

TRANSITION HOUSE, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2015)

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

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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., which comprise the statement of financial position as of June 30, 2016, 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, 2016 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, 2015 summarized comparative information has been derived from Transition House, Inc.'s 2015 financial statements, and in our report dated November 13, 2015 we expressed an unmodified opinion on those financial statements.

CliftonLarsonAllen LLP
CliftonLarsonAllen LLP

Boston, Massachusetts
November 9, 2016

TRANSITION HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 167,460	\$ 136,122
Accounts Receivable	87,211	80,087
Prepaid Expenses	11,995	13,263
Security Deposit	3,993	3,993
Total Current Assets	270,659	233,465
PROPERTY AND EQUIPMENT		
Property and Equipment	1,861,340	1,535,721
Less: Accumulated Depreciation	373,633	380,712
Property and Equipment, Net	1,487,707	1,155,009
Total Assets	\$ 1,758,366	\$ 1,388,474
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 52,871	\$ 2,731
Accounts Payable	10,871	3,374
Accounts Payable - Construction	-	154,183
Accrued Expenses	46,850	33,856
Total Current Liabilities	110,592	194,144
LONG-TERM DEBT		
Notes Payable, Net of Current Maturities	733,710	366,274
Noninterest Bearing Loans	403,456	453,456
Deferred Forgivable Loans	167,000	167,000
Total Long-Term Debt, Net of Current Maturities	1,304,166	986,730
Total Liabilities	1,414,758	1,180,874
NET ASSETS		
Unrestricted	343,608	200,100
Temporarily Restricted	-	7,500
Total Net Assets	343,608	207,600
Total Liabilities and Net Assets	\$ 1,758,366	\$ 1,388,474

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING REVENUE AND SUPPORT					
Contract Revenue	\$ 1,157,628	\$ -	\$ -	\$ 1,157,628	\$ 1,004,380
Contributions	348,655	-	-	348,655	220,798
Program Service Fees	36,432	-	-	36,432	34,976
Donated Services	39,417	-	-	39,417	42,160
Other Income	7,327	-	-	7,327	16,163
Net Assets Released from Restriction	7,500	(7,500)	-	-	-
Total Operating Revenue and Support	<u>1,596,959</u>	<u>(7,500)</u>	<u>-</u>	<u>1,589,459</u>	<u>1,318,477</u>
PROGRAM EXPENSES					
Program Services	1,166,008	-	-	1,166,008	981,898
Total Program Expenses	<u>1,166,008</u>	<u>-</u>	<u>-</u>	<u>1,166,008</u>	<u>981,898</u>
SUPPORTING SERVICES					
Management and General	221,122	-	-	221,122	190,357
Fundraising	66,321	-	-	66,321	5,733
Total Supporting Services	<u>287,443</u>	<u>-</u>	<u>-</u>	<u>287,443</u>	<u>196,090</u>
Total Operating Expenses	<u>1,453,451</u>	<u>-</u>	<u>-</u>	<u>1,453,451</u>	<u>1,177,988</u>
INCREASE (DECREASE) IN NET ASSETS	143,508	(7,500)	-	136,008	140,489
Net Assets - Beginning of Year	<u>200,100</u>	<u>7,500</u>	<u>-</u>	<u>207,600</u>	<u>67,111</u>
NET ASSETS - END OF YEAR	<u>\$ 343,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,608</u>	<u>\$ 207,600</u>

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015	
	Program Services	Supporting Services		Total	Total
	Total Program Services	Management and General	Fundraising		
OPERATING EXPENSES					
Salaries	\$ 639,076	\$ 75,724	\$ 34,260	\$ 749,060	\$ 586,879
Payroll Taxes	58,107	6,888	3,230	68,225	54,389
Employee Benefits	45,587	17,649	82	63,318	21,566
Advertising	745	240	-	985	700
Consultants	3,438	-	-	3,438	9,437
Training and Development	3,666	1,647	-	5,313	1,199
Travel	364	92	-	456	600
Client Assistance	22,336	-	-	22,336	14,143
Program Supplies and Materials	20,554	858	-	21,412	29,484
Professional Fees	650	46,209	-	46,859	39,177
Insurance	-	21,636	-	21,636	16,756
Telephone	13,303	-	-	13,303	8,989
Printing	340	-	-	340	-
Postage	392	1,095	-	1,487	1,203
Office Supplies	5,872	4,828	-	10,700	11,500
Dues and Subscriptions	-	6,943	-	6,943	2,239
Other Operating Expenses	15,214	2,097	-	17,311	13,272
Interest Expense	-	1,202	-	1,202	3,578
Facility Expense	242,418	32,463	-	274,881	273,631
Depreciation	43,532	1,551	-	45,083	23,248
Fundraising Cost	-	-	28,749	28,749	5,733
Utilities	10,997	-	-	10,997	18,105
Donated Services	39,417	-	-	39,417	42,160
Total	<u>\$ 1,166,008</u>	<u>\$ 221,122</u>	<u>\$ 66,321</u>	<u>\$ 1,453,451</u>	<u>\$ 1,177,988</u>

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 136,008	\$ 140,489
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operations:		
Depreciation	45,083	23,248
Contributions for Property and Equipment	(174,480)	-
(Increase) Decrease in:		
Accounts Receivable	(7,124)	(5,008)
Prepaid Expenses	1,268	3,151
Increase (Decrease) in:		
Accounts Payable	7,497	(14,647)
Accrued Expenses	12,994	(3,226)
Net Cash Provided by Operating Activities	21,246	144,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(531,964)	(396,534)
Net Cash Used by Investing Activities	(531,964)	(396,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	373,323	376,544
Repayments of Long-Term Debt	(5,747)	(396)
Contributions for Property and Equipment	174,480	-
Net Cash Provided by Financing Activities	542,056	376,148
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,338	123,621
Cash and Cash Equivalents - Beginning of Year	136,122	12,501
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 167,460	\$ 136,122
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	\$ 1,202	\$ 3,578
Noncash Investing Activity		
Additions to Property and Equipment	\$ 377,781	\$ 550,717
Decrease (Increase) in Accounts Payable - Construction	154,183	(154,183)
Cash Paid for Property and Equipment	\$ 531,964	\$ 396,534

See accompanying Notes to Financial Statements.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Community Based Services

The Transition House Community Based Services program is designed to provide holistic intervention, support, and resource coordination to address domestic violence and prevent homelessness in our community. The multi-cultural program team, comprised of clinician and community advocates serves people of all ages and backgrounds and works in close coordination with community partners to address housing and legal service's needs.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

**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, 2015 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.

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, 2016

**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, 2016

**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 nonprofit 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 9, 2016, 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 \$39,417 for 2016.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of June 30, 2016:

Land	\$ 7,500
Building and Improvements	1,793,052
Furniture and Fixtures	60,788
Less: Accumulated Depreciation	(373,633)
Total	<u>\$ 1,487,707</u>

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 \$45,083 for the year ended June 30, 2016.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as of June 30, 2016:

Governmental Agencies	\$ 87,211
	<hr/>
Total	\$ 87,211
	<hr/> <hr/>

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 \$87,211 as of June 30, 2016.

Major Grantors

The Organization receives significant funding from the Commonwealth of Massachusetts 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 \$607,727 and \$549,901 from the Commonwealth of Massachusetts and the City of Cambridge, Massachusetts, respectively, which comprises 38% and 35% of the Organization's revenue for 2016, respectively.

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 \$55,797 for 2016.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 OPERATING LEASES (CONTINUED)

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2017	\$ 57,075
2018	58,502
2019	14,715
Total	<u>\$ 130,292</u>

The Organization also leases several shelter facilities in Massachusetts, under a tenant-at-will basis. Rent expense amounted to \$219,084 for 2016.

NOTE 7 LONG-TERM DEBT

The Organization is obligated under long-term debt at June 30, 2016 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.	\$ 36,581	\$ 36,581	\$ -	\$ -
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	700,000	700,000	-	-
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	1,357,037	736,581	167,000	453,456
Less: Current Maturities	52,871	2,871	-	50,000
Long-Term Debt, Net	<u>\$ 1,304,166</u>	<u>\$ 733,710</u>	<u>\$ 167,000</u>	<u>\$ 403,456</u>

Interest incurred on the long-term debt amounted to \$1,202 for 2016.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 LONG-TERM DEBT (CONTINUED)

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>
2017	\$ 52,871
2018	3,017
2019	3,172
2020	3,334
2021	3,505

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 that amounted to \$750,000 for the primary shelter facility, 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, 2016 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, 2016 the loan obligation is \$700,000 with principal and interest due and payable on March 17, 2067.

As of June 30, 2016, management believes it was in compliance with all loan covenants.

TRANSITION HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 LONG-TERM DEBT (CONTINUED)

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, 2016, the contingent interest liability for all long-term debt amounted to approximately \$812,000 which has not been reflected in the accompanying financial statements.