000	168,000	234,411
Investment income	-	4,122	-	4,122	4,122
Appropriation of endowment assets for expenditure	<u>4,122</u>	<u>(4,122)</u>	<u>-</u>	<u>(4,122)</u>	<u>-</u>
Endowment net assets, June 30, 2016	<u>\$ 70,533</u>	<u>\$ -</u>	<u>\$ 168,000</u>	<u>\$ 168,000</u>	<u>\$ 238,533</u>

Project Hope follows UPMIFA. Subject to the intent of a donor, Project Hope may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by Project Hope. The Board of Directors annually appropriates a portion of the investment income to unrestricted Board designated due to the small percentage of return.

**Interpretation of Relevant Law**

Project Hope 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 an applicable donor gift instrument. This is regarded as the "historic dollar value" of the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Project Hope.

**7. LEASES**

Project Hope rents office and program space under a rental agreement as a tenant-at-will, which required monthly payments of \$1,800 through July 2015. Effective in August 2015, the monthly payments under this agreement increased to \$5,500 (see Note 8). Rent expense for this lease was \$64,100 and \$21,600 in fiscal years 2016 and 2015, respectively. Additionally, Project Hope rented space from Co-Opportunity (the Property) and was originally required to make monthly payments of \$3,000 through June 2016. As a result of the transfer of the Property from Co-Opportunity to Project Hope, the agreement was effectively terminated upon transfer during fiscal year 2015 (see Note 8).

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**8. RELATED PARTIES**

Project Hope provided financial management services to Co-Opportunity. During fiscal year 2015, Co-Opportunity transferred the Property to Project Hope, who assumed the related debt. Subsequent to transfer, Co-Opportunity dissolved during fiscal year 2015.

Certain employees of Project Hope are members of a religious order that is administered through a New York corporation, Little Sisters of the Assumption. Project Hope leases a facility as a tenant-at-will from Little Sisters of the Assumption (see Note 7).

During fiscal year 2016, Project Hope compensated a Board member \$1,500 for providing workshops related to Project Hope's Shelter Services program.

During fiscal year 2015, one member of the Board of Directors provided donated consulting services to Project Hope totaling approximately \$26,000 (see page 10).

**Unwind of Co-Opportunity**

On December 29, 2014, Co-Opportunity and Project Hope, along with their lenders, executed a series of transactions to unwind the New Market Tax Credit financing for the Property. The transactions were as follows:

- MHIC New Market CDE II LLC (MHIC CDE) forgave its \$1,240,753 loan due from Co-Opportunity.
- MHIC CDE assigned its other loan for \$3,559,269 to Project Hope in full satisfaction of the note receivable from MHIC New Markets Fund II LLC (the Investment Fund), 99.99% investor member of MHIC CDE (see Note 11).
- Co-Opportunity transferred the Property to Project Hope and, as a consideration, Project Hope assumed the remaining MHIC CDE debt on the Property (see above). In addition, all other assets and liabilities of Co-Opportunity were also transferred to Project Hope.

As a result of the unwind, the MHIC CDE debt and Project Hope note receivable were effectively written off. Project Hope wrote-off its investment of \$415,625 in Co-Opportunity during fiscal year 2015.

Project Hope recorded a gain on transfer of assets as follows:

Liabilities assumed by Project Hope:	
Long-term debt (see Note 13)	<u>\$ 3,559,269</u>
Assets acquired by Project Hope:	
Property, net of accumulated depreciation	4,780,525
Operating cash assumed from Co-Opportunity	<u>46,464</u>
Total assets acquired by Project Hope	<u>4,826,989</u>
Gain on transfer	1,267,720
Forgiveness of due to/from	<u>152,617</u>
Net gain on transfer of assets	<u>\$ 1,115,103</u>

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**8. RELATED PARTIES (Continued)**

The table below summarizes the net gain recognized as part of the unwind process reflected in the accompanying combining statement of activities for the year ended June 30, 2015:

	<u>Project Hope</u>	<u>Co- Opportunity</u>	<u>Elimi- nations</u>	<u>Total</u>
Forgiveness of debt	\$ 3,559,469	\$ 1,240,753	\$ -	\$ 4,800,222
Write-off of guaranteed payments due to MHIC	-	78,320	-	78,320
Write-off of accrued interest due to MHIC	-	42,916	-	42,916
Write-off of investment in affiliate	(415,625)	-	415,625	-
Net gain (loss) on transfer of property	1,115,103	(1,115,103)	-	-
Write-off of note receivable	<u>(3,559,469)</u>	<u>-</u>	<u>-</u>	<u>(3,559,469)</u>
	<u>\$ 699,478</u>	<u>\$ 246,886</u>	<u>\$ 415,625</u>	<u>\$ 1,361,989</u>

**9. REPLACEMENT RESERVE**

Co-Opportunity deposited cash in a replacement reserve account. The replacement reserve balance was \$25,000 as of December 29, 2014 (see Note 8). The reserve was liquidated upon dissolution of Co-Opportunity (see Note 8).

**10. FINANCING FEES**

Financing fees were amortized over a ten-year period. Amortization of these fees was \$621 for the year ended June 30, 2015. These fees were written off after the long-term debt was forgiven and assigned to Project Hope as satisfaction of the note receivable (see Notes 8 and 11).

**11. NOTE RECEIVABLE**

Project Hope loaned \$3,559,469 to the Investment Fund. Interest was payable on the entire outstanding principal balance of the note at the rate of 1% per annum, compounded annually. The entire outstanding principal balance was initially due on December 31, 2034. This loan was made for the purpose of providing funds to MHIC CDE in order to make a loan to a related entity. The related entity used these funds to construct a building which was transferred to Co-Opportunity in June 2013. The related entity dissolved in December 2013. In fiscal year 2015, the note was satisfied when the Property was transferred to Project Hope and \$3,559,469 of long-term debt was assigned to Project Hope as part of the unwind transaction (see Note 8).

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**12. CONTINGENT NOTE PAYABLE**

The City of Boston, through the Department of Neighborhood Development, has issued a note payable of \$100,000 (dated June 2, 2005) to Project Hope which is due on June 2, 2022. The note bears no interest for the first seven years, if Project Hope provides adequate adult education and community services to the Roxbury community from the building. The principal and any accrued interest shall be reduced by ten percent each year during years eight through seventeen, if Project Hope continues to follow the restrictions noted above. During fiscal years 2016 and 2015, Project Hope recorded forgiveness of debt income of \$10,000 related to this note.

It is the intention of the Board of Directors and management of Project Hope to maintain this property for its intended purpose; therefore, this loan has been considered conditional and has been classified as a contingent note payable in the accompanying statements of financial position.

**13. LONG-TERM DEBT**

Long-term debt consisted of a \$3,559,469 mortgage note and a \$1,240,753 loan payable to MHIC CDE. Interest on the mortgage note was at 1% and was payable monthly on the outstanding principal balance of the note, beginning on September 1, 2006. The loan payable bore interest at 2.47%, with all principal and accrued interest due on December 31, 2034, the maturity date. The note was secured by a first mortgage on the Property. During fiscal year 2015, these notes were satisfied as part of the unwind of Co-Opportunity (see Note 8).

**14. CONCENTRATION OF CREDIT RISK**

The Agency maintains its cash balances in Massachusetts banks and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balance exceeded the insured amount. The Agency has not experienced any losses in such accounts. The Agency's management believes it is not exposed to any significant credit risk on its cash.

**15. RETIREMENT PLANS**

*403(b)*

Project Hope has a retirement plan under IRC Section 403(b) for all employees. Employees may make voluntary salary contributions into this plan within IRC guidelines. Project Hope did not match or make contributions to the plan. During fiscal year 2016, this plan was replaced by the 401(k) Plan below.

*401(k) Savings Plan*

During fiscal year 2016, Project Hope adopted a retirement plan under IRC Section 401(k) (the 401(k) Plan). The 401(k) Plan is a defined contribution savings plan for all employees who meet certain eligibility requirements as defined in the plan documents. Contributions to the 401(k) Plan are discretionary. There were no employer contributions to this plan during fiscal year 2016.

*Profit Sharing*

Project Hope has a profit sharing plan for all eligible employees. Employees become eligible to participate after completing six months of service, with increasing vesting percentages between one and three years of service. Project Hope's contribution to the plan is discretionary as voted annually by the Board of Directors. Project Hope made \$50,000 in discretionary contributions to the plan for the year ended June 30, 2015, which are included in employee benefits in the accompanying combining statement of functional expenses. There were no contributions to this plan during fiscal year 2016.

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**16. DISCONTINUED OPERATIONS**

The Agency's Board of Directors voted to cease operations of the Children's Center program during fiscal year 2016 effective August 31, 2016. The activity relating to the operations of this program is reflected as loss from discontinued operations in the accompanying combining statements of activities and is summarized as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Revenues	\$ 302,844	\$ 374,312
Expenses	<u>(577,783)</u>	<u>(461,225)</u>
Loss from discontinued operations	<u>\$ (274,939)</u>	<u>\$ (86,913)</u>

**17. RECLASSIFICATIONS**

Certain amounts in the June 30, 2015 combining financial statements have been reclassified to conform to the June 30, 2016 presentation.