

**The Community Family, Inc.**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2015 and 2014**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

**The Community Family, Inc.**

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## Independent Auditor's Report

To the Board of Directors  
The Community Family, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Community Family, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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 Community Family, Inc. as of December 31, 2015 and 2014, 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.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 26 to 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CohnReznick LLP*

Boston, Massachusetts  
April 26, 2016

**The Community Family, Inc.**

**Statements of Financial Position  
December 31, 2015 and 2014**

	<u>Assets</u>	
	2015	2014
Current assets		
Cash and cash equivalents - operating	\$ 1,316,222	\$ 1,797,817
Accounts and pledges receivable, net	536,815	503,023
Prepaid expenses	28,590	25,268
Total current assets	1,881,627	2,326,108
Property and equipment		
Land	861,745	861,745
Buildings	3,078,922	3,078,922
Furniture, fixtures and equipment	804,359	786,996
Motor vehicles	630,190	450,519
Miscellaneous fixed assets	12,289	12,289
	5,387,505	5,190,471
Less - accumulated depreciation	(1,913,956)	(1,746,118)
Net property and equipment	3,473,549	3,444,353
Other assets		
Accounts and pledges receivable, long-term	20,000	40,000
Investments - board-designated	1,021,261	1,054,666
Deferred financing costs, net of accumulated amortization of \$800 and \$2,685, respectively	2,400	4,580
Total other assets	1,043,661	1,099,246
Total assets	\$ 6,398,837	\$ 6,869,707

**The Community Family, Inc.**

**Statements of Financial Position  
December 31, 2015 and 2014**

Liabilities and Net Assets

	2015	2014
Current liabilities		
Current maturities of long-term debt	\$ 17,822	\$ 322,666
Accounts payable and accrued expenses	91,531	86,275
Accrued payroll, vacation and payroll taxes	73,410	124,628
Capital lease obligation, current	7,000	-
Deferred revenue	10,855	13,490
Total current liabilities	200,618	547,059
Long-term debt		
Capital lease obligation, net of current maturity	79,204	-
Mortgage notes payable, net of current maturities	382,152	560,248
Total long-term liabilities	461,356	560,248
Total liabilities	661,974	1,107,307
Net assets		
Unrestricted net assets		
Unrestricted	4,675,602	4,597,734
Board-designated for purpose	1,021,261	1,054,666
Temporarily restricted net assets	40,000	110,000
Permanently restricted net assets	-	-
Total net assets	5,736,863	5,762,400
Total liabilities and net assets	\$ 6,398,837	\$ 6,869,707

See Notes to Financial Statements.

**The Community Family, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Unrestricted net assets		
Support and revenue		
Program	\$ 1,949,838	\$ 2,182,436
Transportation	715,292	796,258
USDA income	129,858	135,325
Interest and dividend income	49,030	47,069
Miscellaneous income	257	428
Grants and donations	150,724	85,588
Net assets released from restrictions	70,000	51,905
Total support and revenue	3,064,999	3,299,009
Functional expenses		
Program services	2,312,177	2,470,600
General and administrative	628,010	645,149
Development	3,330	330
Total functional expenses	2,943,517	3,116,079
Subtotal	121,482	182,930
Realized and unrealized gain (loss) on investments	(77,019)	(6,152)
Increase (decrease) in unrestricted net assets	44,463	176,778
Temporarily restricted net assets		
Contributions	-	50,000
Net assets released from restrictions	(70,000)	(51,905)
Increase (decrease) in temporarily restricted net assets	(70,000)	(1,905)
Total increase (decrease) in net assets	(25,537)	174,873
Net assets, beginning of year	5,762,400	5,587,527
Net assets, end of year	\$ 5,736,863	\$ 5,762,400

See Notes to Financial Statements.

The Community Family, Inc.

Statements of Functional Expenses  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Program services		
Payroll	\$ 1,445,403	\$ 1,469,261
Payroll taxes	111,841	112,459
Activities	19,903	21,619
Depreciation and amortization	165,318	207,774
Food	135,602	150,315
Fringe benefits	71,935	104,475
Insurance	77,700	85,810
Medical supplies	15,329	12,250
Staff training	7,700	1,757
Supplies	17,412	19,260
Transportation	183,855	222,661
Travel	36	449
Utilities	60,143	62,510
	<u>2,312,177</u>	<u>2,470,600</u>
Total program services		
General and administrative		
Payroll	225,099	205,895
Payroll taxes	16,492	16,142
Advertising - employment	1,941	1,714
Advertising - marketing	655	647
Audit	20,040	19,334
Bad debt	227	10,689
Board expense	3,736	5,579
Casual labor	1,472	837
Cleaning and janitorial	63,323	62,140
Consulting	20,492	13,739
Depreciation and amortization	4,700	6,577
Dues and subscriptions	14,704	14,395
Equipment leases	9,508	9,321
Food	-	48
Fringe benefits	25,596	30,979
Insurance	5,762	9,765
Interest	42,569	54,249
Legal	-	10,332
Office supplies and expenses	38,599	39,529
Payroll service and bank charges	27,330	23,649
Postage	4,894	6,178
Repairs and maintenance	77,285	56,133
Staff training	489	300
Telephone	21,027	20,259
Travel	2,070	869
Miscellaneous	-	25,850
	<u>628,010</u>	<u>645,149</u>
Total general and administrative		



The Community Family, Inc.

Statements of Functional Expenses  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Development		
Dues and subscriptions	330	330
Fundraising	<u>3,000</u>	<u>-</u>
Total development	<u>3,330</u>	<u>330</u>
 Total functional expenses	 <u>\$ 2,943,517</u>	 <u>\$ 3,116,079</u>

**The Community Family, Inc.**

**Statements of Cash Flows  
Years Ended December 31, 2015 and 2014**

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (25,537)	\$ 174,873
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	167,838	214,013
Amortization	2,180	338
Net realized and unrealized (gains) losses on investments	77,019	6,152
Contributions restricted for long-term purposes	-	(50,000)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts and pledges receivable	(13,792)	50,762
Prepaid expenses	(3,322)	(2,143)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	5,256	7,388
Accrued payroll, vacation and payroll taxes	(51,218)	(26,013)
Deferred revenue	(2,635)	(23,325)
Net cash provided by (used in) operating activities	155,789	352,045
Cash flows from investing activities		
Purchase of investments	(85,613)	(813,086)
Sale or maturity of investments	41,999	771,769
Purchases of property and equipment	(110,830)	(44,707)
Net cash provided by (used in) investing activities	(154,444)	(86,024)
Cash flows from financing activities		
Mortgage principal payments	(482,940)	(290,681)
Collections on contributions restricted for long-term purposes:		
Van purchase	-	50,000
Net cash provided by (used in) financing activities	(482,940)	(240,681)
Net increase (decrease) in cash and cash equivalents	(481,595)	25,340
Cash and cash equivalents, beginning of year	1,797,817	1,772,477
Cash and cash equivalents, end of year	\$ 1,316,222	\$ 1,797,817

See Notes to Financial Statements.

## The Community Family, Inc.

### Notes to Financial Statements December 31, 2015 and 2014

#### Note 1 - Organization

The Community Family, Inc. (the "Organization") was formed in 1978 as a tax-exempt corporation under Chapter 180 of the laws of the Commonwealth of Massachusetts. The Organization provides adult day-care services in Everett, Massachusetts. The Organization also has two adult day-care centers, with a primary function of caring for clients suffering from Alzheimer's disease, located in Medford and Lowell, Massachusetts. The Organization provides transportation services for some of its clients.

The Organization is subject to revenue rates as established by the Division of Health Care Finance and Policy of the Commonwealth of Massachusetts for its Adult and Alzheimer's Disease Day Care Program contracts. The Commonwealth of Massachusetts Division of Medical Assistance has certified the Organization as a provider of Adult Day Health Care.

#### Note 2 - Summary of significant accounting policies

##### Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with guidance issued by the Financial Accounting Standards Board ("FASB"). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

<i>Unrestricted net assets</i>	Net assets that are not subject to donor-imposed restrictions;
<i>Temporarily restricted net assets</i>	Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and
<i>Permanently restricted net assets</i>	Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Grants which are limited to the use of various Organization programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Organization within the limits of the Organization's Articles of Organization. At December 31, 2015 and 2014, the Organization has no permanently restricted net assets.

##### Use of 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of corporate bonds and mutual funds that are invested in equity securities, bonds, money market and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably

## **The Community Family, Inc.**

### **Notes to Financial Statements December 31, 2015 and 2014**

possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization's account balances.

The Organization receives reimbursements from federal funding agencies, including Medicaid and USDA, and third party service providers which are public agencies for providing adult day health program services. Reimbursement rates are set by geographic region, federal and state regulations, and federal and state budgets. Due to the level of risk associated with certain reimbursement providers due to federal and state budgetary cuts, it is at least reasonably possible that changes in reimbursement rates will occur in the near term and such changes could materially affect the Organization's account balances.

#### **Cash and cash equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less, as well as investments in interest bearing money market accounts, to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

#### **Investments and investment pools**

The Organization's investments consist of investments in marketable securities with readily determinable fair values and investments in debt securities which are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on the average cost method for mutual funds and specific identification of securities sold for corporate bonds. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### **Endowment**

The Organization's endowment consists of approximately 21 individual funds that are restricted by the Board of Directors as a working capital reserve. No funds have been restricted by donors to function as endowments as of December 31, 2015 and 2014. In conformity with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### ***Interpretation of relevant law***

The Board of Directors has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (the "Act"), governing the Organization's net asset classification of restricted endowment funds, as requiring the preservation of the fair value of the restricted endowment funds absent of explicit stipulations to the contrary.

As a result of this interpretation, the Organization may accumulate so much of the annual net income as is deemed prudent to meet (1) the long- and short-term needs of the Organization in carrying out its mission, (2) problems specific to the Organization, (3) present and anticipated financial requirements, (4) expected total return on its investments, (5) price level trends, and (6) general economic conditions. In addition, the Organization may hold any or all such accumulated income for subsequent expenditure for the uses and purposes for which the endowment was established or may add any or all of the accumulated income to the principal endowment fund that is deemed prudent.

## **The Community Family, Inc.**

### **Notes to Financial Statements December 31, 2015 and 2014**

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Organization and the restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Organization, and (vii) the investment policies of the Organization.

#### ***Investment and spending policies***

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. At December 31, 2015 and 2014, there were no donor-restricted endowment funds. Under the investment and spending policies, as approved by the Board of Directors, the endowment assets are invested in a pre-approved listing of different types of securities that aim to preserve principal, generate income and provide the opportunity for conservative growth. The Organization expects its endowment funds, over time, to provide an average annual rate of return of approximately 4% - 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

The Organization has not adopted a policy to appropriate a portion of its endowment for distribution each year as the Organization's intent is to hold the endowment in perpetuity until such a time arises when the Board of Directors specifies a use for the funds. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

#### **Accounts and pledges receivable**

Accounts and pledges receivable are stated at the amount the Organization expects to collect from outstanding balances. Organization management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after Organization management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The Organization does not have any policies requiring collateral or other security to secure accounts receivable. Federal funding agencies, including Medicaid and USDA, and third party providers which are public agencies, do not permit collateralization of their accounts. Consequently, the Organization does not believe any policy is necessary.

#### **Property and equipment**

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments in excess of \$500 that materially prolong the useful lives of assets are capitalized. Building and improvements are being depreciated over their estimated useful lives ranging from 20 to 40 years utilizing the straight line method. Furnishings and equipment and motor

## The Community Family, Inc.

### Notes to Financial Statements December 31, 2015 and 2014

vehicles are being depreciated over their estimated useful lives ranging from 5 to 7 years utilizing the straight line method.

#### **Deferred financing costs**

Costs related to obtaining the mortgage debt financing for the Lowell, Massachusetts facility and Everett, Massachusetts facility are amortized over the term of the related debt using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Estimated annual amortization expense for each of the ensuing years through December 31, 2020 is \$128 per year.

Deferred costs totaling \$4,065 related to the Lowell facility were written off in May 2015. Amortization expense of \$2,052 was recognized during the year ended December 31, 2015 in relation to these costs. No deferred costs were written off during the year ended December 31, 2014.

#### **Impairment of long-lived assets**

The Organization's long-lived assets are reviewed for impairment when events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

In 2015 and 2014, no events or circumstances occurred or existed which indicated that the Organization's long-lived assets might be impaired; accordingly no such loss provision has been included in the accompanying financial statements.

#### **Contract revenue and client fees**

Contract revenue and client fees are recognized as revenue in the year in which the services are performed. Contract revenue and client fees received in advance are deferred and reflected as prepaid revenue until the service is provided.

#### **Contributions**

Contributions, including grants, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 expires, the net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of

## The Community Family, Inc.

### Notes to Financial Statements December 31, 2015 and 2014

discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

#### **Contributed services**

Contributed services that require specialized skills are recognized as revenue at the estimated fair value when the service is received. During the years ended December 31, 2015 and 2014, the value of contributed services meeting the requirements for recognition in the financial statements under the FASB's accounting standards was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

#### **General and administrative expenses**

The Organization allocates general and administrative expenses directly to programs for which separately identifiable costs can be attributed. All other general and administrative expenses are paid by the Home Office and allocated among program sites based on service units provided by location.

During the years ended December 31, 2015 and 2014, the allocations of general and administrative expenses were approximately as follows:

	<u>2015</u>	<u>2014</u>
Everett	49%	44%
Medford	26%	29%
Lowell	<u>25%</u>	<u>27%</u>
	<u>100%</u>	<u>100%</u>

#### **Functional allocation of expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Advertising and marketing**

Advertising and marketing costs are expensed when incurred. Amounts incurred for the years ended December 31, 2015 and 2014 were \$655 and \$647, respectively.

#### **Income taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the years ended December 31, 2015 and 2014. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of December 31, 2015. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended December 31, 2012, 2013 and 2014.

**Note 3 - Accounts and pledges receivable**

Accounts and pledges receivable consists of the following at December 31, 2015 and 2014:

	2015	2014
Trade receivables		
Medicaid	\$ 249,755	\$ 272,684
Veterans Administration	70,970	46,870
Other providers	136,725	102,067
Private pay	46,387	48,784
USDA	21,226	11,866
Subtotal	525,063	482,271
Less: Allowance for doubtful accounts	(18,248)	(18,248)
	506,815	464,023
Pledges receivable	40,000	69,000
Other receivables	10,000	10,000
Total accounts and pledges receivable, net	\$ 556,815	\$ 543,023

Pledges receivable are due as follows at December 31, 2015:

	Unrestricted	Temporarily restricted	Total
Receivables due in less than one year	\$ -	\$ 20,000	\$ 20,000
Receivables due in one to five years	-	20,000	20,000
Receivables due in more than five years	-	-	-
	\$ -	\$ 40,000	\$ 40,000

Pledges receivable are due as follows at December 31, 2014:

	Unrestricted	Temporarily restricted	Total
Receivables due in less than one year	\$ 9,000	\$ 20,000	\$ 29,000
Receivables due in one to five years	-	40,000	40,000
Receivables due in more than five years	-	-	-
	\$ 9,000	\$ 60,000	\$ 69,000



**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 4 - Investments**

The Organization maintains a portfolio of investments. The cost and fair market value of these investments at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Cost	Fair market value	Cost	Fair market value
Mutual funds				
Fixed income	\$ 307,633	\$ 300,509	\$ 297,676	\$ 303,411
Equities	630,257	597,698	593,050	626,853
Other securities				
Real estate investment trusts	92,760	91,271	86,908	83,304
Short-term investments and money market funds	31,783	31,783	41,098	41,098
	<u>\$ 1,062,433</u>	<u>\$ 1,021,261</u>	<u>\$ 1,018,732</u>	<u>\$ 1,054,666</u>

Realized and unrealized gains (losses) on investments for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Realized gain (loss) on investments	\$ -	\$ 114,307
Unrealized gain (loss) on investments	(77,019)	(120,459)
investments	<u>\$ (77,019)</u>	<u>\$ (6,152)</u>

For the years ended December 31, 2015 and 2014, investment activity for the portfolio was as follows:

	2015	2014
Investments, beginning of year	\$ 1,054,666	\$ 1,019,501
Investment income		
Dividends and interest, net of expenses totaling \$9,326 and \$9,088, respectively	43,614	41,317
Realized and unrealized gains (losses)	(77,019)	(6,152)
Deposits	-	-
Investments, end of year, calculated	<u>\$ 1,021,261</u>	<u>\$ 1,054,666</u>

The Community Family, Inc.

Notes to Financial Statements  
December 31, 2015 and 2014

The investments are invested in several funds and industry segments. At December 31, 2015 and 2014, funds comprising greater than 10% of the fair value of investments were as follows:

	<u>2015</u>	<u>2014</u>
AMG Managers PIMCO Bond Fund	14.46%	14.08%
Invesco Select Companies CL R5	10.85%	12.29%
Ishares Trust Minvolatility ETF USA	17.44%	16.01%

The endowment net asset composition by type of fund as of December 31, 2015 was as follows:

<u>Fund type</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ -	\$ -	\$ -
Board-designated endowment	1,021,261	-	-	1,021,261
	<u>\$ 1,021,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021,261</u>

Changes in the endowment net assets for the year ended December 31, 2015 was as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,054,666	\$ -	\$ -	\$ 1,054,666
Investment return:				52,940
Investment Income	52,940	-	-	
Appreciation (depreciation), realized and unrealized	(77,019)	-	-	(77,019)
Total investment return	1,030,587	-	-	1,030,587
Contributions	-	-	-	-
Deposit	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Investment management fees	(9,326)	-	-	(9,326)
Endowment net assets, end of year	<u>\$ 1,021,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021,261</u>

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

The endowment net asset composition by type of fund as of December 31, 2014 was as follows:

Fund type	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment	\$ -	\$ -	\$ -	\$ -
Board-designated endowment	1,054,666	-	-	1,054,666
	<u>\$ 1,054,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,666</u>

Changes in the endowment net assets for the year ended December 31, 2014 was as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 1,019,501	\$ -	\$ -	\$ 1,019,501
Investment return:				50,405
Investment income	50,405	-	-	
Appreciation (depreciation), realized and unrealized	(6,152)	-	-	(6,152)
Total investment return	1,063,754	-	-	1,063,754
Contributions	-	-	-	
Appropriation of endowment assets for expenditure	-	-	-	-
Investment management fees	(9,088)	-	-	(9,088)
Endowment net assets, end of year	<u>\$ 1,054,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,666</u>

**Note 5 - Fair value measurements**

The Organization follows FASB's guidance on fair value measurements. The guidance framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The fair value hierarchy under the guidance is as follows:

- Level 1 - Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value 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 guidance requires the use of observable data if such data is available without undue cost and effort.

The fair value of assets measured on a recurring basis at December 31, 2015 are as follows:

	Fair value	Level I	Level II	Level III
Investments - endowment				
Money market funds	\$ 31,783	\$ 31,783	\$ -	\$ -
Fixed income	300,509	300,509	-	-
Equities	597,698	597,698	-	-
Real estate investment trust	91,271	-	91,271	-
	<u>\$ 1,021,261</u>	<u>\$ 929,990</u>	<u>\$ 91,271</u>	<u>\$ -</u>
Total assets				

The fair value of assets measured on a recurring basis at December 31, 2014 are as follows:

	Fair value	Level I	Level II	Level III
Investments - endowment				
Money market funds	\$ 41,098	\$ 41,098	\$ -	\$ -
Fixed income	303,411	303,411	-	-
Equities	626,853	626,853	-	-
Real estate investment trust	83,304	-	83,304	-
	<u>\$ 1,054,666</u>	<u>\$ 971,362</u>	<u>\$ 83,304</u>	<u>\$ -</u>
Total assets				

Fair values for investments are determined by reference to quoted market prices for Level I inputs and other relevant information generated by market transactions for Level II inputs.

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level III inputs) at December 31, 2015 and 2014.

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 6 - Mortgage notes payable**

Long-term debt consists of the following at December 31:

	2015	2014
<p>Mortgage note payable, Everett Cooperative Bank, secured by real estate in Everett, Massachusetts and other assets of the Organization. Final draws totaling \$215,600 were received during 2010 resulting in a total loan of \$1,376,958. Monthly payments of principal and interest, at a fixed rate of 6.50% commenced in April 2010. The initial monthly payment was \$9,456. During January 2014, the Organization made an optional prepayment in the amount of \$250,000. In addition, the loan balance was re-amortized and the monthly payment was changed to \$4,336. During October 2015, the Organization made an optional prepayment in the amount of \$160,000. Subsequent the 2015 optional prepayment the parties entered into a revision to the promissory note which modified the interest rate to 5.75% and changed the monthly payment to \$3,362 which amortizes the loan over a 15 year period. The loan is scheduled to mature in October 2034. Interest of \$35,173 and \$39,781 was incurred during 2015 and 2014, respectively. There was no accrued interest payable at December 31, 2015 and 2014.</p>	\$ 399,974	\$ 574,883
<p>Mortgage note payable, Lowell Five Cent Savings Bank, secured by real estate in Lowell, Massachusetts and maturing October 2024. The rate will be adjusted every five years to a rate equal to the bank's prime rate plus 1.25% and was last reset in October 2011. In October 2011, the interest rate was changed to 4.5% per annum and the monthly payment was changed to \$3,257. In May 2015, the Organization paid off the outstanding principal and interest balance in full. Interest of \$4,326 and \$14,468 was incurred during 2015 and 2014, respectively.</p>	-	308,031
Total mortgage notes payable	\$ 399,974	\$ 882,914
Current portion	\$ 17,822	\$ 322,666
Long-term portion	382,152	560,248
Total mortgage notes payable	\$ 399,974	\$ 882,914

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

In accordance with the mortgage note payable with Everett Cooperative Bank, the Organization is required to maintain a debt service coverage ratio, as defined in the note. The debt service coverage ratio was met for the year-ended December 31, 2015.

Estimated annual principal payments on the mortgage notes payable for the next five years and in the aggregate as of December 31, 2015 are as follows:

2016	\$	17,822
2017		18,874
2018		19,989
2019		21,169
2020		22,419
Thereafter		299,701
Total mortgage notes payable	\$	399,974

**Note 7 - Restricted and board-designated assets**

**Temporarily restricted**

Temporarily restricted net assets are available for the following purposes at December 31:

	2015	2014
Program activities	\$ 40,000	\$ 60,000
Van purchase	-	50,000
Total	\$ 40,000	\$ 110,000

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor during the years ended December 31, 2015 and 2014 as follows:

	2015	2014
Program activities	\$ 20,000	\$ 40,000
Operations	-	11,905
Van purchase	50,000	-
Total	\$ 70,000	\$ 51,905

**Board-designated - unrestricted**

At December 31, 2015 and 2014, \$1,021,261 and \$1,054,666, respectively, of investments are held in a Board designated endowment fund as a working capital reserve.

**Note 8 - Lease commitments**

**Office equipment**

The Organization leases certain office equipment under various operating leases. Terms of the leases generally are for terms ranging from 48-60 months and expire at various dates through December 2018. Payments range from \$76 to \$184 per month plus excess usage charges. Total

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

office equipment lease expense for the years ended December 31, 2015 and 2014 totaled \$9,508 and \$9,321, respectively.

**Vehicles**

In December 2014, the Organization entered into a master lease agreement to lease two wheelchair accessible vans. Delivery of the vans occurred in July 2015. In accordance with FASB guidance, the Organization has recognized the lease as a capital lease. The term of the lease is for a period of 5 years commencing in August 2015. Monthly payments of principal and interest totaling \$1,382 commenced in August 2015. In addition, a residual payment of \$26,400 is due at the end of the lease term. Interest incurred under the lease agreement during the year ended December 31, 2015 totaled \$3,070.

A schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2015 is as follows:

	2016	\$	16,584
	2017		16,584
	2018		16,584
	2019		16,584
	2020		36,074
Total minimum lease payments			102,410
Less: amount representing interest			(6,387)
Present value of minimum lease payments		\$	96,023

**Note 9 - Concentrations of economic risk**

A significant portion of total support and revenue is derived from the Commonwealth of Massachusetts Division of Medical Assistance and various agencies of the Commonwealth. Billings for these services are rendered on a semi-monthly or monthly basis. The 2015 and 2014 earned revenues and accounts receivable at December 31, 2015 and 2014 from these payors were approximately as follows:

	2015	2014
Percent of earned revenue		
Medicaid/USDA	42%	45%
Veterans Administration	5%	4%
Other	20%	16%
	67%	65%
Percent of accounts receivable		
Medicaid/USDA	53%	61%
Veterans Administration	14%	10%
Other	27%	22%
	94%	93%

**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 10 - Commitments and contingencies**

The Organization receives a significant portion of its funding from contracts with governmental agencies and third-party payors. These contracts are subject to laws and regulations governing the programs contractual agreements and medical assessment; all of which are subject to interpretation. The contracts provide the appropriate agencies the right to audit the Organization, and could result in the recapture of revenue previously reported by the Organization.

In the opinion of management, the results of such audits, if any, should not have a material effect on the Organization's financial position or results of operations.

During the year ended December 31, 2014, the Commonwealth of Massachusetts, Executive Office of Health and Human Services ("MassHealth") performed a review over compliance at each of the Organization's adult day centers. MassHealth found several areas of non-compliance at each center during their review and as a result, charged the Organization a total of \$25,850, comprised of \$9,400 in fines and \$16,450 for recoupment of overpayments received. The Organization disagrees with a number of the compliance findings and filed an appeal in December 2014; however, no settlement has been reached as of the report date, April 26, 2016. As a result and in accordance with professional accounting standards, the entire amount has been accrued and is included in accounts payable and accrued expenses on the statements of financial position as of December 31, 2015 and 2014.

**Note 11 - Concentration of credit risk**

The Organization maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2015 and 2014.

In addition, the Organization's financial institutions participate in either the Share Insurance Fund ("SIF"), which insures all deposits at co-operative banks in Massachusetts above FDIC limits or the Depositors Insurance Fund ("DIF"), which insures all deposits above FDIC limits at Massachusetts chartered savings banks. As of December 31, 2015 and 2014, the Organization's cash balances were fully insured under these programs.

**Note 12 - Supplemental cash flow information**

Schedule of noncash investing and financing activities:

Costs incurred for the purchase of property and equipment	\$	197,034
Costs included in capital lease obligation, current		
Beginning of year		-
End of year		(7,000)
Costs included in capital lease obligation, net of current maturity		
Beginning of year		-
End of year		(79,204)
Payments for property and equipment additions	\$	110,830
Cash paid for interest	\$	42,569



**The Community Family, Inc.**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 13 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through April 26, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

## **Supplementary Information**

**The Community Family, Inc.**  
**Schedules of Revenue and Expenses**  
**Everett Facility**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Unrestricted net assets		
Support and revenue		
Program	\$ 890,507	\$ 923,674
Transportation	391,332	392,642
USDA income	77,949	71,483
Grants and donations	25,709	65,738
Total support and revenue	1,385,497	1,453,537
Functional expenses		
Program services	985,995	1,021,250
General and administrative	313,326	292,398
Development	-	-
Total functional expenses	1,299,321	1,313,648
Increase (decrease) in net assets	\$ 86,176	\$ 139,889

**The Community Family, Inc.**  
**Schedules of Functional Expenses**  
**Everett Facility**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Program services		
Payroll	\$ 597,720	\$ 592,566
Payroll taxes	45,937	44,873
Activities	9,718	11,623
Depreciation and amortization	85,413	95,759
Food	68,739	72,421
Fringe benefits	36,537	51,032
Insurance	30,461	35,801
Medical supplies	8,854	8,300
Staff training	3,850	560
Supplies	9,088	10,676
Transportation	67,616	80,627
Utilities	22,062	17,012
	<u>985,995</u>	<u>1,021,250</u>
 General and administrative		
Advertising - employment	774	1,379
Bad debt	227	8,333
Casual labor	80	537
Cleaning and janitorial	27,938	28,298
Dues and subscriptions	2,246	2,347
Equipment leases	3,754	3,330
Home office allocation	199,180	164,600
Interest	30,228	33,301
Office supplies and expenses	5,987	5,454
Payroll service and bank charges	3,201	3,318
Repairs and maintenance	32,690	21,801
Telephone	7,021	6,908
Miscellaneous	-	12,792
	<u>313,326</u>	<u>292,398</u>
 Development		
Fundraising	-	-
	<u>-</u>	<u>-</u>
Total development	<u>-</u>	<u>-</u>
 Total functional expenses	<u>\$ 1,299,321</u>	<u>\$ 1,313,648</u>

See Independent Auditor's Report.

**The Community Family, Inc.**  
**Schedules of Revenue and Expenses**  
**Medford Facility**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Unrestricted net assets		
Support and revenue		
Program	\$ 570,051	\$ 670,043
Transportation	171,447	193,761
USDA income	27,786	33,774
Miscellaneous income	-	192
Grants and donations	67,271	51,800
Total support and revenue	836,555	949,570
Functional expenses		
Program services	669,859	701,876
General and administrative	158,030	182,374
Development	-	-
Total functional expenses	827,889	884,250
Increase (decrease) in unrestricted net assets	\$ 8,666	\$ 65,320

**The Community Family, Inc.**  
**Schedules of Functional Expenses**  
**Medford Facility**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Program services		
Payroll	\$ 443,643	\$ 447,769
Payroll taxes	34,940	34,402
Activities	7,466	6,804
Depreciation and amortization	36,539	51,516
Food	39,390	45,168
Fringe benefits	12,068	15,591
Insurance	25,132	26,912
Medical supplies	4,435	2,295
Staff training	2,175	370
Supplies	3,768	3,875
Transportation	42,083	47,253
Utilities	18,220	19,921
	<u>669,859</u>	<u>701,876</u>
 Total program services	 <u>669,859</u>	 <u>701,876</u>
General and administrative		
Advertising - employment	755	335
Bad debt	-	2,356
Cleaning and janitorial	17,492	16,214
Dues and subscriptions	2,069	2,145
Equipment leases	3,300	3,436
Home office allocation	93,002	109,164
Interest	1,535	-
Office supplies and expenses	6,748	5,504
Payroll service and bank charges	3,229	3,439
Postage	588	778
Repairs and maintenance	23,035	27,678
Telephone	6,277	5,907
Miscellaneous	-	5,418
	<u>158,030</u>	<u>182,374</u>
 Total general and administrative	 <u>158,030</u>	 <u>182,374</u>
Development		
Fundraising	-	-
	<u>-</u>	<u>-</u>
 Total development	 <u>-</u>	 <u>-</u>
 Total functional expenses	 <u>\$ 827,889</u>	 <u>\$ 884,250</u>

See Independent Auditor's Report.

**The Community Family, Inc.**  
**Schedules of Revenue and Expenses**  
**Lowell Facility**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Unrestricted net assets		
Support and revenue		
Program	\$ 489,280	\$ 588,719
Transportation	152,513	209,855
USDA income	24,123	30,068
Miscellaneous income	257	236
Grants and donations	57,744	18,050
Total support and revenue	723,917	846,928
Functional expenses		
Program services	656,323	747,474
General and administrative	151,238	164,625
Development	3,000	-
Total functional expenses	810,561	912,099
Increase (decrease) in net assets	\$ (86,644)	\$ (65,171)

**The Community Family, Inc.**  
**Schedules of Functional Expenses**  
**Lowell Facility**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Program services		
Payroll	\$ 404,040	\$ 428,926
Payroll taxes	30,964	33,184
Activities	2,719	3,192
Depreciation and amortization	43,366	60,499
Food	27,473	32,726
Fringe benefits	23,330	37,852
Insurance	22,107	23,097
Medical supplies	2,040	1,655
Staff training	1,675	827
Supplies	4,556	4,709
Transportation	74,156	94,781
Travel	36	449
Utilities	19,861	25,577
	<u>656,323</u>	<u>747,474</u>
 Total program services		
	<u>656,323</u>	<u>747,474</u>
General and administrative		
Advertising - employment	212	-
Advertising - marketing	405	397
Casual labor	1,392	300
Cleaning and janitorial	17,893	17,628
Dues and subscriptions	2,471	1,953
Equipment leases	1,286	1,371
Home office allocation	91,351	100,722
Interest	4,326	14,468
Office supplies and expenses	3,099	5,524
Payroll service and bank charges	2,330	2,605
Postage	245	882
Repairs and maintenance	21,560	6,654
Telephone	4,668	4,481
Miscellaneous	-	7,640
	<u>151,238</u>	<u>164,625</u>
 Total general and administrative		
	<u>151,238</u>	<u>164,625</u>
Development		
Fundraising	3,000	-
	<u>3,000</u>	<u>-</u>
 Total development		
	<u>3,000</u>	<u>-</u>
 Total functional expenses		
	<u>\$ 810,561</u>	<u>\$ 912,099</u>

See Independent Auditor's Report.



**The Community Family, Inc.**  
**Schedules of Revenue and Expenses**  
**Home Office**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Unrestricted net assets		
Support and revenue		
Interest and dividend income	\$ 49,030	\$ 47,069
Net assets released from restriction	70,000	51,095
Total support and revenue	119,030	98,164
Functional expenses		
General and administrative	388,949	380,238
Development	330	330
Total functional expenses	389,279	380,568
Less: home office allocation	(383,533)	(374,486)
Subtotal	5,746	6,082
Realized and unrealized gain (loss) on investments	(77,019)	(6,152)
Increase (decrease) in unrestricted net assets	36,265	85,930
Temporarily restricted net assets		
Contributions	-	-
Net assets released from restrictions	(70,000)	(51,095)
Increase (decrease) in temporarily restricted net assets	(70,000)	(51,095)
Increase (decrease) in net assets	\$ (33,735)	\$ 34,835

See Independent Auditor's Report.

**The Community Family, Inc.**  
**Schedules of Functional Expenses**  
**Home Office**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
General and administrative		
Payroll	\$ 225,099	\$ 205,895
Payroll taxes	16,492	16,142
Advertising - employment	200	-
Advertising - marketing	250	250
Audit	20,040	19,334
Board expense	3,736	5,579
Consulting	20,492	13,739
Depreciation and amortization	4,700	6,577
Dues and subscriptions	7,918	7,950
Equipment leases	1,168	1,184
Food	-	48
Fringe benefits	25,596	30,979
Insurance	5,762	9,765
Interest	6,480	6,480
Legal	-	10,332
Office supplies and expenses	22,765	23,047
Payroll service and bank charges	18,570	14,287
Postage	4,061	4,518
Staff training	489	300
Telephone	3,061	2,963
Travel	2,070	869
	<u>388,949</u>	<u>380,238</u>
Development		
Dues and subscriptions	330	330
	<u>330</u>	<u>330</u>
Total development	<u>330</u>	<u>330</u>
	<u>\$ 389,279</u>	<u>\$ 380,568</u>
Less home office allocation:		
Everett	\$ 199,180	\$ 164,600
Medford	93,002	109,164
Lowell	91,351	100,722
	<u>383,533</u>	<u>374,486</u>
Total home office allocation	<u>383,533</u>	<u>374,486</u>
Total expenses after allocation	<u>\$ 5,746</u>	<u>\$ 6,082</u>

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