CARDINAL CUSHING CENTERS, INC.

Financial Statements

Year ended June 30, 2015

CONTENTS

Leonard, Mulherin & Greene, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

625 Grove Street
Braintree, MA 02184
Phone (781) 356-4800
Fax (781) 356-5800

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cardinal Cushing Centers, Inc.
Hanover, Massachusetts

Report on the Financial Statements
We have audited the accompanying financial statements of Cardinal Cushing Centers, Inc. (a Massachusetts nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(continued)

Report on Summarized Comparative Information
We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leonard, Mulherin & Greene, P.C.
LEONARD, MULHERIN & GREENE, P.C.
Braintree, Massachusetts

October 30, 2015

CARDINAL CUSHING CENTERS, INC.

Statement of Financial Position
June 30, 2015
(with comparative totals for 2014)

	2015				2014
	Current Operations	Plant	Endowment	Total	Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 2,010,024	$ 554,351	$ -	$ 2,564,375	$ 2,279,930
Cash - client funds	34,917	-	-	34,917	33,429
Accounts receivable, net	1,545,884	-	-	1,545,884	1,879,452
Contributions receivable, current portion	40,650	520,367	-	561,017	70,788
Prepaid expenses	86,256	-	-	86,256	136,716
Restricted deposits	-	574,497	-	574,497	568,737
Other current asset	-	-	-	-	38,461
Total current assets	3,717,731	1,649,215	-	5,366,946	5,007,513
PROPERTY AND EQUIPMENT,					
net of accumulated depreciation	-	9,607,339	-	9,607,339	9,239,472
OTHER ASSETS					
Long-term contributions receivable	-	1,693,555	-	1,693,555	-
Long-term investments	4,576	-	284,352	288,928	302,516
Bond issue costs, net	-	116,277	-	116,277	120,928
Cash surrender value of life insurance	6,451	-	-	6,451	7,638
Total assets	$ 3,728,758	$ 13,066,386	$ 284,352	$ 17,079,496	$ 14,678,067
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	$ 326,453	$ -	$ -	$ 326,453	$ 273,024
Accrued expenses	1,726,800	7,429	-	1,734,229	1,627,233
Client funds held	34,917	-	-	34,917	33,429
Deferred revenue	86,751	-	-	86,751	242,991
Long-term debt, current portion	-	84,983	-	84,983	75,441
Other current liability	-	-	-	-	38,461
Total current liabilities	2,174,921	92,412	-	2,267,333	2,290,579
LONG-TERM LIABILITIES					
Long-term debt, less current portion	585,462	2,968,210	-	3,553,672	3,650,467
Asset retirement obligation	-	1,692,231	-	1,692,231	1,593,438
Other liability	30,000	-	-	30,000	-
Total liabilities	2,790,383	4,752,853	-	7,543,236	7,534,484
COMMITMENTS AND CONTINGENCIES					
NET ASSETS					
Unrestricted	808,219	5,545,260	-	6,353,479	6,465,957
Temporarily restricted	130,156	2,768,273	-	2,898,429	379,585
Permanently restricted	-	-	284,352	284,352	298,041
Total net assets	938,375	8,313,533	284,352	9,536,260	7,143,583
Total liabilities and net assets	$ 3,728,758	$ 13,066,386	$ 284,352	$ 17,079,496	$ 14,678,067

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

Statement of Activities
Year ended June 30, 2015
(with comparative totals for 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT, REVENUE AND GAINS					
Program service fees	$ 25,136,525	$ -	$ -	$ 25,136,525	$ 22,895,473
Grants	6,500	-	-	6,500	6,000
Contributions	1,052,669	2,568,636	-	3,621,305	990,189
Special events	841,184	-	-	841,184	882,325
Other revenue	6,720	-	-	6,720	79,122
Investment income	12,169	-	-	12,169	29,381
Revenue from commercial products and services	362,363	-	-	362,363	256,915
(Loss)/Gain on sale of asset	(554)	-	-	(554)	3,605
Change in value of beneficial interests in perpetual trusts	-	-	(13,689)	(13,689)	22,410
Net assets released from use restrictions	49,792	(49,792)	-	-	-
Total support, revenue and gains	27,467,368	2,518,844	(13,689)	29,972,523	25,165,420
EXPENSES					
Program Services					
Day school and vocational education	3,389,841	-	-	3,389,841	2,821,164
Employment support services	930,315	-	-	930,315	763,668
Residential program	11,882,029	-	-	11,882,029	13,044,162
Extended day program - Braintree	2,023,210	-	-	2,023,210	1,585,485
Homesharing	40,252	-	-	40,252	37,088
Community residences	5,023,026	-	-	5,023,026	3,472,375
Life opportunities unlimited	1,016,082	-	-	1,016,082	938,602
Campus ministry	13,489	-	-	13,489	17,107
Adult family care	716,728	-	-	716,728	343,938
Intensive employment program	9,252	-	-	9,252	21,086
Adult education	5,999	-	-	5,999	-
Braintree St. Coletta preschool	41,461	-	-	41,461	-
Waste water treatment plant	77,200	-	-	77,200	80,412
Total program services	25,168,884	-	-	25,168,884	23,125,087
Supporting Services					
Management and general	1,828,556	-	-	1,828,556	1,665,953
Fundraising	582,406	-	-	582,406	522,617
Total supporting services	2,410,962	-	-	2,410,962	2,188,570
Total expenses	27,579,846	-	-	27,579,846	25,313,657
CHANGE IN NET ASSETS	(112,478)	2,518,844	(13,689)	2,392,677	(148,237)
NET ASSETS, beginning of year	6,465,957	379,585	298,041	7,143,583	7,291,820
NET ASSETS, end of year	$ 6,353,479	$ 2,898,429	$ 284,352	$ 9,536,260	$ 7,143,583

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

CARDINAL CUSHING CENTERS, INC.

Statement of Functional Expenses
Year ended June 30, 2015
(with comparative totals for 2014)

	2015							2014
	Employee Compensation and Related	Occupancy	Other Program/ Operating	Administrative	Total Expenses Before Depreciation and Amortization	Depreciation and Amortization	**Total**	Total
Day school and vocational education	$ 2,894,468	$ 77,713	$ 333,585	$ 33,540	$ 3,339,306	$ 50,535	$ 3,389,841	$ 2,821,164
Employment support services	745,743	86,229	72,262	9,825	914,059	16,256	930,315	763,668
Residential program	9,709,509	896,803	802,560	118,000	11,526,872	355,157	11,882,029	13,044,162
Extended day program - Braintree	1,712,265	118,633	130,091	24,417	1,985,406	37,804	2,023,210	1,585,485
Homesharing	4,811	5,320	30,121	-	40,252	-	40,252	37,088
Community residences	4,117,863	378,211	350,045	33,409	4,879,528	143,498	5,023,026	3,472,375
Life opportunities unlimited	825,874	100,272	44,124	20,084	990,354	25,728	1,016,082	938,602
Campus ministry	5,691	7,724	74	-	13,489	-	13,489	17,107
Adult family care	271,192	873	437,049	7,614	716,728	-	716,728	343,938
Intensive employment program	9,252	-	-	-	9,252	-	9,252	21,086
Adult education	3,806	29	2,164	-	5,999	-	5,999	-
Braintree St. Coletta preschool	32,523	4,973	3,026	939	41,461	-	41,461	-
Waste water treatment plant	-	77,200	-	-	77,200	-	77,200	80,412
Total program services	20,332,997	1,753,980	2,205,101	247,828	24,539,906	628,978	25,168,884	23,125,087
Management and general	1,495,110	78,148	42,519	205,773	1,821,550	7,006	1,828,556	1,665,953
Fundraising	267,595	19,801	182,734	112,276	582,406	-	582,406	522,617
Total supporting services	1,762,705	97,949	225,253	318,049	2,403,956	7,006	2,410,962	2,188,570
Total expenses - 2015	$ 22,095,702	$ 1,851,929	$ 2,430,354	$ 565,877	$ 26,943,862	$ 635,984	$ 27,579,846	
Total expenses - 2014	$ 19,888,343	$ 2,163,418	$ 1,997,867	$ 514,130	$ 24,563,758	$ 749,899		$ 25,313,657

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

Statement of Cash Flows
Year ended June 30, 2015
(with comparative totals for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,392,677	$ (148,237)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in value of beneficial interests in perpetual trusts	13,689	(22,410)
Loss (gain) on sale of asset	554	(3,605)
Depreciation and amortization	635,984	749,899
Accretion expense	98,793	93,026
Donation of property and equipment	(54,234)	(21,518)
Restricted contributions - capital campaign	(2,539,722)	-
Changes in operating assets		
Accounts receivable	333,568	(56,482)
Contributions receivable	30,138	36,653
Prepaid expenses	50,460	43
Changes in operating liabilities		
Accounts payable	53,429	59,387
Accrued expenses	106,996	78,794
Deferred revenue	(156,240)	29,504
Other liability	30,000	-
Net cash provided by operating activities	996,092	795,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(945,520)	(674,557)
Purchase of investments	(101)	(18,180)
Withdrawal of investments	-	160,239
Decrease in cash surrender value of life insurance	1,187	1,394
Net cash used in investing activities	(944,434)	(531,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions - capital campaign	2,539,722	-
Increase in contributions receivable - capital campaign	(2,213,922)	-
Proceeds from borrowings on line of credit	-	100,000
Repayments of principal on line of credit	-	(100,000)
Restricted deposits, net activity	(5,760)	15,394
Principal payments on long-term debt	(87,253)	(122,608)
Net cash provided by (used in) financing activities	232,787	(107,214)
Net increase in cash and cash equivalents	284,445	156,736
Cash and cash equivalents, beginning of year	2,279,930	2,123,194
Cash and cash equivalents, end of year	$ 2,564,375	$ 2,279,930

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Cardinal Cushing Centers, Inc. (the "Organization") is a nonprofit corporation organized for the purpose of providing specialized education and training to mentally and physically handicapped persons. The Organization is principally funded through tuition contracts with cities and towns under Chapter 766, the Commonwealth of Massachusetts Department of Developmental Services, other state agencies, and contributions. Tuition is established annually by the Commonwealth of Massachusetts and is paid principally by the respective city or town in which the student resides.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

A description of the Organization's net asset categories is as follows:

Unrestricted net assets represent the portion of the net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. A portion of the unrestricted net assets attributable to revenue received from Commonwealth of Massachusetts purchasing agencies has been determined to be deficit revenue in accordance with Commonwealth of Massachusetts regulations (see Note 15).

Temporarily restricted net assets represent those assets whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are reclassified to unrestricted net assets as their time and purpose requirements are met.

At June 30, 2015, temporarily restricted net assets are available for the following purposes:

Capital campaign	**$2,510,479**
Master plan – "Bridge to the Future"	**148,078**
Special events	**108,134**
Chapel repairs	**59,717**
Building repairs	**50,000**
Scholarships	**11,881**
Restricted program supplies and expenses	**10,140**
Total temporarily restricted net assets	**$2,898,429**

Permanently restricted net assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations. Permanently restricted net assets also include the Organization's beneficial interests in perpetual trusts.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)
At June 30, 2015, permanently restricted net assets consisted of the following:

Beneficial interests in perpetual trusts (Note 6)	**$249,352**
Permanent endowment funds	**35,000**
Total permanently restricted net assets	**$284,352**

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

Cash and Cash Equivalents
For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding client funds, restricted deposits and cash held for investment purposes.

Client Funds Held
The Organization acts as a fiduciary with respect to certain personal funds it receives as a representative payee. Since the funds are not the property of the Organization, they are reported in the Statement of Financial Position as an asset with offsetting liability. The funds held under this arrangement at June 30, 2015 and 2014 totaled $34,917 and $33,429, respectively.

Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2015 and 2014, the Organization had established valuation allowances totaling $2,922 and $17,707, respectively.

Investments
In accordance with the requirements of accounting principles generally accepted in the United States of America, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at market value in the Statement of Financial Position. Both realized and unrealized gains and losses are included in the change in net assets in the Statement of Activities.

At June 30, 2015 and 2014, the Organization's investments consist of certificates of deposit maintained at a commercial bank and the Organization's beneficial interest in perpetual trusts (see Note 6).

Property and Equipment
Property and equipment are recorded at cost on the date of acquisition or at fair market value, if donated. The Organization capitalizes significant additions to property and equipment, while expenditures for repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of the assets, which range from 3-50 years, using the straight-line method.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)
The Organization recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with accounting principles generally accepted in the United States of America, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the Organization capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statement of Activities (see Note 12). The Organization expects the additional depreciation and accretion costs to be approximately $105,000 for the year ending June 30, 2016.

Bond Issue Costs
Bond issue costs are amortized using the straight-line method over the term of the bonds (see Note 11).

Revenue Recognition
The majority of the Organization's clients are supported by governmental agencies within Massachusetts. Therefore, the Organization is subject to the regulations and rate formulas of the Commonwealth of Massachusetts Executive Office for Administration and Finance Operational Services Division ("OSD"). Revenue is recorded at the Organization's rate of reimbursement as certified by OSD. Revenues are recognized as earned over the period services are performed. Tuition billed or received in advance of when earned is recorded as deferred revenue.

Contributions
Contributions are recognized at the earlier of when received or when a donor declares an unconditional intent to contribute cash or other assets to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Equipment and Services
Donated equipment and services are recorded at estimated fair market value on date of donation, and is included in "contributions" in the Statement of Activities. The Organization recognized $181,670 and $21,518 as contributions for donated assets and services during the years ended June 30, 2015 and 2014, respectively. Management estimates that volunteers donated approximately 10,250 and 11,125 hours to the academic program of the Organization during the years ended June 30, 2015 and 2014, respectively.

Advertising
Advertising costs, which relate primarily to promotional materials and employee recruitment, are expensed as incurred and totaled $71,187 and $68,714 for the years ended June 30, 2015 and 2014, respectively.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by various methods.

Tax Status

The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code (the "Code") as exempt from federal and state income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2012.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

Subsequent Events

The Organization evaluated events that occurred after June 30, 2015, the date of the Statement of Financial Position, but before the date the financial statements are available to be issued, October 30, 2015, for potential recognition or disclosure in the financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

2 – RELATED PARTY TRANSACTIONS

Sisters of St. Francis of Assisi

Prior to 1976, the Sisters of St. Francis of Assisi loaned the organizations that merged to form Cardinal Cushing Centers, Inc. approximately 75% of the salaries of the Sisters assigned to the organizations. This method of providing working capital was discontinued in January 1976 and the remaining unpaid loan balance of $585,462 is non-interest bearing, unsecured, and has no agreed-upon repayment schedule.

Cushing Residence, Inc.

The Vice President/Chief Financial Officer of the Organization is a member of the Board of Directors of Cushing Residence, Inc. ("Cushing Residence"). Cushing Green, LLC has the authority to select the individuals or entities to control the decisions and activities of Cushing Residence. The Organization is party to a Wastewater Treatment Construction, Operation, Maintenance Use and Easement Agreement (the "Agreement") with Cushing Residence to set forth the terms and conditions for the design, construction, operation, maintenance and use of a wastewater treatment facility (the "Project") that is used jointly by the two organizations.

2 – RELATED PARTY TRANSACTIONS (continued)

Cushing Residence, Inc. (continued)

The Organization and Cushing Residence are each responsible for one-half of the costs of operating and maintaining the Project. As a result, the Organization billed Cushing Residence $77,359 and $78,540 for its share of the operating and maintenance costs for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, $8,692 and $7,117 was due to the Organization from Cushing Residence relative to this arrangement. See Note 13 for discussion of the various escrow account requirements related to the construction, operation and maintenance of the Project.

Board of Directors

During the years ended June 30, 2015 and 2014, a member of the Board of Directors' law firm provided legal services to the Organization totaling $16,059 and $16,338, respectively. The wife of that Board member provided interior design services totaling $1,458 during the year ended June 30, 2014.

The Organization incurs insurance premiums and receives insurance and fringe benefit advice from a company owned by a member of its Board of Directors. The Organization made insurance premium payments totaling $1,263 and $10,741 to the company for the years ended June 30, 2015 and 2014, respectively. The company also earns commissions based on other premiums the Organization pays to various insurance companies.

3 – INVESTMENTS

Investments are carried at fair market value with aggregate carrying amounts by major investment types as follows at June 30:

	2015	2014
Certificates of deposit	**$ 39,576**	$ 39,475
Beneficial interests in perpetual trusts	**249,352**	263,041
Total investments	**$288,928**	$302,516

Investment income consisted of the following for the years ended June 30:

	2015	2014
Interest	**$ 1,190**	$ 20,354
Dividends	**10,979**	9,027
Total investment income	**$ 12,169**	$ 29,381
Change in value of beneficial interests in perpetual trusts	**$(13,689)**	$ 22,410

4 – FAIR VALUE MEASUREMENTS

The Organization applies the provisions of accounting principles generally accepted in the United States of America which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), a lower priority to significant other observable inputs (Level 2 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these provisions are described below:

4 – FAIR VALUE MEASUREMENTS (continued)

Basis of Fair Value Measurement

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

The certificates of deposit are valued at the original amount deposited plus actual earnings thereon.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The value of the beneficial interest in perpetual trusts presented below represents the Organization's estimate of future cash flows to be received from the trusts utilizing the fair value of the trust assets provided by the trustees.

The asset or liability's measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2015:

Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments:				
Certificates of deposit	**$ 39,576**	**$39,576**	**$ -**	**$ -**
Beneficial interest in perpetual trusts	**249,352**	**-**	**-**	**249,352**
	$288,928	**$39,576**	**$ -**	**$249,352**

The following summarizes the Organization's Level 3 reconciliation for the beneficial interest in perpetual trusts as of June 30, 2015:

Beginning balance	**$263,041**
Change in value	**(13,689)**
Ending balance	**$249,352**

4 – FAIR VALUE MEASUREMENTS (continued)

The change in value of the beneficial interest in perpetual trusts has been reported in the Statement of Activities.

5 – ENDOWMENT FUNDS

The Organization follows the provisions of accounting principles generally accepted in the United States of America regarding the net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to enacted versions of the *Uniform Prudent Management of Institutional Funds Act of 2006* ("UPMIFA") and also require disclosures about an organization's donor-restricted and board-designated endowment funds.

The Organization's endowment consists of funds that have been restricted by donors to be maintained in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Regarding Net Asset Classification and Appropriation
Management has interpreted applicable Massachusetts law as requiring the preservation of the fair value of the original gift as of the gift date ("historic dollar value") of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets the historic dollar value of gifts donated to the permanent endowment. Any unspent investment income and cumulative appreciation (net unrealized and realized gains and (losses)) are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts law at which time the gains are reclassified to unrestricted net assets.

Subject to the intent of the donor expressed in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate or accumulate, the Organization considers the following factors:

1. the duration and preservation of the endowment fund;
2. the purposes of the Organization and the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Organization; and
7. the investment policy of the Organization.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported as reductions in unrestricted net assets. There were no such deficiencies as of June 30, 2015.

5 – ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment. Under this approach, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks while assuming a low level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its objectives, the Organization relies on a low risk strategy of investing its endowment fund in a certificate of deposit.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization's investment and spending policies have been designed to limit the exposure of the endowment assets while providing for growth through new gifts and investment return. Evaluation of progress toward the investment objective shall be made with a long term perspective.

The Organization's endowment at June 30, 2015 includes a $35,000 donor-restricted permanent endowment. The endowment remains unchanged from the beginning of the year.

6 – BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is the income beneficiary of certain trusts wherein the Organization has the irrevocable right to receive the income earned on its share of the trusts' assets, but will not receive distributions of principal from the trusts. In addition, the trusts' assets are held by a trustee and are separate from the Organization's assets. In accordance with generally accepted accounting principles, the Organization has recorded its share of the fair market value of the trusts' assets as a permanently restricted net asset totaling $249,352 and $263,041 at June 30, 2015 and 2014, respectively.

7 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30, 2015:

Less than one year	**$ 561,017**
One to five years	**1,755,533**
Total contributions receivable	**2,316,550**
Less discount to present value (1.01% interest rate)	**(61,978)**
Net contributions receivable	**2,254,572**
Less current portion	**(561,017)**
Contributions receivable, less current portion	**$1,693,555**

8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2015	2014
Land	**$ 1,065,514**	$ 1,065,514
Land improvements	**710,381**	647,371
Building and improvements	**17,705,139**	17,464,869
Furniture, fixtures and equipment	**3,154,160**	2,893,553
Motor vehicles	**653,918**	603,414
Construction-in-progress	**691,213**	371,126
	23,980,325	23,045,847
Less accumulated depreciation	**(14,372,986)**	(13,806,375)
Total property and equipment, net	**$ 9,607,339**	$ 9,239,472

Depreciation expense for the years ended June 30, 2015 and 2014 totaled $631,333 and $604,769, respectively.

9 – LINE OF CREDIT

The Organization has a demand revolving line of credit agreement with a bank to support its short-term working capital needs. The agreement allows the Organization to borrow up to a maximum amount of $1,500,000. The agreement also requires the Organization to have no amounts outstanding on the line of credit for 30 consecutive days during each year and is subject to the covenants described in Note 11. The line of credit agreement is scheduled to expire on June 29, 2019.

Payments of interest on the outstanding principal are due monthly at the greater of 4.0% or the bank's prime rate (4.0% at June 30, 2015). There was no outstanding balance on the line of credit at June 30, 2015 and 2014. Interest expense incurred on the line of credit totaled $56 for the year ended June 30, 2014. There was no interest expense incurred on the line of credit for the year ended June 30, 2015.

10 – LONG-TERM DEBT

At June 30, long-term debt consisted of the following:

	2015	2014
Non-interest bearing advance from Sisters of St. Francis of Assisi, unsecured, with no agreed-upon repayment schedule	**$585,462**	$585,462
Less current portion	-	-
	$585,462	$585,462

11 – LOANS PAYABLE - BOND

At June 30, loans payable bond consisted of the following:

	2015	2014
30-year Massachusetts Development Finance Agency revenue bonds refinanced in June 2010 and held by a bank's subsidiary investment company, secured by all real and personal property owned by the Organization. On June 26, 2014, the agreement was amended with the Organization redeeming $3,500,000 of the principal balance and reducing the interest rate to 2.92% through June 30, 2020. The rate will then subsequently reset every five years at the then current 5-year FHLB rate, plus 0.75%, but not less than 4.85%. Monthly principal and interest payments of $37,705 were made through June 30, 2014. Monthly principal and interest payments were then reduced to $14,417 based on a 26-year amortization with a final payment due in July 2040.	**$3,053,193**	$3,140,446
Less current portion	**84,983**	75,441
	$2,968,210	$3,065,005

Principal maturities of the bonds are as follows for the years ending June 30:

2016	**$ 84,983**
2017	**87,504**
2018	**90,093**
2019	**92,760**
2020	**95,505**
Thereafter	**2,602,348**
	$3,053,193

The 2010 mortgage loan and security agreements (the "Agreements") require the Organization to comply with various financial covenants including annual debt service coverage ratio requirements. The Agreements also require the Organization to maintain a debt service reserve fund in an amount equal to twelve months debt service on the bonds ($433,644 and $433,210 at June 30, 2015 and 2014, respectively). The debt service reserve fund is reported as "restricted deposits" in the accompanying Statement of Financial Position.

During the years ended June 30, 2015 and 2014, the Organization incurred interest costs totaling $89,628 and $510,765, respectively, in connection with the various bond agreements.

Bond issue costs associated with the bond financing are being amortized over the term of the bonds. Amortization expense amounted to $4,651 and $145,130 (including $135,276 related to the write off of bond issue costs in connection with the partial redemption of bonds in June 2014) for the years ended June 30, 2015 and 2014, respectively.

12 – ASSET RETIREMENT OBLIGATION

The Organization applies the provisions of accounting principles generally accepted in the United States of America related to accounting for conditional asset retirement obligations. This interpretation clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. The types of asset retirement obligations that are covered by the provisions are those for which an entity has a legal obligation to perform an asset retirement activity, however, the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

The estimated costs to remove asbestos that is contained within the campus facilities is considered a conditional asset retirement. The estimated fair value of the Organization's asset retirement obligation totaled $1,692,231 and $1,593,438 at June 30, 2015 and 2014, respectively. Accretion expense related to the asset retirement obligation totaled $98,793 and $93,026 for the years ended June 30, 2015 and 2014, respectively.

13 – COMMITMENTS

The Organization holds various operating lease agreements for facility space and office equipment with expiration dates through July 15, 2025. Rental expense for the years ended June 30, 2015 and 2014 totaled $259,810 and $198,139, respectively. Future minimum lease payments are as follows for the years ending June 30:

2016	**$ 341,832**
2017	**339,608**
2018	**343,350**
2019	**243,354**
2020	**150,493**
Thereafter	**771,122**
	$2,189,759

Additionally, the Organization committed to leases during the year ended June 30, 2015, which will commence subsequent to year end. Anticipated future minimum lease payments are as follows for years ending June 30:

2016	**$ 259,582**
2017	**363,515**
2018	**366,937**
2019	**370,358**
2020	**373,780**
Thereafter	**6,856,905**
	$8,591,077

Under a Consent Order with the Commonwealth of Massachusetts Department of Environmental Protection, the Organization is required to establish an emergency repair escrow account for the purpose of funding immediate repairs and/or replacement of the wastewater treatment facility. Under the terms of its Agreement with Cushing Residence (see Note 2), the Organization fully funded this account. The Organization and Cushing Residence are each responsible for one-half of any future funding requirements of this account.

13 – COMMITMENTS (continued)

In addition, the Organization was required to establish a capital reserve account to fund future improvements and modifications to the facility. This account is to be funded in the amount of $5,200 per year with the Organization and Cushing Residence each being responsible for one-half of these costs.

Cushing Residence's financing with MHFA required that a sewage facility operating escrow be maintained in the amount of $77,500. This account was funded in the amount of $62,000 by Cushing Residence and $15,500 by the Organization, as set forth in the Agreement between these two parties (see Note 2).

At June 30, the Organization's escrow and other restricted account balances related to the wastewater treatment facility, which are reported as "restricted deposits" in the accompanying Statement of Financial Position, were as follows:

	2015	2014
Emergency repair escrow	**$ 46,695**	$ 46,648
Capital reserve account	**78,658**	73,379
Sewage facility operating escrow	**15,500**	15,500
	$140,853	$135,527

14 – RETIREMENT PLAN

The Organization has a defined contribution 401(k) plan available to all employees hired before March 1, 1996 with an annuity option upon retirement. The Organization did not make any discretionary contributions to the plan for the years ended June 30, 2015 and 2014.

Benefits begin accruing for eligible employees hired before March 1, 1996 on commencement of employment and are vested after two years at specified rates and become fully vested after five years. Employees hired on or after March 1, 1996 began accruing benefits on July 1, 1997 and are fully vested five years from their date of hire.

15 – SURPLUS REVENUE RETENTION

The Commonwealth of Massachusetts promulgated in its regulations that beginning with fiscal year ended June 30, 1993 and later; surpluses derived from Commonwealth of Massachusetts purchasing agencies are subject to certain restrictions as follows:

1. Providers are allowed to accumulate surpluses up to 5% of total revenue attributable to or generated by Commonwealth agreements for the provision of social services.

2. The cumulative amount of surplus that can be retained over time may not exceed 20% of the provider's prior year gross revenues derived from Commonwealth of Massachusetts purchasing agencies.

The Organization has calculated that $(27,629,408) of the unrestricted net assets is considered cumulative surplus (deficit) at June 30, 2015, which includes a cumulative deficit of $(26,134,310) at June 30, 2014 and a (deficit) for the year ended June 30, 2015 of $(1,495,098). Deficit balances are considered in the cumulative surplus revenue calculation discussed in (2) above.

16 – CONTINGENCIES/CONCENTRATION OF CREDIT RISK

Contingencies
In accordance with the terms of its contracts with the Commonwealth of Massachusetts, the records of the Organization are subject to audit. The Organization is, therefore, contingently liable for any disallowed costs. Management believes that any adjustment that might result from such an audit would be immaterial.

Legal Matters
The Organization is involved in legal matters arising in the normal course of business. Although the ultimate outcome of these matters is uncertain as of June 30, 2015, management believes that they will not have a material adverse effect on the financial position or results of operations of the Organization. Accordingly, no provision for a liability has been made in the financial statements for these matters.

During the year ended June 30, 2015, the Organization entered into an Administrative Consent Order and Notice of Noncompliance (the "Order") with the Commonwealth of Massachusetts Department of Environmental Protection relating to the wastewater treatment plant. Under the terms of the Order, the Organization is required to perform certain actions within agreed upon timelines within the year ending June 30, 2016. The Organization has not determined the cost of complying with the Order.

Concentrations of Credit Risk
A significant portion of the Organization's revenue and receivables are from state agencies and cities and towns in the Commonwealth of Massachusetts.

The Organization maintains cash balances at several financial institutions. Balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of June 30, 2015, the uninsured portion of these balances totaled $2,611,841.

The Organization has a concentration with a lender as the Organization's line of credit (Note 9) and loans payable – bond (Note 11) are maintained with the same bank.

17 – LEASE

The Organization leases building space to a tenant under a non-cancellable operating lease with a five year term. The following is a schedule of future minimum rental income under the lease for the years ending June 30:

2016	**$100,000**
2017	**100,000**
2018	**100,000**
2019	**100,000**
	$400,000

18 – SUPPLEMENTAL STATEMENT OF CASH FLOW INFORMATION

Cash paid for interest for the years ended June 30, 2015 and 2014 totaled $109,039 and $511,318, respectively.

Noncash Transaction
During the year ended June 30, 2014, the Organization utilized pledged certificates of deposit to redeem $3,500,000 of the principal balance of their revenue bonds.