

MHPI, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

MHPI, INC.  
INDEX  
JUNE 30, 2016

|                                   | PAGE |
|-----------------------------------|------|
| FINANCIAL STATEMENTS:             |      |
| Independent Auditor's Report      | 1-2  |
| Statements of Financial Position  | 3    |
| Statements of Activities          | 4    |
| Statements of Cash Flows          | 5    |
| Notes to the Financial Statements | 6-8  |

**WHITTEMORE & SALVUCCI, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

80 WASHINGTON STREET, UNIT F29  
NORWELL MASSACHUSETTS 02061  
TEL: 781-982-0090  
FAX: 781-982-0091

September 29, 2016

The Board of Directors  
Mental Health Programs, Inc.  
70 Bridge Street - Suite 201  
Newton, Massachusetts 02458

**Independent Auditor's Report**

**Report on the Financial Statements**

We have audited the accompanying financial statements of MHPI, Inc. which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, 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 misstatements, whether due to fraud or error.

**Auditor's Responsibility**

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

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 MHPI, Inc. as of June 30, 2016 and 2015, and the change 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.

*Whittemore & Salvucci, P.C.*

WHITTEMORE & SALVUCCI, P.C.  
Certified Public Accountants

MHPI, INC.  
STATEMENTS OF FINANCIAL POSITION

|                                       | JUNE 30,            |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <u>2016</u>         | <u>2015</u>         |
| <u>ASSETS</u>                         |                     |                     |
| CURRENT ASSETS                        |                     |                     |
| Cash                                  | \$ 109              | \$ 130              |
| Marketable securities                 | 21,210              | 21,745              |
| Receivables from affiliates           | 946,871             | 1,138,784           |
| Prepaid expenses                      | 65,531              | 77,747              |
| Due from affiliates                   | 454,189             | 154,189             |
| Note receivable                       | <u>50,000</u>       | <u>50,000</u>       |
| TOTAL CURRENT ASSETS                  | 1,537,910           | 1,442,595           |
|                                       |                     |                     |
| FIXED ASSETS                          |                     |                     |
| Furniture and fixtures                | 14,025              | 14,025              |
| Less accumulated depreciation         | <u>8,891</u>        | <u>6,626</u>        |
|                                       | 5,134               | 7,399               |
| TOTAL ASSETS                          | \$ <u>1,543,044</u> | \$ <u>1,449,994</u> |
| <u>LIABILITIES AND NET ASSETS</u>     |                     |                     |
| CURRENT LIABILITIES                   |                     |                     |
| Accounts payable and accrued expenses | \$ 369,712          | \$ 212,352          |
| Line of credit                        | <u>200,000</u>      | <u>164,000</u>      |
| TOTAL CURRENT LIABILITIES             | 569,712             | 376,352             |
|                                       |                     |                     |
| UNRESTRICTED NET ASSETS               | <u>973,332</u>      | <u>1,073,642</u>    |
| TOTAL LIABILITIES AND NET ASSETS      | \$ <u>1,543,044</u> | \$ <u>1,449,994</u> |

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

MHPI, INC.  
STATEMENTS OF ACTIVITIES

|   | YEAR ENDED JUNE 30, |                     |
|---|---------------------|---------------------|
|   | 2016                | 2015                |
| REVENUES                                    |                     |                     |
| Management fees                             | \$ 466,713          | \$ 980,850          |
| Miscellaneous income                        | <u>12,191</u>       | <u>16,011</u>       |
| TOTAL REVENUES                              | 478,904             | 996,861             |
| EXPENSES                                    |                     |                     |
| Administrative                              | 494,985             | 611,105             |
| Operating and maintenance                   | 2,905               | 5,202               |
| Depreciation                                | 2,265               | 2,265               |
| Taxes                                       | 21,351              | 42,307              |
| Insurance                                   | <u>54,754</u>       | <u>101,344</u>      |
| TOTAL EXPENSES                              | <u>576,260</u>      | <u>762,223</u>      |
| CHANGE IN NET ASSETS                        | ( 97,356)           | 234,638             |
| NET ASSETS - BEGINNING OF YEAR              | 1,073,642           | 837,728             |
| UNREALIZED (LOSS) GAIN ON MARKET SECURITIES | ( <u>2,954</u> )    | <u>1,276</u>        |
| NET ASSETS - END OF YEAR                    | \$ <u>973,332</u>   | \$ <u>1,073,642</u> |

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

MHPI, INC.  
STATEMENTS OF CASH FLOWS

|  | YEAR ENDED JUNE 30, |                  |
|--|---------------------|------------------|
|  | <u>2016</u>         | <u>2015</u>      |
| CASH FLOWS FROM OPERATING ACTIVITIES:        |                     |                  |
| Change in net assets                         | \$( 97,356)         | \$ 234,638       |
| ITEMS NOT REQUIRING OUTLAY OF CASH           |                     |                  |
| Depreciation                                 | 2,265               | 2,265            |
| Unrealized (loss) gain on market securities  | ( 2,954)            | 1,276            |
| Changes in operating assets and liabilities: |                     |                  |
| Receivables from affiliates                  | (108,087)           | (569,886)        |
| Prepaid expenses                             | 12,216              | ( 6,300)         |
| Accrued expenses                             | <u>157,360</u>      | <u>( 3,175)</u>  |
| NET CASH USED BY OPERATING ACTIVITIES        | <u>( 36,556)</u>    | <u>(341,182)</u> |
| INVESTING ACTIVITIES:                        |                     |                  |
| Advances on line of credit                   | 36,000              | 164,000          |
| Decrease of market securities                | <u>535</u>          | <u>( 3,189)</u>  |
| CASH PROVIDED BY INVESTING ACTIVITIES        | <u>36,535</u>       | <u>160,811</u>   |
| NET CHANGE IN CASH                           | ( 21)               | (180,371)        |
| CASH - BEGINNING OF YEAR                     | <u>130</u>          | <u>180,501</u>   |
| CASH - END OF YEAR                           | \$ <u>109</u>       | \$ <u>130</u>    |

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

MHPI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - MHPI, Inc., (the "Company") was formed on March 4, 2008, under provision of the General Laws of the Commonwealth of Massachusetts, Chapter 180, with the principal place of business being 70 Bridge Street, Newton, Massachusetts. Tax exempt status under Internal Revenue Code section 501(c)(3) was obtained on July 24, 2008. Operations commenced January 1, 2010. The Company performs property management and agency services for Massachusetts nonprofit organizations.

Depreciation - Property and equipment are recorded at cost. Depreciation is computed on the straight line method based on the estimated useful lives of the assets.

Income Taxes - The organization is exempt from income taxes.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

Cash Equivalents - For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The Company has no cash equivalents at June 30, 2016 and 2015.

Fair Value of Financial Instruments - Management estimates that the fair value of all financial instruments at June 30, 2016 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statements of financial position.

Uncertainty in Income Taxes - The Company adopted the new standards for *Accounting for Uncertainty in Income Taxes*, which required the Company to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of June 30, 2016, the Company determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. The company files tax returns in the United States Federal and State jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.



MHPI, INC.  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE B - NOTE RECEIVABLE

The Company has an unsecured \$50,000 note receivable from Mental Health Programs, Inc. X. The note bears no interest and is renewable annually.

NOTE C - DUE FROM AFFILIATES

The Company is the sponsor of various U.S. Department of Housing and Urban Development projects. Funds advanced to these projects are unsecured and non-interest bearing.

|                                     | June 30,          |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | <u>2016</u>       | <u>2015</u>       |
| Mental Health Programs, Inc. - VIII | \$ 31,953         | \$ 31,953         |
| Mental Health Programs, Inc. - X    | 71,030            | 71,030            |
| Mental Health Programs, Inc. - XI   | 13,633            | 13,633            |
| Mental Health Programs, Inc. - XII  | <u>37,573</u>     | <u>37,573</u>     |
|                                     | <u>\$ 154,189</u> | <u>\$ 154,189</u> |

NOTE D - TRANSACTIONS WITH AFFILIATES

MHPI, Inc. is an affiliate of thirteen other nonprofit organizations, (the "affiliates"), by virtue of sharing a common Board of Directors.

Property Management Services - The Company provides the affiliates with all property and management services. The affiliates incurred and paid management fees of \$376,198 and \$936,207 for the years ended June 30, 2016 and 2015, respectively.

Management Agent - Additionally, the Company performs the duties of common paymaster for the affiliates whereby the Company employs all staff as common law employees. Staff performs their assigned functions and responsibilities for the affiliates and the Company at various intervals. The affiliates are billed monthly for these services inclusive of payroll taxes and other employee benefits. The Company performs such personnel services and related benefits amounting to \$1,009,683 and \$974,969 for the years ended June 30, 2016 and 2015, respectively.

MHPI, INC.  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE E - DEMAND NOTE PAYABLE

The Company has a \$200,000 line of credit with Eastern Bank. The line is secured by all business assets. Interest is charged at the Eastern Bank base rate plus 1.7% floating.

NOTE F - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of cash investments and accounts receivable.

The Company maintains its cash in bank deposit accounts which frequently exceed federally insured limits.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the independent auditor's report date and as a result no events are required to be recognized and/or disclosed.