

*Impactful interactions for success*

**TRANSITION HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**  
**(WITH COMPARATIVE TOTALS FOR THE**  
**YEAR ENDED JUNE 30, 2014)**

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting

**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, 2015 which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***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, 2015 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, 2014 summarized comparative information has been derived from Transition House, Inc.'s 2014 financial statements, and in our report dated November 5, 2014 we expressed an unmodified opinion on those financial statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
November 13, 2015

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 136,122	\$ 12,501
Accounts Receivable	80,087	75,079
Prepaid Expenses	13,263	16,414
Security Deposit	3,993	3,993
Total Current Assets	233,465	107,987
<b>PROPERTY AND EQUIPMENT</b>		
Property and Equipment	1,535,721	985,004
Less: Accumulated Depreciation	380,712	357,464
Property and Equipment, Net	1,155,009	627,540
Total Assets	\$ 1,388,474	\$ 735,527
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 2,731	\$ 2,598
Accounts Payable	3,374	18,154
Accounts Payable - Construction	154,183	-
Accrued Expenses	33,856	37,082
Total Current Liabilities	194,144	57,834
<b>LONG-TERM DEBT, Net of Current Maturities</b>		
Notes Payable, Net of Current Maturities	366,274	40,126
Noninterest Bearing Loans	453,456	403,456
Deferred Forgivable Loans	167,000	167,000
Total Long-Term Debt, Net of Current Maturities	986,730	610,582
Total Liabilities	1,180,874	668,416
<b>NET ASSETS</b>		
Unrestricted	200,100	54,611
Temporarily Restricted	7,500	12,500
Total Net Assets	207,600	67,111
Total Liabilities and Net Assets	\$ 1,388,474	\$ 735,527

See accompanying Notes to Financial Statements.

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
<b>OPERATING REVENUE AND SUPPORT</b>					
Contract Revenue	\$ 1,004,380	\$ -	\$ -	\$ 1,004,380	\$ 821,817
Contributions	213,298	7,500	-	220,798	229,850
Program Service Fees	34,976	-	-	34,976	29,522
Donated Services	42,160	-	-	42,160	57,121
Interest Income	1	-	-	1	-
Other Income	16,162	-	-	16,162	10,549
Net Assets Released from Restriction	12,500	(12,500)	-	-	-
Total Operating Revenue and Support	<u>1,323,477</u>	<u>(5,000)</u>	<u>-</u>	<u>1,318,477</u>	<u>1,148,859</u>
<b>PROGRAM EXPENSES</b>					
Program Services	981,898	-	-	981,898	967,416
Total Program Expenses	<u>981,898</u>	<u>-</u>	<u>-</u>	<u>981,898</u>	<u>967,416</u>
<b>SUPPORTING SERVICES</b>					
Management and General	190,357	-	-	190,357	164,390
Fundraising	5,733	-	-	5,733	2,255
Total Supporting Services	<u>196,090</u>	<u>-</u>	<u>-</u>	<u>196,090</u>	<u>166,645</u>
Total Operating Expenses	<u>1,177,988</u>	<u>-</u>	<u>-</u>	<u>1,177,988</u>	<u>1,134,061</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	145,489	(5,000)	-	140,489	14,798
Net Assets - Beginning of Year	54,611	12,500	-	67,111	52,313
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 200,100</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 207,600</u>	<u>\$ 67,111</u>

See accompanying Notes to Financial Statements.

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2014)

	2015			2014	
	Program Services	Supporting Services		Total	Total
	Total Program Services	Management and General	Fundraising		
<b>OPERATING EXPENSES</b>					
Salaries	\$ 501,472	\$ 85,407	\$ -	\$ 586,879	\$ 544,634
Payroll Taxes	47,767	6,622	-	54,389	55,188
Employee Benefits	16,812	4,754	-	21,566	32,374
Advertising	700	-	-	700	420
Consultants	9,437	-	-	9,437	7,434
Training and Development	468	731	-	1,199	333
Travel	132	468	-	600	663
Client Assistance	14,143	-	-	14,143	9,423
Program Supplies and Materials	29,474	10	-	29,484	18,710
Professional Fees	116	39,061	-	39,177	37,316
Insurance	-	16,756	-	16,756	18,234
Telephone	5,546	3,443	-	8,989	10,041
Postage	98	1,105	-	1,203	602
Office Supplies	5,303	6,197	-	11,500	10,174
Dues and Subscriptions	80	2,159	-	2,239	2,140
Other Operating Expenses	10,125	3,147	-	13,272	11,063
Interest Expense	395	3,183	-	3,578	1,639
Facility Expense	258,148	15,483	-	273,631	278,196
Depreciation	21,567	1,681	-	23,248	23,966
Fundraising Cost	-	-	5,733	5,733	455
Utilities	17,955	150	-	18,105	13,935
Donated Services	42,160	-	-	42,160	57,121
<b>Total</b>	<b>\$ 981,898</b>	<b>\$ 190,357</b>	<b>\$ 5,733</b>	<b>\$ 1,177,988</b>	<b>\$ 1,134,061</b>

See accompanying Notes to Financial Statements.

**TRANSITION HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2015**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 140,489	\$ 14,798
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operations:		
Depreciation	23,248	23,966
Loss of Security Deposit	-	5,989
(Increase) Decrease in:		
Accounts Receivable	(5,008)	(31,538)
Prepaid Expenses	3,151	(8,589)
Increase (Decrease) in:		
Accounts Payable	(14,647)	(2,403)
Accrued Expenses	(3,226)	8,466
Deferred Revenue	-	(1,200)
Net Cash Provided by Operating Activities	144,007	9,489
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(396,534)	-
Net Cash Used by Investing Activities	(396,534)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Debt	376,544	-
Repayments of Long-Term Debt	(396)	(3,106)
Net Cash Provided (Used) by Financing Activities	376,148	(3,106)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	123,621	6,383
Cash and Cash Equivalents - Beginning of Year	12,501	6,118
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 136,122	\$ 12,501
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid for Interest	\$ 3,578	\$ 1,640
<b>Noncash Investing Activity</b>		
Additions to Property and Equipment	\$ 550,717	\$ -
Less: Amounts in Accounts Payable - Construction	(154,183)	-
Cash Paid for Property and Equipment	\$ 396,534	\$ -

See accompanying Notes to Financial Statements.



**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015**

**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, 2014 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, 2015

**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 \$7,500 restricted for program services at June 30, 2015.

**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, 2015**

**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.

**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 13, 2015, 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 \$42,160 for 2015.

**NOTE 3 PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows as of June 30, 2015:

Land	\$ 7,500
Building and Improvements	1,464,326
Furniture and Fixtures	63,895
Less: Accumulated Depreciation	(380,712)
	<u>\$ 1,155,009</u>

**TRANSITION HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

Included in improvements are costs related to the renovation of the shelter. As of June 30, 2015 renovation costs which are not yet being depreciated amounted to \$550,717. The renovation is expected to be completed in 2016 with an estimated total cost of \$750,000.

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

Building and Improvements	20-40 Years
Furniture and Fixtures	7 Years

Depreciation expense amounted to \$23,248 for the year ended June 30, 2015.

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following as of June 30, 2015:

Governmental Agencies	\$ 72,587
Other Receivables	7,500
Total	<u>\$ 80,087</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, governmental agencies and others amounting to \$80,087 as of June 30, 2015.

**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 \$506,277 and \$414,003 from DCF and the City of Cambridge, Massachusetts, respectively, which comprises 38% and 31% of the Organization's revenue for 2015, respectively.

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 OPERATING LEASES**

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 \$54,547 for 2015.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 55,683
2017	57,075
2018	58,502
2019	14,715
Total	<u>\$ 185,975</u>

The Organization also leases several shelter facilities in Massachusetts, under a tenant-at-will basis. Rent expense amounted to \$219,084 for 2015.

**NOTE 7 LONG-TERM DEBT**

The Organization is obligated under long-term debt at June 30, 2015 as follows:

<u>Description</u>	<u>Totals</u>	<u>Notes Payable</u>	<u>Forgivable Loans</u>	<u>Noninterest Bearing Loans</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.	\$ 42,328	\$ 42,328	\$ -	\$ -
8.00% note payable to the City of Cambridge Community Development Department.	167,000	-	167,000	-
Construction Loan 8.00% note payable to the City of Cambridge Community Development Department.	326,677	326,677	-	-
0.00% note payable to the Massachusetts Community Economic Development Assistance Corporation.	403,456	-	-	403,456
Construction Loan 0.00% note payable to the City of Cambridge Community Development Department.	50,000	-	-	50,000
Total Long-Term Debt	<u>989,461</u>	<u>369,005</u>	<u>167,000</u>	<u>453,456</u>
Less: Current Maturities	2,731	2,731	-	-
Long-Term Debt, Net	<u>\$ 986,730</u>	<u>\$ 366,274</u>	<u>\$ 167,000</u>	<u>\$ 453,456</u>

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

Interest incurred on the long-term debt amounted to \$3,578 for 2015.

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>
2016	\$ 2,731
2017	52,871
2018	3,017
2019	3,172
2020	3,334

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 on the shelter facility. 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.

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 forgivable interest expense has not been recorded in the accompanying financial statements.

The City of Cambridge, Massachusetts, financed major renovations which amounted to \$376,677 for the primary shelter facility. Total financing will amount to \$750,000 by the end of the renovations which are collateralized by a second mortgage on the property and are committed through two separate loan agreements. The first loan is for \$50,000 and does not accrue interest as long as the Organization operates the premises for affordable housing. As of June 30, 2015 the loan obligation is \$50,000 and is due in its entirety on March 17, 2017. The second loan is for \$700,000 and accrues interest at a rate of 8.00% per annum as long as the Organization operates the premises for affordable housing (default interest rate is 12.00%). As of June 30, 2015 the loan obligation is \$326,677 with principal and interest due and payable on March 17, 2067.

**TRANSITION HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

As of June 30, 2015, management believes it was in compliance with all loan covenants.

Forgivable and noninterest bearing loans would accrue interest from the beginning of the loans if certain covenants were not met by the Organization. As of June 30, 2015, the contingent interest liability for all long-term debt amounted to approximately \$765,000 which has not been reflected in the accompanying financial statements.