

**TRANSITION HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE**  
**YEAR ENDED JUNE 30, 2013)**

**TRANSITION HOUSE, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Transition House, Inc.  
Cambridge, Massachusetts

### ***Report on Financial Statements***

We have audited the accompanying financial statements of Transition House, Inc. as of June 30, 2014 which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, functional expenses, and cash flows for the year then ended.

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

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

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

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

Board of Directors  
Transition House, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transition House, Inc. as of June 30, 2014 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

The June 30, 2013 summarized comparative information has been derived from Transition House, Inc.'s 2013 financial statements, and in our report dated November 15, 2013, we expressed an unmodified opinion on those financial statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
November 5, 2014

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 12,501	\$ 6,118
Accounts Receivable	75,079	43,541
Prepaid Expenses	16,414	7,825
Security Deposit	3,993	9,982
Total Current Assets	107,987	67,466
<b>PROPERTY AND EQUIPMENT</b>		
Property and Equipment	985,004	1,006,117
Less: Accumulated Depreciation	357,464	354,328
Property and Equipment, Net	627,540	651,789
Total Assets	\$ 735,527	\$ 719,255
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 2,598	\$ 2,471
Accounts Payable	18,154	20,840
Accrued Expenses	37,082	28,616
Deferred Revenue	-	1,200
Total Current Liabilities	57,834	53,127
<b>LONG-TERM DEBT, Net of Current Maturities</b>		
Notes Payable, Net of Current Maturities	40,126	43,359
Deferred Forgivable Loans	570,456	570,456
Total Long-Term Debt, Net of Current Maturities	610,582	613,815
Total Liabilities	668,416	666,942
<b>NET ASSETS</b>		
Unrestricted	54,611	52,313
Temporarily Restricted	12,500	-
Total Net Assets	67,111	52,313
Total Liabilities and Net Assets	\$ 735,527	\$ 719,255

See accompanying Notes to Financial Statements.

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED 2014**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2013 Total</u>
<b>OPERATING REVENUE AND SUPPORT</b>					
Contract Revenue	\$ 821,817	\$ -	\$ -	\$ 821,817	\$ 745,580
Contributions	212,350	17,500	-	229,850	211,936
Program Service Fees	29,522	-	-	29,522	19,992
Donated Services	57,121	-	-	57,121	25,500
Interest Income	-	-	-	-	4
Other Income	10,549	-	-	10,549	17,657
Net Assets Released from Restriction	5,000	(5,000)	-	-	-
Total Operating Revenue and Support	1,136,359	12,500	-	1,148,859	1,020,669
<b>PROGRAM EXPENSES</b>					
Program Services	967,416	-	-	967,416	904,959
Total Program Expenses	967,416	-	-	967,416	904,959
<b>SUPPORTING SERVICES</b>					
Management and General	164,390	-	-	164,390	200,579
Fundraising	2,255	-	-	2,255	6,213
Total Supporting Services	166,645	-	-	166,645	206,792
Total Operating Expenses	1,134,061	-	-	1,134,061	1,111,751
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,298	12,500	-	14,798	(91,082)
Net Assets - Beginning of Year	52,313	-	-	-	143,395
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 54,611</u>	<u>\$ 12,500</u>	<u>\$ -</u>	<u>\$ 67,111</u>	<u>\$ 52,313</u>

See accompanying Notes to Financial Statements.

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2013)

	<b>2014</b>			<b>2013</b>	
	<b>Program Services</b>	<b>Supporting Services</b>			
	Total Program Services	Management and General	Fundraising	Total	Total
<b>OPERATING EXPENSES</b>					
Salaries	\$ 497,666	\$ 46,968	\$ -	\$ 544,634	\$ 513,776
Payroll Taxes	50,460	4,728	-	55,188	54,252
Employee Benefits	29,970	2,404	-	32,374	45,203
Advertising	420	-	-	420	514
Consultants	5,634	-	1,800	7,434	10,356
Training and Development	278	55	-	333	1,268
Travel	625	38	-	663	818
Client Assistance	5,843	3,580	-	9,423	11,694
Program Supplies and Materials	14,390	4,320	-	18,710	13,605
Professional Fees	-	37,316	-	37,316	49,380
Insurance	-	18,234	-	18,234	12,297
Telephone	4,845	5,196	-	10,041	8,314
Postage	-	602	-	602	1,157
Office Supplies	5,123	5,051	-	10,174	9,067
Dues and Subscriptions	400	1,740	-	2,140	985
Other Operating Expenses	9,328	1,735	-	11,063	16,808
Interest Expense	-	1,639	-	1,639	2,034
Facility Expense	249,451	28,745	-	278,196	294,513
Depreciation	22,590	1,376	-	23,966	23,967
Fundraising Cost	-	-	455	455	2,713
Utilities	13,272	663	-	13,935	13,530
Donated Services	57,121	-	-	57,121	25,500
<b>Total</b>	<b>\$ 967,416</b>	<b>\$ 164,390</b>	<b>\$ 2,255</b>	<b>\$ 1,134,061</b>	<b>\$ 1,111,751</b>

See accompanying Notes to Financial Statements.

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 14,798	\$ (91,082)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation	23,966	23,967
Loss of Security Deposit	5,989	75
(Increase) Decrease in:		
Accounts Receivable	(31,538)	29,288
Prepaid Expenses	(8,589)	6,495
Pledges Receivable	-	10,000
Increase (Decrease) in:		
Accounts Payable	(2,403)	8,319
Accrued Expenses	8,466	10,981
Deferred Revenue	(1,200)	1,200
Net Cash Provided (Used) by Operating Activities	<u>9,489</u>	<u>(757)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Long-Term Debt	<u>(3,106)</u>	<u>(15,199)</u>
Net Cash Used by Financing Activities	<u>(3,106)</u>	<u>(15,199)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,383	(15,956)
Cash and Cash Equivalents - Beginning of Year	<u>6,118</u>	<u>22,074</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 12,501</u>	<u>\$ 6,118</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid for Interest	<u>\$ 1,640</u>	<u>\$ 1,840</u>

See accompanying Notes to Financial Statements.



**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Transition House, Inc. (the Organization) is a Massachusetts corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code as a public charity. The Organization is a comprehensive human service agency dedicated to the prevention and cessation of domestic violence. The Organization provides emergency shelter and longer term housing resources along with comprehensive support services for survivors of domestic violence and their minor children. The Organization provides community and school-based violence prevention education and leadership training for youth.

The Organization provides the following programs:

**Emergency Shelter**

The emergency shelter provides safety, crisis intervention, stabilization and advocacy to victims of domestic violence and their children. The program provides individual and group counseling, support for children in trauma, skill building resources, case management, and facilitates access to an array of community services.

**Transitional Living**

The program provides scattered site community based housing for survivors of domestic violence and their minor children as they transition from emergency shelter to affordable housing for a period of up to 24 months. The program provides weekly counseling support, case management, skill building resources and facilitates access to an array of community services.

**Permanent Supported Housing**

The program provides long term housing in scattered site community based units, support services case management, skill building resources and facilitates access to an array of community services for survivors of domestic violence who have a medical disability as well as their minor children.

**Dating Violence Intervention Program**

This program focuses on the prevention of teen dating violence and emphasizes teen leadership.

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Prior Year Summarized Information**

The financial statements contain prior year comparative information in total but not by net asset class and with no accompanying financial statement notes. Consequently, such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

**Cash and Cash Equivalents**

The Organization considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions are not considered cash or cash equivalents for the purposes of the statement of cash flows.

**Accounts Receivable**

Accounts receivable are recorded net of an allowance of expected losses. The allowance is estimated from historical performance and projections of trends. The Organization's accounts receivables are primarily from government and state agencies and therefore policies related to interest on delinquent accounts or collateral are not considered necessary.

**Pledges Receivable**

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. Conditional promises are not included as revenue until such times as the conditions are substantially met. All promises to give are due within one year. Management considers all amounts to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

**Property and Equipment**

Property and equipment are recorded at cost. Assets with an estimated useful life of more than one year and a historical cost in excess of \$500 are capitalized. Gifts of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Net Assets**

Net assets of the Organization are classified and reported as follows:

**Unrestricted Net Assets**

Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**Permanently Restricted Net Assets**

Include contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

**Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Temporarily restricted net assets consist of \$12,500 restricted for program services at June 30, 2014.

**Donated Services**

Donated services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Program Service Revenue**

The Organization receives support through various federal and state grants which is based on cost reimbursement or unit reimbursement contracts. Program service revenue is recognized as costs are incurred and services are provided.

**Functional Allocation of Expenses**

The cost of providing the various programs and services are summarized on a functional basis. Allocations are based on direct program charges, and personnel time and space utilized for related program activities.

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Promotional Advertising**

Promotional advertising costs are expensed as incurred.

**Income Taxes**

The Organization is a not-for-profit corporation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to section 501(a) of the code. The Organization files as a tax-exempt organization. Should that status be challenged in the future, the entity's 2011 through 2014 tax years are open for examination by federal and state taxing authorities.

**Use of Estimates**

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

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2014, the date the financial statements were available to be issued.

**NOTE 2 DONATED SERVICES**

The Organization receives donated services for consulting and legal services. Donated services amounted to \$57,121 for 2014.

**NOTE 3 PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows as of June 30, 2014:

Land	\$ 7,500
Building and Improvements	913,609
Furniture and Fixtures	63,895
Less: Accumulated Depreciation	(357,464)
	<u>\$ 627,540</u>

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 3 PROPERTY AND EQUIPMENT (CONTINUED)**

The useful lives of property and equipment for purposes of computing depreciation are:

Building and Improvements	20-40 Years
Equipment	5-10 Years
Leasehold Improvements	3 Years
Furniture and Fixtures	7 Years

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following as of June 30, 2014:

Governmental Agencies	\$ 75,079
Total	<u>\$ 75,079</u>

**NOTE 5 CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of the following:

**Cash and Cash Equivalents**

The Organization maintains cash and cash equivalent balances in several federally insured financial institutions in the same geographic area. During the year there may be times when cash is higher than insurance limits.

**Accounts Receivable**

The Organization has unsecured accounts receivable from certain state and governmental agencies amounting to \$75,079 as of June 30, 2014.

**Major Grantors**

The Organization receives significant funding from the Commonwealth of Massachusetts, Department of Children and Families (DCF) and the City of Cambridge, Massachusetts. The contracts are subject to annual renewal and if a significant reduction in the level of support were to occur, the Organization's programs and activities would be affected proportionately.

The Organization received \$380,844 and \$432,879 from DCF and the City of Cambridge, Massachusetts, respectively, which comprises 33% and 38% of the Organization's revenue for 2014, respectively.

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 6 OPERATING LEASES**

The Organization leased office space in Cambridge, Massachusetts for a term which expired September 30, 2013. Base rent under that lease agreement ranged from \$58,895 to \$75,867 annually, payable in advance in monthly installments ranging from \$4,889 to \$6,322.

The Organization entered into a new lease for office space in Cambridge, Massachusetts for a term which expires September 30, 2019. Base rent under the lease agreement ranges from \$53,325 to \$58,861 annually, payable in advance in monthly installments ranging from \$4,444 to \$4,905.

Rent expense amounted to \$55,577 for 2014.

Future minimum lease payments for terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	<u>Rent</u>
2015	\$ 54,325
2016	55,683
2017	57,075
2018	58,502
2019	14,715
Total	<u>\$ 240,300</u>

The Organization also leases several shelter facilities in Massachusetts, under a tenant-at-will basis. Rent expense amounted to \$218,424 for 2014.

**NOTE 7 LONG-TERM DEBT**

The Organization is obligated under long-term debt at June 30, 2014 as follows:

<u>Description</u>	<u>Amount</u>
<u>Long-Term Debt</u>	
5.00% note payable to a housing development corporation, secured by a mortgage and security agreement on property located in Cambridge, Massachusetts, payable in monthly installments of \$395 including interest, due with all unpaid interest and principal on October 1, 2022.	\$ 42,724
<u>Deferred Forgivable Loans</u>	
8.00% note payable to the City of Cambridge Community Development Department.	167,000
0.00% note payable to the Massachusetts Community Economic Development Assistance Corporation.	403,456
Total Long-Term Debt	613,180
Less: Current Maturities	2,598
Long-Term Debt, Net	\$ 610,582

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

Interest incurred on the long-term debt amounted to \$1,639 for 2014.

The following maturities of long-term debt for each of the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 2,598
2016	2,731
2017	2,871
2018	3,017
2019	3,172

The Massachusetts Community Economic Development Assistance Corporation (CEDAC) in conjunction with a collaborative agreement with the City of Cambridge, Massachusetts and Transition House, Inc. financed major renovations which amounted to \$403,456 for the primary shelter facility. The funds were advanced in the form of a deferred mortgage loan with CEDAC retaining a first mortgage. The mortgage loan is for a term of 30 years due in February of 2031 and is subject to simple interest at an annual rate of 0.00%.

There are use restrictions on the property and noncompliance with the use provisions may result in immediate repayment of the mortgage plus simple interest accrued at 10.00% per annum. Compliance with loan provisions will result in forgiveness of the loan principal plus accrued interest after a 30 year demonstrated compliance with the loan provisions. As of June 30, 2014, the Organization was in compliance with loan covenants.

The City of Cambridge, Massachusetts, advanced funds of \$167,000 which are collateralized by a second mortgage on the property. This loan accrues interest at the rate of 8.00% per annum and has similar restrictions as to use as the CEDAC loan. The City of Cambridge, Massachusetts loan is due on February 5, 2051. The principal and accrued interest on the loan shall be forgiven at the end of the term, provided that specific affordable housing regulations are continually satisfied.

As it is the intent of management to remain in full compliance with the loan covenants specifically pertaining to the affordable housing regulations, provision for interest expense has not been recorded in the accompanying financial statements, nor does the statement of financial position recognize the related contingent liability which would be due upon the Organization's default. The entire debt is classified as long-term.

As of June 30, 2014, the contingent interest liability for the CEDAC and City of Cambridge, Massachusetts loans amounted to \$524,493 and \$180,264, respectively.