

TRANSITION HOUSE, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
JUNE 30, 2011)

**TRANSITION HOUSE, INC.
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YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Transition House, Inc.
Cambridge, Massachusetts

We have audited the accompanying statement of financial position of Transition House, Inc. as of June 30, 2012 and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The June 30, 2011 summarized comparative information has been derived from Transition House, Inc.'s 2011 financial statements, which were audited by other auditors whose report dated March 30, 2012, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the results of its activities and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Quincy, Massachusetts
March 22, 2013

TRANSITION HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 22,074	\$ 40,764
Accounts Receivable	72,829	105,751
Pledges Receivable	10,000	-
Prepaid Expenses	14,320	3,992
Total Current Assets	119,223	150,507
PROPERTY AND EQUIPMENT		
Property and Equipment	1,006,117	1,006,117
Less: Accumulated Depreciation	330,361	304,652
Property and Equipment, Net	675,756	701,465
OTHER ASSETS		
Deposit	10,057	10,057
Total Other Assets	10,057	10,057
Total Assets	\$ 805,036	\$ 862,029
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 14,444	\$ -
Accounts Payable	12,521	16,539
Accrued Expenses	17,635	37,031
Deferred Revenue	-	4,921
Total Current Liabilities	44,600	58,491
LONG-TERM DEBT, Net of Current Maturities		
Notes Payable, Net of Current Maturities	46,585	82,072
Deferred Forgivable Loans	570,456	570,456
Total Long-Term Debt, Net of Current Maturities	617,041	652,528
Total Liabilities	661,641	711,019
NET ASSETS		
Unrestricted	143,395	151,010
Total Net Assets	143,395	151,010
Total Liabilities and Net Assets	\$ 805,036	\$ 862,029

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2011 Total</u>
OPERATING REVENUE AND SUPPORT					
Contract Revenue	\$ 745,954	-	-	\$ 745,954	\$ 780,596
Contributions	281,500	-	-	281,500	174,103
Program Service Fees	21,296	-	-	21,296	15,395
Donated Services	91,880	-	-	91,880	68,500
Interest Income	5	-	-	5	-
Other Income	34,255	-	-	34,255	56
Total Operating Revenue and Support	1,174,890	-	-	1,174,890	1,038,650
PROGRAM EXPENSES					
Program Services	936,578	-	-	936,578	792,474
Total Program Expenses	936,578	-	-	936,578	792,474
SUPPORTING SERVICES					
Management and General	227,090	-	-	227,090	222,472
Fundraising	18,837	-	-	18,837	2,266
Total Supporting Services	245,927	-	-	245,927	224,738
Total Operating Expenses	1,182,505	-	-	1,182,505	1,017,212
INCREASE (DECREASE) IN NET ASSETS	(7,615)	-	-	(7,615)	21,438
Net Assets - Beginning of Year	151,010	-	-	151,010	129,572
NET ASSETS - END OF YEAR	<u>\$ 143,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,395</u>	<u>\$ 151,010</u>

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2011)

	2012				2011
	Program Services	Supporting Services			Total
	Total Program Services	Management and General	Fundraising	Total	
OPERATING EXPENSES					
Salaries	\$ 442,394	\$ 34,978	\$ -	\$ 477,372	\$ 425,807
Payroll Taxes	53,711	5,180	-	58,891	49,654
Employee Benefits	24,501	7,900	-	32,401	26,840
Advertising	25	25	-	50	40
Consultants	14,721	2,868	700	18,289	16,479
Training and Development	471	582	-	1,053	309
Travel	997	166	-	1,163	449
Food and Meals	-	-	-	-	589
Client Assistance	24,629	3,484	-	28,113	45,637
Program Supplies and Materials	8,353	1,938	418	10,709	8,471
Professional Fees	-	49,775	-	49,775	31,609
Insurance	-	13,051	-	13,051	14,063
Office Equipment Expense	-	-	-	-	7,719
Telephone	4,880	4,720	-	9,600	7,465
Postage	58	1,131	-	1,189	1,201
Office Supplies	4,443	11,234	1,183	16,860	2,482
Dues and Subscriptions	625	1,297	-	1,922	1,073
Other Operating Expenses	18,167	7,553	-	25,720	12,194
Interest Expense	9,247	-	-	9,247	1,840
Facility Expense	262,711	26,773	-	289,484	247,422
Depreciation	22,591	3,119	-	25,710	26,314
Fundraising Cost	-	-	3,536	3,536	1,310
Utilities	10,674	5,816	-	16,490	23,245
Donated Services	33,380	45,500	13,000	91,880	65,000
	<u>\$ 936,578</u>	<u>\$ 227,090</u>	<u>\$ 18,837</u>	<u>\$ 1,182,505</u>	<u>\$ 1,017,212</u>

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (7,615)	\$ 21,438
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Depreciation	25,710	26,314
(Increase) Decrease in:		
Accounts Receivable	32,922	(77,559)
Prepaid Expenses	(10,328)	9,241
Pledges Receivable	(10,000)	-
Increase (Decrease) in:		
Accounts Payable	(4,018)	(1,292)
Accrued Expenses	(19,396)	23,312
Deferred Revenue	(4,921)	-
Net Cash Provided by Operating Activities	2,354	1,454
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Long-Term Debt	(21,044)	(30,108)
Net Cash Used by Financing Activities	(21,044)	(30,108)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,690)	(28,654)
 Cash and Cash Equivalents - Beginning of Year	40,764	69,418
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22,074	\$ 40,764
 SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	\$ 9,247	\$ 1,840

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

Kent Street Project

This program provides social services in partnership with Community Builders, Inc., for tenants at a 40-unit supported housing development in Somerville, Massachusetts.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

**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, 2011 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, 2012

**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.

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, 2012

**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 2009 through 2012 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 March 22, 2013, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTED SERVICES

The Organization receives donated services for consulting services. Contributed services amounted to \$91,880 for 2012.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of June 30, 2012:

Land	\$ 7,500
Building and Improvements	913,609
Equipment	18,113
Leasehold Improvements	3,000
Furniture and Fixtures	63,895
Less: Accumulated Depreciation	(330,361)
	<u>\$ 675,756</u>

**TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012:

Governmental Agencies	\$ 72,829
Total	<u>\$ 72,829</u>

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable is comprised of the following as of June 30, 2012:

Unconditional Promises Expected to be Collected in Less than One Year	\$ 10,000
Total	<u>\$ 10,000</u>

NOTE 6 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 is owed funds from certain state and governmental agencies amounting to \$72,829 as of June 30, 2012.

Pledges Receivable

Unconditional promises to give amounted to \$10,000 as of June 30, 2012.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 CONCENTRATION OF CREDIT RISK (CONTINUED)

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 \$318,039 and \$381,386 from DCF and the City of Cambridge, Massachusetts, respectively, which comprises 27% and 32% of the Organization's revenue for 2012, respectively.

NOTE 7 OPERATING LEASE

The Organization leases office space in Cambridge, Massachusetts for a term which expires September 30, 2013. Base rent under the lease agreement ranges from \$59,895 to \$75,867 annually, payable in advance in monthly installments ranging from \$4,991 to \$6,322. Rent expense amounted to \$85,770 for 2012.

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

<u>Year Ending June 30,</u>	<u>Rent</u>
2013	\$ 74,869
2014	18,967
Total	<u>\$ 93,836</u>

The Organization also leases several shelter facilities in Massachusetts, under a tenant-at-will basis. Rent expense amounted to \$203,715 for 2012.

NOTE 8 LONG-TERM DEBT

The Organization is obligated under long-term debt at June 30, 2012 as follows:

<u>Description</u>	<u>Amount</u>
<u>Long-Term Debt</u>	
5.50% note payable to a bank, secured by substantially all of the Organization's assets, excluding real estate, payable in monthly installments of \$1,661 including interest, due with all unpaid interest and principal on December 30, 2012.	\$ 12,093

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 LONG-TERM DEBT (CONTINUED)

<u>Description (Continued)</u>	<u>Amount</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.	48,936
<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	631,485
Less: Current Maturities	14,444
Long-Term Debt, Net	\$ 617,041

Interest incurred on the long-term debt amounted to \$9,247 for 2012.

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>
2013	\$ 14,444
2014	2,471
2015	2,598
2016	2,731
2017	2,871

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 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, 2012, the Organization was in compliance with loan covenants.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 LONG-TERM DEBT (CONTINUED)

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, 2012, the contingent interest liability for the CEDAC and City of Cambridge, Massachusetts loans amounted to \$443,802 and \$153,544, respectively.

NOTE 9 KENT STREET LIMITED PARTNERSHIP

Kent Street Limited Partnership serves as the owner of a 40 unit housing project in Somerville, Massachusetts, which provides a safe living environment for up to 20 households recovering from family violence, substance abuse or managing psychiatric illness and other low-income households. The general partner of the partnership is Kent Street Housing, Inc. which owns a 1% interest, the remaining interest is owned by MHEF 1997 Fund as an investor limited partner.

In October of 2003, Transition House, Inc. obtained Women's Supported Housing and Empowerment, Inc.'s (WSHE) 49% interest in Kent Street Housing, Inc. As part of the agreement, Transition House, Inc. has the responsibility for the development and implementation of social services and psychological support at the project. Management believes that the 49% interest in Kent Street Housing, Inc. is not significant for financial statement reporting purposes.

NOTE 10 SUBSEQUENT EVENT

Transition House, Inc. continued to provide social services and support to the residents associated with the Kent Street program through December 31, 2012. Effective January 1, 2013, the service agreement between Transition House, Inc. and the Kent Street Limited Partnership ended.