

**ACTION, INC.  
AND AFFILIATE**

Consolidated Financial Statements  
and  
Independent Auditors' Report  
September 30, 2016 and 2015



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

To the Board of Directors of  
**Action, Inc.**

We have audited the accompanying consolidated financial statements of Action, Inc. and Affiliate (collectively, the Agency) (nonprofit organizations) which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Action, Inc. as of September 30, 2016, 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 Matters*

The consolidated financial statements of Action, Inc. and Affiliate as of September 30, 2015 were audited by other auditors whose report dated February 9, 2016, expressed an unmodified opinion on those statements.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, supplemental schedule - consolidating statement of financial position and supplemental schedule - consolidating statement of activities, on page 17 and 18 are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Daniel Dennis & Company LLP*

*February 7, 2017*

**Action, Inc. and Affiliate**  
Consolidated Statements of Financial Position  
September 30, 2016 and 2015

	2016	2015
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash	\$ 276,953	\$ 950,347
Certificates of deposits	473,417	480,691
Investments	26,553	21,868
Prepaid expenses	21,156	10,398
Accounts receivable	<u>5,034,519</u>	<u>6,444,560</u>
Total current assets	<u>5,832,598</u>	<u>7,907,864</u>
<i>Fixed Assets:</i>		
Property and equipment, net	<u>5,733,338</u>	<u>5,283,597</u>
<i>Other Assets:</i>		
Deposits	<u>3,483</u>	<u>18,297</u>
<i>Long-Term Assets:</i>		
Note and interest receivable	316,427	300,000
Certificates of deposit	<u>2,060,467</u>	<u>250,000</u>
Total long-term assets	<u>2,376,894</u>	<u>550,000</u>
Total assets	<u>\$13,946,313</u>	<u>\$13,759,758</u>
<b>Liabilities and Net Assets:</b>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 1,581,716	\$ 1,278,908
Accrued expenses	361,763	332,932
Security deposits	3,483	3,982
Deferred revenue	572,177	560,298
Current portion of long-term debt	<u>-</u>	<u>55,061</u>
Total current liabilities	<u>2,519,139</u>	<u>2,231,181</u>
<i>Long-Term Debt</i>		
	<u>610,675</u>	<u>1,371,928</u>
Total liabilities	<u>3,129,814</u>	<u>3,603,109</u>
<i>Net Assets</i>		
Unrestricted	9,941,470	9,298,670
Temporarily restricted	<u>875,029</u>	<u>857,979</u>
Total net assets	<u>10,816,499</u>	<u>10,156,649</u>
Total liabilities and net assets	<u>\$13,946,313</u>	<u>\$13,759,758</u>

*See accompanying notes to consolidated financial statements.*

**Action, Inc. and Affiliate**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**For the Years Ended September 30, 2016 and 2015**

	2016			2015		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b>Public Support and Revenue</b>						
Program revenue and other support	\$ 45,210,020	\$ -	\$ 45,210,020	\$55,293,009	\$ -	\$55,293,009
Rental income	304,913	-	304,913	260,918	-	260,918
Contributions and grants	194,572	88,300	282,872	336,865	113,434	450,299
In-kind contributions	97,637	-	97,637	104,325	-	104,325
Investment income	38,558	-	38,558	17,016	-	17,016
Net assets released from restrictions	71,250	(71,250)	-	33,120	(33,120)	-
<b>Total public revenue and support</b>	<u>45,916,950</u>	<u>17,050</u>	<u>45,934,000</u>	<u>56,045,253</u>	<u>80,314</u>	<u>56,125,567</u>
<b>Expenses:</b>						
Program services:						
Fuel assistance	1,557,545	-	1,557,545	1,679,447	-	1,679,447
Weatherization	819,121	-	819,121	575,427	-	575,427
Energy management	36,969,298	-	36,969,298	46,259,874	-	46,259,874
Housing	994,792	-	994,792	647,881	-	647,881
Emergency shelter	502,110	-	502,110	537,757	-	537,757
Youth compass program	166,397	-	166,397	386,045	-	386,045
Employment and training	323,898	-	323,898	34,835	-	34,835
Client services	353,580	-	353,580	231,394	-	231,394
Homecare	2,046,264	-	2,046,264	2,098,028	-	2,098,028
Housing opportunity for persons with AIDS	87,164	-	87,164	415,368	-	415,368
Other	172,904	-	172,904	261,499	-	261,499
<b>Total program services</b>	<u>43,993,073</u>	<u>-</u>	<u>43,993,073</u>	<u>53,127,555</u>	<u>-</u>	<u>53,127,555</u>
Supportive Services:						
Management and general	1,252,345	-	1,252,345	1,198,225	-	1,198,225
Fundraising	28,732	-	28,732	10,015	-	10,015
<b>Total supportive services</b>	<u>1,281,077</u>	<u>-</u>	<u>1,281,077</u>	<u>1,208,240</u>	<u>-</u>	<u>1,208,240</u>
<b>Total expenses</b>	<u>45,274,150</u>	<u>-</u>	<u>45,274,150</u>	<u>54,335,795</u>	<u>-</u>	<u>54,335,795</u>
Change in net assets	642,800	17,050	659,850	1,709,458	80,314	1,789,772
Net assets at beginning of year	9,298,670	857,979	10,156,649	7,589,212	777,665	8,366,877
<b>Net assets at end of year</b>	<u>\$ 9,941,470</u>	<u>\$ 875,029</u>	<u>\$ 10,816,499</u>	<u>\$ 9,298,670</u>	<u>\$ 857,979</u>	<u>\$10,156,649</u>

*See accompanying notes to consolidated financial statements.*

**Action, Inc. and Affiliate**  
**Consolidated Statements of Functional Expenses**  
**For the Years Ended September 30, 2016 and 2015**

	2016			2015			
	Program	Management and General	Fundraising	Program	Management and General	Fundraising	Total
<i>Expenses:</i>							
Salaries	\$ 2,629,523	\$ 695,833	\$ 1,684	\$ 2,610,814	\$ 683,725	\$ 1,867	\$ 3,296,406
Payroll taxes	208,692	53,598	129	197,654	52,371	145	250,170
Fringe benefits	421,163	88,633	-	378,223	94,041	-	472,264
Direct care consultants	1,671,279	-	-	1,712,452	-	-	1,712,452
Consultants	281,806	6,976	-	237,563	5,728	200	243,491
Temporary labor	-	3,449	-	446	1,507	205	2,158
Depreciation	122,163	47,102	-	146,679	21,259	-	167,938
Travel	135,041	19,168	-	109,768	26,283	-	136,051
Occupancy	208,365	23,448	-	162,192	28,830	-	191,022
Interest	38,973	5,532	-	50,431	8,908	-	59,339
Utilities	72,492	6,348	-	89,581	8,533	-	98,134
Office supplies	66,795	10,350	-	69,784	14,721	655	85,160
Insurance	51,762	26,681	-	49,258	14,834	-	64,092
Equipment	31,181	16,465	30	30,161	18,516	-	48,677
Postage	11,742	3,526	8,613	12,381	2,666	1,261	16,308
Printing	16,547	6,562	-	7,629	5,963	5,262	18,854
Professional fees	41,306	30,101	-	33,132	44,986	-	78,118
Telephone	30,821	8,802	-	34,920	7,780	-	42,700
Data processing	64,019	166,108	1,080	83,156	134,527	-	217,683
Licenses and dues	14,290	14,402	-	8,600	10,107	-	18,707
Training	16,440	8,613	64	36,092	4,922	135	41,149
Recognition	1,577	295	-	9,819	-	-	9,819
Fuel	1,143,873	-	-	1,317,893	-	-	1,317,893
Food	39,113	-	25	29,801	3,912	-	33,713
Other	54,289	1,015	3,285	41,569	3,311	285	45,165
Advertising	16,830	7,683	-	7,086	775	-	7,861
Outside contracts	37,855	1,655	-	32,316	-	-	32,316
Heating system	2,687,661	-	-	5,052,929	-	-	5,052,929
Rent assistance	633,451	-	13,604	556,184	-	-	556,184
Program operations	33,146,387	-	218	39,914,717	-	-	39,914,717
In-kind	97,637	-	-	104,325	-	-	104,325
<b>Total expenses</b>	<b>\$ 43,993,073</b>	<b>\$ 1,252,345</b>	<b>\$ 28,732</b>	<b>\$ 53,127,555</b>	<b>\$ 1,198,225</b>	<b>\$ 10,015</b>	<b>\$ 54,335,795</b>

See accompanying notes to consolidated financial statements.

**Action, Inc. and Affiliate**  
Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2016 and 2015

	2016	2015
<b><i>Cash flows from operating activities:</i></b>		
Change in net assets	\$ 659,850	\$ 1,789,772
<i>Adjustments to reconcile change in net assets to net cash from operating activities:</i>		
Net unrealized gain	(3,743)	(1,587)
Depreciation	169,265	167,938
Accrued interest income	(16,427)	-
Changes in operating assets:		
Decrease/(increase) in accounts receivable	1,410,041	(349,657)
(Increase)/decrease in prepaid expenses	(10,758)	14,921
Changes in operating liabilities		
Increase/(decrease) in accounts payable	302,808	(2,700,843)
Increase in accrued expenses	28,831	55,892
Decrease in security deposits	(499)	-
Increase/(decrease) in deferred revenue	<u>11,879</u>	<u>(7,609)</u>
Net cash from operating activities	<u>2,551,247</u>	<u>(1,031,173)</u>
<b><i>Cash flows from investing activities</i></b>		
Decrease/(increase) in deposits	14,814	(15,639)
Increase in notes receivable	-	(300,000)
(Purchases)/maturities of certificates of deposit, net	(1,803,193)	423,959
Purchases of investments	(942)	138
Purchases of property and equipment	<u>(619,006)</u>	<u>(78,253)</u>
Net cash from investing activities	<u>(2,408,327)</u>	<u>30,205</u>
<b><i>Cash flows From financing activities</i></b>		
Loan repayments	<u>(816,314)</u>	<u>(40,357)</u>
Net cash from financing activities	<u>(816,314)</u>	<u>(40,357)</u>
Net decrease in cash	<u>(673,394)</u>	<u>(1,041,325)</u>
Cash, beginning of the year	<u>950,347</u>	<u>1,991,672</u>
Cash, end of the year	<u>\$ 276,953</u>	<u>\$ 950,347</u>
Supplemental disclosure of cash from flow information:		
Interest paid	<u>\$ 26,860</u>	<u>\$ 41,694</u>
Non-cash activity:		
Increase in long-term debt from amortizing discount	<u>\$ 17,645</u>	<u>\$ 17,645</u>

*See accompanying notes to consolidated financial statements.*

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended September 30, 2016 and 2015

**1. Organization**

The accompanying consolidated financial statements reflect the financial activity of Action, Inc. and its Affiliate, Housing Together Community Housing Corporation, collectively referred to as the Agency. All inter affiliate balances and transactions have been eliminated in the consolidated financial statements.

Action, Inc. is a nonprofit organization, tax exempt under section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. The organization is organized under Chapter 180 of the Commonwealth of Massachusetts General Laws. The mission of Action, Inc. is to improve the lives of disadvantaged individuals and families on Cape Ann and beyond by minimizing the effects of poverty, promoting economic security, and advocating for social change. The major programs are shelter and housing assistance, homecare for the elderly, job training, and advocacy and energy programs for those in need. Funding for these programs comes from federal, state and private agencies.

Home Together Community Housing Corporation is a nonprofit organization, tax exempt under section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. The purpose of the organization is to hold the title for a building and land that is used to provide families with affordable housing. Action, Inc. is the sole member of Home Together Community Housing Corporation and the board members of Home Together Community Housing Corporation are also members of the board of Action, Inc. and therefore, Action, Inc. controls the organization.

**2. Summary of Significant Accounting Policies**

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

*Financial Statement Presentation*

The financial statements of the Agency have been prepared on the accrual basis of accounting. Net assets of the Agency are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted net assets* – net assets that are available for support of operations and not subject to donor-imposed stipulations. They are neither temporarily restricted nor permanently restricted.

*Temporarily restricted net assets* – net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets* - net assets subject to donor imposed stipulations that must be maintained by the Agency in perpetuity. At September 30, 2016 and 2015, the Agency had no permanently restricted net assets.



**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**2. *Summary of Significant Accounting Policies - continued***

*Revenue and Expenses*

Revenue and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Fixed Assets*

Acquisitions of property, improvements, furniture and equipment in excess of \$5,000 and having an estimated useful life of more than one year, are capitalized at cost. Depreciation and amortization are provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives using the straight line method over the following estimated lives:

Buildings	40 years
Building improvements	19 - 40 years
Furniture and equipment	3 - 10 years

*Contributions*

The Agency recognizes all contributions at their fair values in the period the contribution is received or promised. The Agency also distinguishes between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

The Agency reports any gifts or cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received where related donor imposed restrictions are met in the same reporting period are classified as unrestricted revenue.

*Revenue Recognition*

Grants and contracts received from government agencies are generally cost reimbursement agreements. Accordingly, grant and contract income equals expenses incurred; therefore, the excess (deficit) is carried as a liability (deferred revenue) or as an asset (accounts receivable), respectively.

*Use of Estimates*

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**2. *Summary of Significant Accounting Policies - continued***

*Functional Allocation of Expense*

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

*Deferred Revenue*

Deferred revenue represents amounts received in advance of incurring expenses for particular program activities that are considered exchange transactions. Such amounts are recorded as support when the related program expenditure is made.

*Certificates of Deposit*

Certificates of deposits are investments that are held that do not meet the criteria to be measured at fair value, therefore are recorded at their carrying value. Certificates of deposits with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposits with remaining maturities greater than one year are classified as long-term assets. The Agency holds various certificates of deposit, three of which have maturities greater than one year from September 30, 2016. The interest rates on the bank certificates of deposit range from 0.45% to 2.00%.

*Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts and others. Balances that are still outstanding after management has used reasonable collection efforts are written off. The balance in the allowance was zero at September 30, 2016 and 2015.

*Note Receivable*

The note receivable is carried at its unpaid principal balance. Management believes the note receivable is collectible; therefore, there is no allowance for loan losses.

*Income Taxes*

The Agency is exempt from income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes, except for income taxes on unrelated business income, if any. For the years ended September 30, 2016 and 2015, the Agency had no unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these consolidated financial statements.

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**2. Summary of Significant Accounting Policies - continued**

*Income Taxes – continued*

The Agency evaluates its tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year consolidated financial statements. Management has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2016 returns and believe they are *more-likely-than-not* of being sustained if examined by Federal or state tax authorities. Tax filings for fiscal years 2013 to 2015 remain subject to examination by Federal and state tax authorities.

*Fair Value Measurements*

Generally accepted accounting principles (GAAP) in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

*Level 1:* Quoted prices in active markets for identical assets or liabilities the Agency has the ability to access. The Agency currently has no Level 1 liabilities that are measured at fair value on a recurring basis.

*Level 2:* Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of model or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

*Level 3:* Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also included practical expedient investments with notice periods for redemption of more than 90 days.

The asset's 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.

Fair values of financial instruments for which the Agency did not elect the fair value option includes cash, receivables, mortgages, and accounts payable. Certain of these instruments are short term nature and accordingly fair values are estimated to approximate carrying values.

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**2. Summary of Significant Accounting Policies - continued**

*Investments and Investment Income*

Investments with readily determinable fair values are carried at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Interest income is included in the change in net assets in the accompanying Statement of Activities.

*Investment in 206 Main Street GP LLC*

In July 2015, Action, Inc. acquired 49% interest in 206 Main Street GP LLC (the LLC). Because the Agency does not have the ability to exercise significant influence, the Agency accounts for this investment using the equity method.

Under the equity method, the Agency's share of earnings from the LLC are reflected in income as earned, while distributions are credited against the investment in the LLC. However, in accordance with GAAP, the balance of the investment will not fall below zero unless the Agency has a requirement to fund losses.

*Below Market Loans*

The Agency discounts below market loans to their present value when proceeds are received. The excess of the proceeds over their present value are recognized as grant income. The discounts on below market loans are amortized to interest expense over the lives of the loans.

**3. Pension Plan**

The Agency maintains a defined contribution retirement plan available to all employees who work at least 20 hours per week. Under the plan participants may contribute a percentage of their annual salary, not to exceed the limits set by the Internal Revenue Code. The Agency matches employee contributions up to 8% of their annual salary. Pension expense for the years ended September 30, 2016 and 2015 was \$93,407 and \$78,057, respectively.

**4. Fixed Assets**

Land, buildings and equipment consist of the following:

<i>Description</i>	<i>2016</i>	<i>2015</i>
Land	\$ 735,270	\$ 735,270
Buildings	3,120,468	2,785,468
Building improvements	3,053,895	2,780,078
Furniture and equipment	<u>359,984</u>	<u>349,805</u>
Total fixed assets	7,269,617	6,650,621
Less: accumulated depreciation	<u>(1,536,279)</u>	<u>(1,367,024)</u>
Total	<u>\$ 5,733,338</u>	<u>\$ 5,283,597</u>

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**5. Credit Risk**

At September 30, 2016 and 2015 cash balances are held at financial institutions with Federal Deposit Insurance Corporation (FDIC) insured limits from all accounts held. These balances, at times, will exceed the FDIC insured limit. Management acknowledges the possibility of risk; however, they believe the size and longevity of the depository institutions minimizes such risk.

**6. Investments**

The Agency holds an investment account with a brokerage firm. At September 30, 2016 and 2015 the balance of this account was \$26,553 and \$21,868, respectively. The balance consisted of the following at September 30:

<i>Description</i>	<i>2016</i>	<i>2015</i>
Money market	\$ 14,747	\$ 14,638
Common stocks	<u>11,806</u>	<u>7,230</u>
Total	<u>\$ 26,553</u>	<u>\$ 21,868</u>

The following table sets forth by level within the fair value hierarchy, the Agency's investments at fair value:

	<i>Fair Value</i>	<i>Quoted Prices In Active Markets for Identical Assets (Level 1)</i>
<i>September 30, 2016</i>		
Money market funds	\$ 14,747	\$ 14,747
Common stocks	<u>11,806</u>	<u>11,806</u>
Total	<u>\$ 26,553</u>	<u>\$ 26,553</u>
 <i>September 30, 2015</i>		
Money market funds	\$ 14,638	\$ 14,638
Common stocks	<u>7,230</u>	<u>7,230</u>
Total	<u>\$ 21,868</u>	<u>\$ 21,868</u>

Investment income from cash, certificates of deposit, and investments is comprised of the following for the years ended September 30:

<i>Description</i>	<i>2016</i>	<i>2015</i>
Interest and dividends, net of fees	\$ 942	\$ 15,429
Net unrealized gains	<u>3,743</u>	<u>1,587</u>
Total investment income	<u>\$ 4,685</u>	<u>\$ 17,016</u>

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**7. In-Kind Contributions**

The Agency receives in-kind contributions consisting of donated goods that include food, clothes, medical and household supplies for the shelter. The Agency recognizes contribution of services if the services received required specified skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During fiscal year 2016 and 2015, the Agency received donated services of \$29,280 and \$29,280, respectively and goods of \$68,357 and \$75,045, respectively, which are included with in-kind expense on the consolidated statement of functional expenses and revenue on the consolidated statement of activities.

**8. Commitments**

The Agency leases commercial space to both tenants at will and under noncancelable leases with terms of one to three years. In addition, the Agency rents apartments to clients at will through its housing programs. The following is a schedule by year of future minimum rentals under noncancelable leases at September 30, 2016:

<i>Fiscal Year</i>	<i>Amount</i>
2017	\$ 18,000
2018	\$ 18,000
2019	\$ 13,500

**9. Long-Term Debt**

The following is summary of long-term debt of the Agency:

	<i>2016</i>	<i>2015</i>
Interest free, deferred payment loan payable to the City of Gloucester. Loan proceeds were used to aid in the establishment of a shelter for the homeless on Main Street, Gloucester. No repayment is required unless the property is sold, transferred, or used for purposes other than a permanent shelter.	\$ 25,000	\$ 25,000
Adjustable rate first mortgage payable in 2028 to First Ipswich Bank, secured by buildings located on 180 Main Street, 370 Main Street, and 47 Washington Street, in the City of Gloucester, MA. Mortgage is payable in monthly installments of \$2,226 including principal and interest. This note was paid in full in 2016. The interest rate in 2016 and 2015 was 4.89%.	-	265,928
Adjustable rate first mortgage payable in 2028 to First Ipswich Bank, secured by buildings located on 180 Main Street, 370 Main Street, and 47 Washington Street, in the City of Gloucester, MA. Mortgage is payable in monthly installments of \$4,671 including principal and interest. This note was paid in full in 2016. The interest rate in 2016 and 2015 was 4.5%.	-	451,566

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**9. Long-Term Debt - continued**

	2016	2015
Interest free note, payable in 2040 to the Community Economic Development Assistance Corporation in the amount of \$227,539, secured by buildings located on 371 Main Street in the City of Gloucester, MA. The loan has an effective interest rate of 4.3% and an unamortized discount of \$144,842 and \$148,116 as of September 30, 2016 and 2015, respectively.	\$ 82,697	\$ 79,423
Bank, secured by the buildings located at 26-28 Marsh Street in the City of Gloucester, MA. Mortgage is payable in monthly installments of \$1,112 including principal and interest. This note was paid in full in 2016. The interest rate in 2016 and 2015 was 6.15%.	-	117,042
Interest free note, payable in 2043 to the Department of Housing and Community Development in the amount of \$575,145, secured by the buildings located at 26-28 Marsh Street in the City of Gloucester, MA. The loan has an effective interest rate of 3.0% and an unamortized discount of \$317,221 and \$324,201 as of September 30, 2016 and 2015, respectively.	257,924	250,944
Interest free note, payable in 2033 to the North Shore HOME Consortium in the amount of \$400,000, secured by the buildings located at 26-28 Marsh Street in the City of Gloucester, MA. The loan has an effective rate of 3.0% and an unamortized discount of \$154,946 and \$162,914 as of September 30, 2016 and 2015, respectively.	<u>245,054</u>	<u>237,086</u>
Total	610,675	1,426,989
Less current portion	<u>-</u>	<u>55,061</u>
Long-term debt	<u>\$ 610,675</u>	<u>\$ 1,371,928</u>

The following is a summary of the Agency's long-term debt obligations for the next five years and thereafter:

<i>Year</i>	<i>Amount</i>
2017	\$ -
2018	-
2019	-
2020	-
2021	-
Thereafter	<u>610,675</u>
Total	<u>\$ 610,675</u>

**Action, Inc. and Affiliate**  
Notes to Consolidated Financial Statements - *Continued*  
For the Years Ended September 30, 2016 and 2015

**10. Contingency**

The expenses reflected in the accompanying consolidated financial statements relating to Federal contracts are subject to audit by the funding sources. The possible disallowance of any items recorded as contract costs cannot be determined at this time. However, management does not believe that any such disallowance would be material to the Agency's consolidated financial statements. Accordingly, no provision for any liability that may result has been made in consolidated financial statements.

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

<i>Description</i>	<i>2016</i>	<i>2015</i>
Fuel assistance program	\$ 94,143	\$ 122,748
Affordable housing	631,186	562,115
Shelter program	144,700	148,116
Job training	<u>5,000</u>	<u>25,000</u>
Total	<u>\$ 875,029</u>	<u>\$ 857,979</u>

**12. Note Receivable and Related Party Transactions**

Action, Inc. owns 49% of 206 Main Street GP LLC (the LLC), which is the general partner of 206 Main Street Limited Partnership (the Partnership). To assist in financing the Partnership's acquisition of real property and development, Action, Inc. loaned the Partnership \$300,000 on August 5, 2015. The note receivable is secured by real property and is subordinate to another loan. Action, Inc. is to be repaid with interest at 4.75% by the earlier of August 5, 2020 or when the Partnership receives construction financing for the project. As of September 30, 2016 and 2015, the Partnership owes Action, Inc. principal and interest totaling \$316,427 and \$300,000, respectively. During fiscal year 2016, Action, Inc. earned \$16,427 of interest.

**13. Concentrations**

Over 70% of program revenue and expenses relate to the energy management program contract that is privately funded. The Agency receives a fee as lead agency for administering this program statewide. The contract covers the period through December 31, 2018.

**14. Subsequent Events**

Subsequent events have been evaluated through February 7, 2017, which is the date the consolidated financial statements were available to be issued. There were no material events that met the criteria for recognition or disclosure.



## **SUPPLEMENTARY INFORMATION**

**Action, Inc. and Affiliate**  
Supplemental Schedule - Consolidating Statement of Financial Position  
September 30, 2016

	<i>Action, Inc.</i>	<i>HTCHC Affiliate</i>	<i>Eliminations</i>	<i>Total</i>
<b><i>Current Assets</i></b>				
Cash	\$ 260,618	\$ 16,335	\$ -	\$ 276,953
Certificates of deposit - short term	473,417	-	-	473,417
Investments	26,553	-	-	26,553
Prepaid expense	21,156	-	-	21,156
Accounts receivable	<u>5,034,519</u>	<u>-</u>	<u>-</u>	<u>5,034,519</u>
<i>Total current assets</i>	<u>5,816,263</u>	<u>16,335</u>	<u>-</u>	<u>5,832,598</u>
<b><i>Non-Current Assets</i></b>				
Land	410,270	325,000	-	735,270
Building	1,909,214	1,211,254	-	3,120,468
Building improvements	3,044,115	9,780	-	3,053,895
Equipment	359,984	-	-	359,984
Accumulated depreciation	<u>(1,429,401)</u>	<u>(106,878)</u>	<u>-</u>	<u>(1,536,279)</u>
<i>Net fixed assets</i>	<u>4,294,182</u>	<u>1,439,156</u>	<u>-</u>	<u>5,733,338</u>
Deposits	1,980	1,503	-	3,483
Note and interest receivable	316,427	-	-	316,427
Due from Affiliate	385,599	-	(385,599)	-
Long-term certifications of deposit	<u>2,060,467</u>	<u>-</u>	<u>-</u>	<u>2,060,467</u>
<b>Total Assets</b>	<u>\$ 12,874,918</u>	<u>\$ 1,456,994</u>	<u>\$ (385,599)</u>	<u>\$ 13,946,313</u>
<b><i>Current Liabilities</i></b>				
Accounts payable	\$ 1,581,716	\$ -	\$ -	\$ 1,581,716
Accrued expenses	361,763	-	-	361,763
Deferred revenue	572,152	25	-	572,177
Security deposits	<u>1,980</u>	<u>1,503</u>	<u>-</u>	<u>3,483</u>
<i>Total current liabilities</i>	<u>2,517,611</u>	<u>1,528</u>	<u>-</u>	<u>2,519,139</u>
<b><i>Non-Current Liabilities</i></b>				
Long-term debt	107,839	502,836	-	610,675
Due to Affiliate	<u>-</u>	<u>385,599</u>	<u>(385,599)</u>	<u>-</u>
<i>Total non-current liabilities</i>	<u>107,839</u>	<u>888,435</u>	<u>(385,599)</u>	<u>610,675</u>
<b>Total liabilities</b>	2,625,450	889,963	(385,599)	3,129,814
<b><i>Net Assets</i></b>	<u>10,249,468</u>	<u>567,031</u>	<u>-</u>	<u>10,816,499</u>
<b>Total Liabilities &amp; Net Assets</b>	<u>\$ 12,874,918</u>	<u>\$ 1,456,994</u>	<u>\$ (385,599)</u>	<u>\$ 13,946,313</u>

**Action, Inc. and Affiliate**  
Supplemental Schedule - Consolidating Statement of Activities  
For the Year Ended September 30, 2016

	<i>Action, Inc.</i>	<i>HTCHC Affiliate</i>	<i>Total</i>
<b><i>Public Support And Revenues</i></b>			
Program revenue and other support	\$ 45,210,020	\$ -	\$ 45,210,020
Rental income	245,199	59,714	304,913
Contributions	282,872	-	282,872
In-kind contributions	97,637	-	97,637
Investment income	38,558	-	38,558
Total public support and revenues	<u>45,874,286</u>	<u>59,714</u>	<u>45,934,000</u>
<b><i>Expenses</i></b>			
Program expenses	43,905,909	87,164	43,993,073
Management and general	1,252,345	-	1,252,345
Fundraising	28,732	-	28,732
Total expenses	<u>45,186,986</u>	<u>87,164</u>	<u>45,274,150</u>
<i>Changes in net assets</i>	687,300	(27,450)	659,850
<i>Net assets beginning of the year</i>	<u>9,562,168</u>	<u>594,481</u>	<u>10,156,649</u>
<i>Net assets end of the year</i>	<u>\$ 10,249,468</u>	<u>\$ 567,031</u>	<u>\$ 10,816,499</u>