

The Community Family, Inc.

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

December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2016, The Community Family, Inc. adopted new accounting guidance related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Report on Supplementary Information

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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Boston, Massachusetts
April 21, 2017

The Community Family, Inc.

**Statements of Financial Position
December 31, 2016 and 2015**

| | <u>Assets</u> | |
|--|---------------|--------------|
| | 2016 | 2015 |
| Current assets | | |
| Cash and cash equivalents - operating | \$ 1,507,621 | \$ 1,316,222 |
| Accounts and pledges receivable, net | 522,473 | 536,815 |
| Prepaid expenses | 25,539 | 28,590 |
| Total current assets | 2,055,633 | 1,881,627 |
| Property and equipment | | |
| Land | 861,745 | 861,745 |
| Buildings | 3,089,842 | 3,078,922 |
| Furniture, fixtures and equipment | 849,810 | 804,359 |
| Motor vehicles | 630,690 | 630,190 |
| Miscellaneous fixed assets | 12,289 | 12,289 |
| | 5,444,376 | 5,387,505 |
| Less - accumulated depreciation | (2,068,524) | (1,913,956) |
| Net property and equipment | 3,375,852 | 3,473,549 |
| Other assets | | |
| Accounts and pledges receivable, long-term | - | 20,000 |
| Investments - board-designated | 1,091,565 | 1,021,261 |
| Total other assets | 1,091,565 | 1,041,261 |
| Total assets | \$ 6,523,050 | \$ 6,396,437 |

The Community Family, Inc.

Statements of Financial Position
December 31, 2016 and 2015

Liabilities and Net Assets

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Current liabilities | | |
| Current maturity of long-term debt | \$ 148,376 | \$ 17,822 |
| Accounts payable and accrued expenses | 95,047 | 91,531 |
| Accrued payroll, vacation and payroll taxes | 96,114 | 73,410 |
| Capital lease obligations, current | 14,556 | 7,000 |
| Deferred revenue | 1,942 | 10,855 |
| | <u>356,035</u> | <u>200,618</u> |
| Total current liabilities | | |
| Long-term debt | | |
| Capital lease obligations, net of current maturities | 65,846 | 79,204 |
| Mortgage notes payable, net of current maturities | 231,806 | 379,752 |
| | <u>297,652</u> | <u>458,956</u> |
| Total long-term liabilities | | |
| Total liabilities | <u>653,687</u> | <u>659,574</u> |
| Net assets | | |
| Unrestricted net assets | | |
| Unrestricted | 4,757,798 | 4,675,602 |
| Board-designated for purpose | 1,091,565 | 1,021,261 |
| Temporarily restricted net assets | 20,000 | 40,000 |
| Permanently restricted net assets | - | - |
| | <u>5,869,363</u> | <u>5,736,863</u> |
| Total net assets | | |
| Total liabilities and net assets | <u>\$ 6,523,050</u> | <u>\$ 6,396,437</u> |

See Notes to Financial Statements.

The Community Family, Inc.

**Statements of Activities
Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|--|--------------|--------------|
| Unrestricted net assets | | |
| Support and revenue | | |
| Program | \$ 1,890,863 | \$ 1,949,838 |
| Transportation | 700,559 | 715,292 |
| USDA income | 131,114 | 129,858 |
| Interest and dividend income | 25,439 | 49,030 |
| Miscellaneous income | 592 | 257 |
| Grants and donations | 144,289 | 150,724 |
| Net assets released from restrictions | 20,000 | 70,000 |
| Total support and revenue | 2,912,856 | 3,064,999 |
| Functional expenses | | |
| Program services | 2,217,497 | 2,309,997 |
| General and administrative | 591,460 | 630,190 |
| Development | 999 | 3,330 |
| Total functional expenses | 2,809,956 | 2,943,517 |
| Subtotal | 102,900 | 121,482 |
| Realized and unrealized gain (loss) on investments | 49,600 | (77,019) |
| Increase (decrease) in unrestricted net assets | 152,500 | 44,463 |
| Temporarily restricted net assets | | |
| Net assets released from restrictions | (20,000) | (70,000) |
| Increase (decrease) in temporarily restricted net assets | (20,000) | (70,000) |
| Total increase (decrease) in net assets | 132,500 | (25,537) |
| Net assets, beginning of year | 5,736,863 | 5,762,400 |
| Net assets, end of year | \$ 5,869,363 | \$ 5,736,863 |

See Notes to Financial Statements.

The Community Family, Inc.

Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|------------------|------------------|
| Program services | | |
| Payroll | \$ 1,421,213 | \$ 1,445,403 |
| Payroll taxes | 114,155 | 111,841 |
| Activities | 22,575 | 19,903 |
| Depreciation | 150,361 | 163,138 |
| Food | 141,855 | 135,602 |
| Fringe benefits | 90,138 | 71,935 |
| Insurance | 75,186 | 77,700 |
| Medical supplies | 10,970 | 15,329 |
| Staff training | 6,567 | 7,700 |
| Supplies | 18,425 | 17,412 |
| Transportation | 117,450 | 183,855 |
| Travel | 906 | 36 |
| Utilities | 47,696 | 60,143 |
| | <u>2,217,497</u> | <u>2,309,997</u> |
| Total program services | | |
| General and administrative | | |
| Payroll | 227,077 | 225,099 |
| Payroll taxes | 18,962 | 16,492 |
| Advertising - employment | 1,052 | 1,941 |
| Advertising - marketing | 250 | 655 |
| Audit | 19,937 | 20,040 |
| Bad debt | 3,037 | 227 |
| Board expense | 3,100 | 3,736 |
| Casual labor | 519 | 1,472 |
| Cleaning and janitorial | 68,175 | 63,323 |
| Consulting | 9,934 | 20,492 |
| Depreciation | 4,207 | 4,700 |
| Dues and subscriptions | 16,042 | 14,704 |
| Equipment leases | 9,806 | 9,508 |
| Fringe benefits | 26,543 | 25,596 |
| Insurance | 5,157 | 5,762 |
| Interest | 33,837 | 44,749 |
| Office supplies and expenses | 37,669 | 38,599 |
| Payroll service and bank charges | 24,000 | 27,330 |
| Postage | 4,649 | 4,894 |
| Repairs and maintenance | 61,396 | 77,285 |
| Staff training | 70 | 489 |
| Telephone | 14,587 | 21,027 |
| Travel | 1,454 | 2,070 |
| | <u>591,460</u> | <u>630,190</u> |
| Total general and administrative | | |

The Community Family, Inc.

Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---------------------------|---------------------|---------------------|
| Development | | |
| Dues and subscriptions | - | 330 |
| Fundraising | <u>999</u> | <u>3,000</u> |
| Total development | <u>999</u> | <u>3,330</u> |
| Total functional expenses | <u>\$ 2,809,956</u> | <u>\$ 2,943,517</u> |

See Notes to Financial Statements.

The Community Family, Inc.

**Statements of Cash Flows
Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 132,500 | \$ (25,537) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 154,568 | 167,838 |
| Amortization of debt issuance costs | 128 | 2,180 |
| Net realized and unrealized (gains) losses on investments | (49,600) | 77,019 |
| Changes in assets and liabilities | | |
| (Increase) decrease in assets | | |
| Accounts and pledges receivable | 34,342 | (13,792) |
| Prepaid expenses | 3,051 | (3,322) |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | 3,516 | 5,256 |
| Accrued payroll, vacation and payroll taxes | 22,704 | (51,218) |
| Deferred revenue | (8,913) | (2,635) |
| | <u>292,296</u> | <u>155,789</u> |
| Net cash provided by (used in) operating activities | | |
| Cash flows from investing activities | | |
| Purchase of investments | (661,709) | (85,613) |
| Sale or maturity of investments | 641,005 | 41,999 |
| Purchases of property and equipment | (56,871) | (110,830) |
| | <u>(77,575)</u> | <u>(154,444)</u> |
| Net cash provided by (used in) investing activities | | |
| Cash flows from financing activities | | |
| Mortgage principal payments | (17,520) | (482,940) |
| Capital lease payments | (5,802) | - |
| | <u>(23,322)</u> | <u>(482,940)</u> |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in cash and cash equivalents | 191,399 | (481,595) |
| Cash and cash equivalents, beginning of year | <u>1,316,222</u> | <u>1,797,817</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,507,621</u> | <u>\$ 1,316,222</u> |

See Notes to Financial Statements.

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

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, 2016 and 2015, the Organization has no permanently restricted net assets.

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.

The Community Family, Inc.

Notes to Financial Statements December 31, 2016 and 2015

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

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 20 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, 2016 and 2015. 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.

The Community Family, Inc.

Notes to Financial Statements December 31, 2016 and 2015

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.

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, 2016 and 2015, 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.

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 2016 and 2015, 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.

The Community Family, Inc.

Notes to Financial Statements December 31, 2016 and 2015

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

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 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, 2016 and 2015, 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.

The Community Family, Inc.

Notes to Financial Statements December 31, 2016 and 2015

During the years ended December 31, 2016 and 2015, the allocations of general and administrative expenses were approximately as follows:

| | <u>2016</u> | <u>2015</u> |
|---------|-------------|-------------|
| Everett | 44% | 47% |
| Medford | 33% | 27% |
| Lowell | <u>23%</u> | <u>26%</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, 2016 and 2015 were \$250 and \$655, 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, 2016 and 2015. 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 financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of December 31, 2016. 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, 2013, 2014 and 2015.

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 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.

The Community Family, Inc.

Notes to Financial Statements December 31, 2016 and 2015

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 the 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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Change in accounting principle

During 2016, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Organization on a retrospective basis. As a result, total assets as well as loans payable for the year ended December 31, 2015 have been reduced by the effects of the reclassifications of debt issuance costs, net of accumulated amortization, of \$2,400.

Subsequent events

Management evaluated the activity of the Organization through April 21, 2017 (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.

Note 3 - Accounts and pledges receivable

Accounts and pledges receivable consists of the following at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Trade receivables | | |
| Medicaid | \$ 232,158 | \$ 249,755 |
| Veterans Administration | 49,168 | 70,970 |
| Other providers | 157,703 | 136,725 |
| Private pay | 50,608 | 46,387 |
| USDA | <u>21,084</u> | <u>21,226</u> |
| Subtotal | 510,721 | 525,063 |
| Less: Allowance for doubtful accounts | <u>(18,248)</u> | <u>(18,248)</u> |
| | 492,473 | 506,815 |
| Pledges receivable | 20,000 | 40,000 |
| Other receivables | <u>10,000</u> | <u>10,000</u> |
| Total accounts and pledges receivable, net | <u>\$ 522,473</u> | <u>\$ 556,815</u> |

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

Pledges receivable are due as follows at December 31, 2016:

| | Unrestricted | Temporarily restricted | Total |
|---|--------------|---------------------------|------------------|
| Receivables due in less than one year | \$ - | \$ 20,000 | \$ 20,000 |
| Receivables due in one to five years | - | - | - |
| Receivables due in more than five years | - | - | - |
| | <u>\$ -</u> | <u>\$ 20,000</u> | <u>\$ 20,000</u> |

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 | - | - | - |
| | <u>\$ -</u> | <u>\$ 40,000</u> | <u>\$ 40,000</u> |

Note 4 - Investments

The Organization maintains a portfolio of investments. The cost and fair market value of these investments at December 31, 2016 and 2015 are as follows:

| | 2016 | | 2015 | |
|--|---------------------|----------------------|---------------------|----------------------|
| | Cost | Fair market value | Cost | Fair market value |
| Mutual funds | | | | |
| Fixed income | \$ 229,784 | \$ 222,383 | \$ 307,633 | \$ 300,509 |
| Equities | 656,922 | 702,332 | 630,257 | 597,698 |
| Other securities | | | | |
| Real estate investment trusts | 99,015 | 102,490 | 92,760 | 91,271 |
| Short-term investments and money market funds | 64,360 | 64,360 | 31,783 | 31,783 |
| | <u>\$ 1,050,081</u> | <u>\$ 1,091,565</u> | <u>\$ 1,062,433</u> | <u>\$ 1,021,261</u> |

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

Realized and unrealized gains (losses) on investments for the years ended December 31, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|--|-------------|-------------|
| Realized gain (loss) on investments | \$ (33,049) | \$ - |
| Unrealized gain (loss) on investments | 82,649 | (77,019) |
| Net realized and unrealized gain (loss) on investments | \$ 49,600 | \$ (77,019) |

For the years ended December 31, 2016 and 2015, investment activity for the portfolio was as follows:

| | 2016 | 2015 |
|--|--------------|--------------|
| Investments, beginning of year | \$ 1,021,261 | \$ 1,054,666 |
| Investment income | | |
| Dividends and interest, net of expenses totaling \$8,696 and \$9,326, respectively | 20,193 | 43,614 |
| Realized and unrealized gains (losses) | 49,600 | (77,019) |
| Deposit transfers | 511 | - |
| Investments, end of year | \$ 1,091,565 | \$ 1,021,261 |

The investments are invested in several funds and industry segments. At December 31, 2016 and 2015, a fund comprising greater than 10% of the fair value of investments was as follows:

| | 2016 | 2015 |
|-------------------------------------|--------|--------|
| Ishares Trust Minvolatility ETF USA | 24.17% | 17.44% |

The endowment net asset composition by type of fund as of December 31, 2016 was as follows:

| Fund type | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|----------------------------|--------------|------------------------|------------------------|--------------|
| Donor-restricted endowment | \$ - | \$ - | \$ - | \$ - |
| Board-designated endowment | 1,091,565 | - | - | 1,091,565 |
| | \$ 1,091,565 | \$ - | \$ - | \$ 1,091,565 |

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

Changes in the endowment net assets for the year ended December 31, 2016 were as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 1,021,261 | \$ - | \$ - | \$ 1,021,261 |
| Investment return: | | | | |
| Investment income | 28,889 | - | - | 28,889 |
| Appreciation (depreciation), realized and unrealized | 49,600 | - | - | 49,600 |
| Total investment return | 1,099,750 | - | - | 1,099,750 |
| Contributions | - | - | - | - |
| Deposit transfers | 511 | - | - | 511 |
| Appropriation of endowment assets for expenditure | - | - | - | - |
| Investment management fees | (8,696) | - | - | (8,696) |
| Endowment net assets, end of year | <u>\$ 1,091,565</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,091,565</u> |

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

| Fund type | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|-------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| 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 were as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 1,054,666 | \$ - | \$ - | \$ 1,054,666 |
| Investment return: | | | | |
| Investment income | 52,940 | - | - | 52,940 |
| Appreciation (depreciation), realized and unrealized | (77,019) | - | - | (77,019) |
| Total investment return | 1,030,587 | - | - | 1,030,587 |
| Contributions | - | - | - | - |
| 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, 2016 and 2015**

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
- 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, 2016 are as follows:

| | <u>Fair value</u> | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> |
|------------------------------|---------------------|-------------------|-------------------|------------------|
| Investments - endowment | | | | |
| Money market funds | \$ 64,360 | \$ 64,360 | \$ - | \$ - |
| Fixed income | 222,383 | 222,383 | - | - |
| Equities | 702,332 | 702,332 | - | - |
| Real estate investment trust | 102,490 | - | 102,490 | - |
| | <u>1,091,565</u> | <u>989,075</u> | <u>102,490</u> | <u>-</u> |
| Total assets | <u>\$ 1,091,565</u> | <u>\$ 989,075</u> | <u>\$ 102,490</u> | <u>\$ -</u> |

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

| | <u>Fair value</u> | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> |
|------------------------------|---------------------|-------------------|------------------|------------------|
| 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 | <u>\$ 1,021,261</u> | <u>\$ 929,990</u> | <u>\$ 91,271</u> | <u>\$ -</u> |

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.

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level III inputs) at December 31, 2016 and 2015.

Note 6 - Mortgage notes payable

Everett Cooperative Bank provided construction and permanent financing to the Organization in the form of a note, dated October 13, 2009, in the maximum amount of \$1,500,000. The note is secured by real estate in Everett, Massachusetts and other assets of the Organization. Final draws totaling \$215,600 were received by the Organization 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 to 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 2030. Interest, including debt issuance costs, of \$23,055 and \$35,301 was incurred during 2016 and 2015, respectively. There was no accrued interest payable at December 31, 2016 and 2015.

Lowell Five Cent Savings Bank provided an adjustable term note to the Organization, dated October 6, 2004, in the maximum amount of \$500,000. The note was secured by real estate in Lowell, Massachusetts and was scheduled to mature in October 2024. The rate was to 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, including debt issuance costs, of \$6,378 was incurred during 2015.

Mortgage notes payable as of December 31, 2016 and 2015 consist of the following:

| | 2016 | 2015 |
|--|------------|------------|
| Principal balance | \$ 382,454 | \$ 399,974 |
| Current maturities | (148,376) | (17,822) |
| Balance, net of current maturities | 234,078 | 382,152 |
| Unamortized debt issuance costs | (2,272) | (2,400) |
| Mortgages payable, net of unamortized debt issuance costs | \$ 231,806 | \$ 379,752 |
| Interest expense per note agreement | \$ 22,927 | \$ 39,499 |
| Amortization of debt issuance costs reported as interest expense | 128 | 2,180 |
| Total interest expense | \$ 23,055 | \$ 41,679 |
| Effective interest rate | 5.88% | 5.88% |

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

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, 2016.

Estimated annual principal payments on the mortgage note payable for the next five years and in the aggregate as of December 31, 2016 are as follows:

| | | |
|----------------------------------|--------|---------------------------|
| 2017 | \$ | 148,376 |
| 2018 | | 19,989 |
| 2019 | | 21,169 |
| 2020 | | 22,419 |
| 2021 | | 23,742 |
| Thereafter | | <u>146,759</u> |
| Total mortgage notes payable | \$ | <u><u>382,454</u></u> |

During February 2017, the Organization made an optional prepayment in the amount of \$129,502, reducing the balance of the mortgage note payable to \$250,000. Subsequent to the February optional prepayment, there were no changes to the terms of the note as the note's monthly payment and interest rate remain unchanged.

Note 7 - Restricted and board-designated assets

Temporarily restricted

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

| | 2016 | 2015 |
|--------------------|-----------|-----------|
| Program activities | \$ 20,000 | \$ 40,000 |
| Total | \$ 20,000 | \$ 40,000 |

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, 2016 and 2015 as follows:

| | 2016 | 2015 |
|--------------------|-----------|-----------|
| Program activities | \$ 20,000 | \$ 20,000 |
| Van purchase | - | 50,000 |
| Total | \$ 20,000 | \$ 70,000 |

Board-designated - unrestricted

At December 31, 2016 and 2015, \$1,091,565 and \$1,021,261, respectively, of investments are held in a Board designated endowment fund as a working capital reserve.

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

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 office equipment lease expense for the years ended December 31, 2016 and 2015 totaled \$9,806 and \$9,508, 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 five 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 years ended December 31, 2016 and 2015 totaled \$10,782 and \$3,070, respectively.

A schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2016 is as follows:

| | | |
|---|----|-----------|
| 2017 | \$ | 16,584 |
| 2018 | | 16,584 |
| 2019 | | 16,584 |
| 2020 | | 36,074 |
| Total minimum lease payments | | 85,826 |
| Less: amount representing interest | | (5,424) |
| Present value of minimum lease payments | | \$ 80,402 |

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 2016 and 2015 earned revenues and accounts receivable at December 31, 2016 and 2015 from these payers were approximately as follows:

| | 2016 | 2015 |
|---------------------------|------|------|
| Percent of earned revenue | | |
| Medicaid/USDA | 54% | 53% |
| Veterans Administration | 6% | 6% |
| Other | 27% | 25% |
| | 87% | 84% |

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|-------------|-------------|
| Percent of accounts receivable | | |
| Medicaid/USDA | 51% | 53% |
| Veterans Administration | 10% | 14% |
| Other | <u>32%</u> | <u>27%</u> |
| | <u>93%</u> | <u>94%</u> |

Note 10 - Commitments and contingencies

The Organization receives a significant portion of its funding from contracts with governmental agencies and third-party payers. 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 21, 2017. 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, 2016 and 2015.

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, 2016 and 2015.

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, 2016 and 2015, the Organization's cash balances were fully insured under these programs.

The Community Family, Inc.

**Notes to Financial Statements
December 31, 2016 and 2015**

Note 12 - Supplemental cash flow information

Schedule of noncash investing and financing activities:

| | <u>2016</u> | <u>2015</u> |
|--|------------------|-------------------|
| Costs incurred for the purchase of property and equipment | \$ 56,871 | \$ 197,034 |
| Acquisition of equipment through issuance of capital lease | - | (86,204) |
| Payments for property and equipment additions | <u>\$ 56,871</u> | <u>\$ 110,830</u> |
| Cash paid for interest | <u>\$ 33,755</u> | <u>\$ 42,569</u> |

Supplementary Information

The Community Family, Inc.
Schedules of Revenue and Expenses
Everett Facility
Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------------|------------------|
| Unrestricted net assets | | |
| Support and revenue | | |
| Program | \$ 872,033 | \$ 890,507 |
| Transportation | 378,519 | 391,332 |
| USDA income | 79,107 | 77,949 |
| Grants and donations | <u>20,785</u> | <u>25,709</u> |
| Total support and revenue | <u>1,350,444</u> | <u>1,385,497</u> |
| Functional expenses | | |
| Program services | 941,524 | 985,867 |
| General and administrative | 249,203 | 313,454 |
| Development | <u>-</u> | <u>-</u> |
| Total functional expenses | <u>1,190,727</u> | <u>1,299,321</u> |
| Increase (decrease) in net assets | <u>\$ 159,717</u> | <u>\$ 86,176</u> |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Functional Expenses
Everett Facility
Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|----------------------------------|---------------------|---------------------|
| Program services | | |
| Payroll | \$ 583,204 | \$ 597,720 |
| Payroll taxes | 47,136 | 45,937 |
| Activities | 11,015 | 9,718 |
| Depreciation | 76,519 | 85,285 |
| Food | 71,019 | 68,739 |
| Fringe benefits | 35,228 | 36,537 |
| Insurance | 29,985 | 30,461 |
| Medical supplies | 6,670 | 8,854 |
| Staff training | 2,043 | 3,850 |
| Supplies | 10,173 | 9,088 |
| Transportation | 51,386 | 67,616 |
| Travel | 800 | - |
| Utilities | 16,346 | 22,062 |
| | <u>941,524</u> | <u>985,867</u> |
| Total program services | | |
| General and administrative | | |
| Advertising - employment | 310 | 774 |
| Bad debt | 3,037 | 227 |
| Casual labor | - | 80 |
| Cleaning and janitorial | 28,392 | 27,938 |
| Consulting | 400 | - |
| Dues and subscriptions | 4,467 | 2,246 |
| Equipment leases | 3,555 | 3,754 |
| Home office allocation | 150,429 | 199,180 |
| Interest | 21,966 | 30,356 |
| Office supplies and expenses | 4,877 | 5,987 |
| Payroll service and bank charges | 3,320 | 3,201 |
| Repairs and maintenance | 22,481 | 32,690 |
| Telephone | 5,969 | 7,021 |
| | <u>249,203</u> | <u>313,454</u> |
| Total general and administrative | | |
| Development | | |
| Fundraising | - | - |
| | <u>-</u> | <u>-</u> |
| Total development | | |
| | <u>-</u> | <u>-</u> |
| Total functional expenses | <u>\$ 1,190,727</u> | <u>\$ 1,299,321</u> |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Revenue and Expenses
Medford Facility
Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-----------------|-----------------|
| Unrestricted net assets | | |
| Support and revenue | | |
| Program | \$ 599,648 | \$ 570,051 |
| Transportation | 182,250 | 171,447 |
| USDA income | 31,692 | 27,786 |
| Grants and donations | <u>47,897</u> | <u>67,271</u> |
| Total support and revenue | <u>861,487</u> | <u>836,555</u> |
| Functional expenses | | |
| Program services | 695,160 | 669,859 |
| General and administrative | 157,193 | 158,030 |
| Development | <u>999</u> | <u>-</u> |
| Total functional expenses | <u>853,352</u> | <u>827,889</u> |
| Increase (decrease) in unrestricted net assets | <u>\$ 8,135</u> | <u>\$ 8,666</u> |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Functional Expenses
Medford Facility
Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|----------------------------------|-------------------|-------------------|
| Program services | | |
| Payroll | \$ 451,901 | \$ 443,643 |
| Payroll taxes | 36,894 | 34,940 |
| Activities | 8,369 | 7,466 |
| Depreciation | 34,655 | 36,539 |
| Food | 40,045 | 39,390 |
| Fringe benefits | 34,934 | 12,068 |
| Insurance | 23,024 | 25,132 |
| Medical supplies | 2,893 | 4,435 |
| Staff training | 2,193 | 2,175 |
| Supplies | 4,236 | 3,768 |
| Transportation | 38,802 | 42,083 |
| Utilities | 17,214 | 18,220 |
| | 695,160 | 669,859 |
| General and administrative | | |
| Advertising - employment | 108 | 755 |
| Casual labor | 344 | - |
| Cleaning and janitorial | 18,975 | 17,492 |
| Consulting | 350 | - |
| Dues and subscriptions | 3,971 | 2,069 |
| Equipment leases | 3,698 | 3,300 |
| Home office allocation | 83,782 | 93,002 |
| Interest | 5,391 | 1,535 |
| Office supplies and expenses | 7,179 | 6,748 |
| Payroll service and bank charges | 3,271 | 3,229 |
| Postage | 572 | 588 |
| Repairs and maintenance | 25,584 | 23,035 |
| Telephone | 3,968 | 6,277 |
| | 157,193 | 158,030 |
| Development | | |
| Fundraising | 999 | - |
| | 999 | - |
| Total development | 999 | - |
| Total functional expenses | \$ 853,352 | \$ 827,889 |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Revenue and Expenses
Lowell Facility
Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|-----------------------------------|--------------|-------------|
| Unrestricted net assets | | |
| Support and revenue | | |
| Program | \$ 419,182 | \$ 489,280 |
| Transportation | 139,790 | 152,513 |
| USDA income | 20,315 | 24,123 |
| Miscellaneous income | 592 | 257 |
| Grants and donations | 14,107 | 57,744 |
| Total support and revenue | 593,986 | 723,917 |
| Functional expenses | | |
| Program services | 580,813 | 654,271 |
| General and administrative | 118,318 | 153,290 |
| Development | - | 3,000 |
| Total functional expenses | 699,131 | 810,561 |
| Increase (decrease) in net assets | \$ (105,145) | \$ (86,644) |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Functional Expenses
Lowell Facility
Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|----------------------------------|-------------------|-------------------|
| Program services | | |
| Payroll | \$ 386,108 | \$ 404,040 |
| Payroll taxes | 30,125 | 30,964 |
| Activities | 3,191 | 2,719 |
| Depreciation | 39,187 | 41,314 |
| Food | 30,791 | 27,473 |
| Fringe benefits | 19,976 | 23,330 |
| Insurance | 22,177 | 22,107 |
| Medical supplies | 1,407 | 2,040 |
| Staff training | 2,331 | 1,675 |
| Supplies | 4,016 | 4,556 |
| Transportation | 27,262 | 74,156 |
| Travel | 106 | 36 |
| Utilities | 14,136 | 19,861 |
| | 580,813 | 654,271 |
| General and administrative | | |
| Advertising - employment | 155 | 212 |
| Advertising - marketing | - | 405 |
| Casual labor | 175 | 1,392 |
| Cleaning and janitorial | 20,808 | 17,893 |
| Consulting | 906 | - |
| Dues and subscriptions | 3,599 | 2,471 |
| Equipment leases | 1,407 | 1,286 |
| Home office allocation | 65,930 | 91,351 |
| Interest | - | 6,378 |
| Office supplies and expenses | 4,607 | 3,099 |
| Payroll service and bank charges | 2,403 | 2,330 |
| Postage | 551 | 245 |
| Repairs and maintenance | 13,331 | 21,560 |
| Telephone | 4,446 | 4,668 |
| | 118,318 | 153,290 |
| Development | | |
| Fundraising | - | 3,000 |
| | - | 3,000 |
| Total development | - | 3,000 |
| Total functional expenses | \$ 699,131 | \$ 810,561 |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Revenue and Expenses
Home Office
Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|---------------|-----------------|
| Unrestricted net assets | | |
| Interest and dividend income | \$ 25,439 | \$ 49,030 |
| Grants and donations | 61,500 | - |
| Net assets released from restriction | 20,000 | 70,000 |
| Total support and revenue | 106,939 | 119,030 |
| Functional expenses | | |
| General and administrative | 366,887 | 388,949 |
| Development | - | 330 |
| | - | 330 |
| Total functional expenses | 366,887 | 389,279 |
| Less: home office allocation | (300,141) | (383,533) |
| Subtotal | 66,746 | 5,746 |
| Realized and unrealized gain (loss) on investments | 49,600 | (77,019) |
| Increase (decrease) in unrestricted net assets | 89,793 | 36,265 |
| Temporarily restricted net assets | | |
| Contributions | - | - |
| Net assets released from restrictions | (20,000) | (70,000) |
| | (20,000) | (70,000) |
| Increase (decrease) in temporarily restricted net assets | (20,000) | (70,000) |
| Increase (decrease) in net assets | \$ 69,793 | \$ (33,735) |

See Independent Auditor's Report.

The Community Family, Inc.
Schedules of Functional Expenses
Home Office
Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|----------------------------------|------------------|-----------------|
| General and administrative | | |
| Payroll | \$ 227,077 | \$ 225,099 |
| Payroll taxes | 18,962 | 16,492 |
| Advertising - employment | 479 | 200 |
| Advertising - marketing | 250 | 250 |
| Audit | 19,937 | 20,040 |
| Board expense | 3,100 | 3,736 |
| Consulting | 8,278 | 20,492 |
| Depreciation | 4,207 | 4,700 |
| Dues and subscriptions | 4,005 | 7,918 |
| Equipment leases | 1,146 | 1,168 |
| Fringe benefits | 26,543 | 25,596 |
| Insurance | 5,157 | 5,762 |
| Interest | 6,480 | 6,480 |
| Office supplies and expenses | 21,006 | 22,765 |
| Payroll service and bank charges | 15,006 | 18,570 |
| Postage | 3,526 | 4,061 |
| Staff training | 70 | 489 |
| Telephone | 204 | 3,061 |
| Travel | 1,454 | 2,070 |
| | <u>366,887</u> | <u>388,949</u> |
| Development | | |
| Dues and subscriptions | - | 330 |
| | <u>-</u> | <u>330</u> |
| Total development | <u>-</u> | <u>330</u> |
| Total functional expenses | <u>366,887</u> | <u>389,279</u> |
| Less home office allocation: | | |
| Everett | 150,429 | 199,180 |
| Medford | 83,782 | 93,002 |
| Lowell | 65,930 | 91,351 |
| | <u>300,141</u> | <u>383,533</u> |
| Total home office allocation | <u>300,141</u> | <u>383,533</u> |
| Total expenses after allocation | <u>\$ 66,746</u> | <u>\$ 5,746</u> |

See Independent Auditor's Report.

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