SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Saint Francis House, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Saint Francis House, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, cash flows and functional expenses for the years 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 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 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 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 auditor's 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 Organization's preparation and fair presentation of the consolidated 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.

MARCUMGROUP
MEMBER

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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 consolidated financial position of Saint Francis House, Inc. and Subsidiary as of June 30, 2015 and 2014, 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.

Marcum LLP

Boston, MA
October 29, 2015

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 2,271,958	$ 2,495,042
Investments	7,901,716	6,484,166
Permanently restricted investments	119,083	119,083
Accounts receivable, less allowance for doubtful accounts of $37,298 in 2015 and $30,037 in 2014	276,825	346,944
Loan receivable, related party	302,382	156,711
Contributions and grants receivable	483,000	208,626
Unconditional promises to give, net	107,180	314,200
Other receivables	5,025	3,800
Property and equipment, net	6,541,166	6,773,015
Other assets	26,515	48,085
Total Assets	$ 18,034,850	$ 16,949,672
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 671,639	$ 678,118
Deferred revenue	858	285
Notes payable	1,136,152	1,136,152
Contingent notes payable	650,914	684,575
Total Liabilities	2,459,563	2,499,130
Net Assets		
Unrestricted:		
Undesignated	10,730,841	9,202,634
Board designated	180,800	220,500
Total unrestricted	10,911,641	9,423,134
Restricted:		
Temporarily	4,544,563	4,908,325
Permanently	119,083	119,083
Total Net Assets	15,575,287	14,450,542
Total Liabilities and Net Assets	$ 18,034,850	$ 16,949,672

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

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees:				
Department of Housing and Community Development	$ 1,383,793	$ --	$ --	$ 1,383,793
Department of Mental Health	132,295	--	--	132,295
Department of Housing and Urban Development	394,063	--	--	394,063
Executive Office of Labor and Workforce development	166,667	--	--	166,667
Permanent housing income	519,035	--	--	519,035
Other program service revenue	92,795	--	--	92,795
Donations	3,761,099	468,768	--	4,229,867
Donations, in-kind	671,741	--	--	671,741
Grants	724,906	574,500	--	1,299,406
Special events and activities	726,514	--	--	726,514
Investment income, net	98,219	2,640	--	100,859
Next Step	33,661	--	--	33,661
Net assets released from restrictions through satisfaction of restrictions	1,409,670	(1,409,670)	--	--
Total Revenue	10,114,458	(363,762)	--	9,750,696
Expenses				
Program services	6,415,442	--	--	6,415,442
Supporting services:				
Management and general	893,205	--	--	893,205
Fundraising	1,317,304	--	--	1,317,304
Total supporting services	2,210,509	--	--	2,210,509
Total Expenses	8,625,951	--	--	8,625,951
Change in Net Assets	1,488,507	(363,762)	--	1,124,745
Net Assets, Beginning of Year	9,423,134	4,908,325	119,083	14,450,542
Net Assets, End of Year	$ 10,911,641	$ 4,544,563	$ 119,083	$ 15,575,287

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

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees:				
Department of Housing and Community Development	$ 1,331,877	$ --	$ --	$ 1,331,877
Department of Mental Health	132,295	--	--	132,295
Department of Housing and Urban Development	445,388	--	--	445,388
Executive Office of Labor and Workforce Development	76,736	--	--	76,736
Permanent housing income	523,073	--	--	523,073
Other program service revenue	11,802	--	--	11,802
Donations	4,697,722	479,951	--	5,177,673
Donations, in-kind	826,892	--	--	826,892
Grants	350,500	308,100	--	658,600
Special events and activities	617,075	--	--	617,075
Investment income, net	51,016	808	--	51,824
Next Step	33,661	--	--	33,661
Net assets released from restrictions through satisfaction of restrictions	1,080,195	(1,080,195)	--	--
Total Revenue	10,178,232	(291,336)	--	9,886,896
Expenses				
Program services	6,366,091	--	--	6,366,091
Supporting services:				
Management and general	890,510	--	--	890,510
Fundraising	1,252,723	--	--	1,252,723
Total supporting services	2,143,233	--	--	2,143,233
Total Expenses	8,509,324	--	--	8,509,324
Change in Net Assets	1,668,908	(291,336)	--	1,377,572
Net Assets, Beginning of Year	7,754,226	5,199,661	119,083	13,072,970
Net Assets, End of Year	$ 9,423,134	$ 4,908,325	$ 119,083	$ 14,450,542

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

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 1,124,745	$ 1,377,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	604,947	605,260
Donations of investments	(419,160)	(226,987)
Unrealized loss on investments, net	2,382	3,857
Loss on disposal of equipment	--	1,144
Amortization of contingent notes payable	(33,661)	(33,661)
(Increase) decrease in assets:		
Permanently restricted cash	--	94,083
Accounts receivable, net	70,119	(108,519)
Contributions and grants receivable	(274,374)	283,336
Unconditional promises to give, net	207,020	370,300
Other receivables	(1,225)	2,175
Other assets	21,570	193
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(89,429)	98,911
Deferred revenue	573	(808)
Total adjustments	88,762	1,089,284
Net Cash Provided by Operating Activities	1,213,507	2,466,856
Cash Flows from Investing Activities		
Purchases of investments	(2,749,932)	(3,568,161)
Purchases of permanently restricted investments	--	(119,083)
Proceeds from sales of investments	1,749,160	1,346,987
Advances on loans receivable, related party	(145,671)	(156,711)
Contributions restricted for purchasing equipment	106,500	153,600
Purchase of assets restricted to investment in property and equipment	(135,000)	(18,600)
Purchases of property and equipment	(155,148)	(79,088)
Net Cash Used in Investing Activities	(1,330,091)	(2,441,056)
Cash Flows from Financing Activities		
Contributions restricted for purchasing equipment	(106,500)	(153,600)
Net Cash Used in Financing Activities	(106,500)	(153,600)
Net Decrease in Cash and Cash Equivalents	(223,084)	(127,800)
Cash and Cash Equivalents, Beginning of Year	2,495,042	2,622,842
Cash and Cash Equivalents, End of Year	$ 2,271,958	$ 2,495,042
Supplemental Disclosures		
Donations of investments	$ 419,160	$ 226,987
Purchases of property and equipment included in accounts payable	$ 82,950	$ --

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

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries and related expenses:					
Salaries	$ 2,877,942	$ 409,956	$ 462,988	$ 872,944	$ 3,750,886
Fringe benefits and payroll taxes	743,808	109,039	123,800	232,839	976,647
	3,621,750	518,995	586,788	1,105,783	4,727,533
Contract housing and direct care	277,092	--	--	--	277,092
Donated services, food and clothing	671,741	--	--	--	671,741
Food	156,343	--	--	--	156,343
Supplies	226,002	7,942	1,750	9,692	235,694
Provider stipend and temporary help	81,705	--	--	--	81,705
Other	77,360	55,353	99,330	154,683	232,043
Occupancy	602,522	12,206	12,119	24,325	626,847
Administrative	126,228	283,585	602,193	885,778	1,012,006
Total expenses before depreciation	5,840,743	878,081	1,302,180	2,180,261	8,021,004
Depreciation of buildings and equipment	574,699	15,124	15,124	30,248	604,947
Total Expenses	$ 6,415,442	$ 893,205	$ 1,317,304	$ 2,210,509	$ 8,625,951

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

SAINT FRANCIS HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total Expenses
Salaries and related expenses:					
Salaries	$ 2,869,570	$ 432,636	$ 477,897	$ 910,533	$ 3,780,103
Fringe benefits and payroll taxes	692,798	106,234	117,875	224,109	916,907
	3,562,368	538,870	595,772	1,134,642	4,697,010
Contract housing and direct care	258,093	--	--	--	258,093
Donated services, food and clothing	826,892	--	--	--	826,892
Food	175,229	--	--	--	175,229
Supplies	196,479	8,568	2,020	10,588	207,067
Provider stipend and temporary help	84,892	--	--	--	84,892
Other	56,594	54,442	103,363	157,805	214,399
Occupancy	517,200	12,894	11,476	24,370	541,570
Administrative	113,348	260,604	524,960	785,564	898,912
Total expenses before depreciation	5,791,095	875,378	1,237,591	2,112,969	7,904,064
Depreciation of buildings and equipment	574,996	15,132	15,132	30,264	605,260
Total Expenses	$ 6,366,091	$ 890,510	$ 1,252,723	$ 2,143,233	$ 8,509,324

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

NOTE 1 – NATURE OF THE ORGANIZATION

The consolidated financial statements include the accounts of Saint Francis House, Inc. and its subsidiary CarryON, LLC (collectively, the "Organization"). Significant intercompany accounts and transactions are eliminated in consolidation.

Saint Francis House, Inc. is a Massachusetts not-for-profit corporation incorporated in 1983 and located in Boston, Massachusetts. The Organization provides permanent housing and operates a day shelter for homeless men and women.

CarryON, LLC is a Massachusetts limited liability corporation incorporated in 2012 and located in Boston, Massachusetts. CarryON, LLC provides lasting employment opportunities for the guests of St. Francis House, Inc., utilizing a social enterprise approach in an effort to end the cycle of homelessness with the power of green entrepreneurship. Effective September 30, 2014, Saint Francis House, Inc. executed a certificate of cancellation with the Commonwealth of Massachusetts to cease the operations of CarryON, LLC.

Effective June 30, 2014, the Organization entered into an operating agreement (the "Agreement") with another non-profit organization through a $10 capital contribution to become a Class A Member of POUA 48 Boylston Street LLC ("POUA"). The Organization holds a 50% interest in POUA as a non-controlling Class A Member. POUA was formed to acquire, hold, invest in, redevelop, construct, improve, maintain, operate, lease and otherwise deal with the property at 48 Boylston Street, Boston, Massachusetts. The Organization is not liable for any debts, liabilities, contracts or obligations of POUA except to pay required capital contributions as and when they are due under the Agreement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

BASIS OF PRESENTATION

The Organization has presented its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

UNRESTRICTED NET ASSETS

Unrestricted net assets represent those assets that are not subject to donor-imposed stipulations. The Organization further subdivides this classification into a) Board-designated net assets, which have been designated by Board action for specific purposes; and b) other undesignated net assets.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets subject to donor-imposed stipulations that may or will be met whether by actions of the Organization and/or the passage of time. When the restriction expires, the net assets are reclassified to unrestricted net assets.

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are those assets subject to donor-imposed stipulations 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.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The Organization maintains cash deposits in interest bearing accounts in excess of $250,000 which exceeds Federal Deposit Insurance Corporation ("FDIC") limits. Management believes that credit risk related to those deposits is minimal.

INVESTMENT VALUATION AND INCOME RECOGNITION

The Organization's investments in marketable securities (mutual funds) with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statements of financial position, with all gains and losses included in the consolidated statements of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

Investments acquired by gift are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Investments are made according to the investment policies adopted by the Organization's Board of Directors. These guidelines provide for a balanced diversified portfolio with investments in mutual funds, certificates of deposit and debt securities with performance measured against appropriate indices. Outside parties are contracted by the Organization for the purpose of providing investment management.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

EQUITY METHOD INVESTMENT INCOME

The Organization accounts for its investment in POUA in accordance with the equity method of accounting, taking into revenue its respective ownership percentage (50% at June 30, 2015) of POUA's net income during the reporting period.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical collection experience, and other circumstances that may affect the ability of others to meet their obligations. Accounts that are unpaid after management has made reasonable collection efforts are written off by a charge to the valuation allowance and a credit to accounts receivable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional promises to give and grants receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give and grants receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue in the consolidated statements of activities. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give or grants receivable.

PROPERTY AND EQUIPMENT

Land is carried at cost. Buildings, improvements, equipment and furniture and fixtures are stated at cost if purchased or at fair value, if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

Building and building improvements	10-40 years
Equipment	5-10 years
Furniture and fixtures	3 years

Purchases are determined to be capital expenditures based on the Organization’s policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding $2,000. Those items that are not capital expenditures are immediately expensed.

Maintenance and repairs are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included on the consolidated statements of activities.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets to be held and used by the Organization are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value of the asset is measured using either available market prices or estimated discounted cash flows. There were no impairment charges taken during the years ended June 30, 2015 and 2014.

REVENUE RECOGNITION

The majority of the Organization's clients are supported by agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Operational Services Division ("OSD"). Revenue is recorded at the Organization's rates of reimbursement as certified by OSD and is recorded as services are rendered.

CONTRIBUTIONS

The Organization reports unrestricted grants and contributions as unrestricted revenue and net assets when received or unconditionally promised. Grants and contributions are reported as temporarily restricted support if they are received or unconditionally promised with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted.

DONATED INVESTMENTS, EQUIPMENT AND SERVICES

Volunteers and other organizations contribute goods and services to the Organization on a continual basis to support its operations. Donated investments and equipment are reflected as contributions at their fair values at the date of receipt. Donated services and goods are reflected at fair value as contributions when and if they meet the criteria for recognition under FASB ASC 958-605.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED INVESTMENTS, EQUIPMENT AND SERVICES (CONTINUED)

During the years ended June 30, 2015 and 2014, the Organization received donated services related to various aspects of its operations that are not reflected in the accompanying consolidated financial statements, since the value assigned to these services is not ascertainable or does not meet the criteria for recognition under FASB ASC 958-605.

INCOME TAX STATUS

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is, however, subject to the tax on unrelated business income, if any such income exists. The Organization had no unrelated business income during the years ended June 30, 2015 and 2014. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period.

The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions, if any, would be classified as additional income taxes in the consolidated statements of activities. The Organization did not identify any uncertain tax positions at June 30, 2015 and 2014. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses were $3,182 and $3,311 for the years ended June 30, 2015 and 2014, respectively.

RECLASSIFICATIONS

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 29, 2015, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The Organization's investments are stated at fair value and consist of the following at June 30:

	2015	2014
Debt securities:		
U.S. government and federal agency obligations	$ 3,359,071	$ 3,307,681
Certificates of deposit	4,539,377	3,176,485
Equity security mutual funds	3,268	--
	$ 7,901,716	$ 6,484,166

The Organization's permanently restricted investments are stated at fair value and consist of the following at June 30:

	2015	2014
Debt security mutual funds	$ 35,493	$ 35,725
Equity security mutual funds	83,590	83,358
	$ 119,083	$ 119,083

NOTE 3 – INVESTMENTS (CONTINUED)

Investments, in general, are exposed to various risks such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

The following schedule summarizes the return on investments included in the consolidated statements of activities for the years ended June 30:

	2015	2014
Interest and dividend income	$ 103,241	$ 55,681
Change in unrealized depreciation on investments, net	(2,382)	(3,857)
Net investment income	$ 100,859	$ 51,824

FAIR VALUE MEASUREMENTS

The Organization uses a fair value hierarchy established by generally accepted accounting principles that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs are based on unadjusted quoted market prices in active markets for identical assets that the Organization has the ability to access at the measurement date.

Level 2 Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets in active markets, unadjusted quoted prices for identical or similar assets in markets that are not active or inputs other than quoted prices that are observable for the asset.

Level 3 Inputs are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Debt Securities: The fair value of debt securities is based on quoted market prices. These securities include U.S. government and federal agency issued obligations.

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

Certificates of Deposit: The fair value of certificates of deposit is based on the closing price reported from an actively traded market.

Mutual Funds: The fair value of mutual fund securities is based on quoted market prices.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value measured on a recurring basis as of June 30:

	2015			
	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. government and federal agency obligations	$ 3,359,071	$ --	$ --	$ 3,359,071
Certificates of deposit	4,539,377	--	--	4,539,377
Equity security mutual funds	3,268	--	--	3,268
	$ 7,901,716	$ --	$ --	$ 7,901,716

	2014			
	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. government and federal agency obligations	$ 3,307,681	$ --	$ --	$ 3,307,681
Certificates of deposit	3,176,485	--	--	3,176,485
	$ 6,484,166	$ --	$ --	$ 6,484,166

	2015			
	Level 1	Level 2	Level 3	Total
Permanently Restricted Investments:				
Debt security mutual funds	$ 35,493	$ --	$ --	$ 35,493
Equity security mutual funds	83,590	--	--	83,590
	$ 119,083	$ --	$ --	$ 119,083

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

	2014			
	Level 1	Level 2	Level 3	Total
Permanently Restricted Investments:				
Debt security mutual funds	$ 35,725	$ --	$ --	$ 35,725
Equity security mutual funds	83,358	--	--	83,358
	$ 119,083	$ --	$ --	$ 119,083

NOTE 4 – EQUITY METHOD INVESTMENT

The Organization holds a 50% interest in POUA which is accounted for under the equity method of accounting. The Organization does not control POUA; however it has the ability to exercise significant influence over the operating and financial policies of POUA. The investment in POUA is carried at the amount of underlying equity in net assets of POUA. For the years ended June 30, 2015 and 2014, equity method investment activity is as follows:

	2015	2014
Balance - July 1	$ 10	$ --
Capital contribution	--	10
Equity method income	--	--
Distribution	--	--
Balance - June 30	$ 10	$ 10

NOTE 5 – LOAN RECEIVABLE, RELATED PARTY

On June 30, 2014, the Organization entered into an operating agreement (the “Agreement”) with another non-profit organization to become a Class A Member of POUA. The terms of the agreement call for each member to provide funding to POUA in the form of loans up to a maximum combined loan amount of $250,000. The loans bear interest at 10% up to $125,000 for each member and any excess loan over $125,000 bears interest at 15%. The loans are expected to be repaid by POUA through future operations. At June 30, 2015 and 2014, the balance of outstanding loans receivable from POUA was $302,382 and $156,711, respectively.

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

At June 30, unconditional promises to give consisted of the following:

	2015	2014
Amounts due:		
Within one year	$ 107,180	$ 217,952
One to five years	--	99,286
Less: discount to net present value	--	(3,038)
Unconditional promises to give, net	$ 107,180	$ 314,200

Unconditional promises to give and due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.25%.

NOTE 7 - PROPERTY AND EQUIPMENT

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

	2015	2014
Land	$ 137,234	$ 137,234
Building and building improvements	14,878,862	14,871,008
Improvements - Next Step	1,533,975	1,529,475
Equipment	3,416,738	2,992,601
Furniture and fixtures	133,614	125,225
Construction in progress	15,113	86,895
	20,115,536	19,742,438
Less accumulated depreciation	(13,574,370)	(12,969,423)
	$ 6,541,166	$ 6,773,015

NOTE 8 - RESERVE FOR REPLACEMENT OF PROPERTY AND EQUIPMENT

During the construction of the Next Step Program, the Organization set up a cash reserve for the replacement of property and equipment related to the area designated for housing as part of that program. The reserve is funded by approximately $1,458 monthly or $17,500 annually and the amount reserved totaled $180,800 and $220,500 as of June 30, 2015 and 2014, respectively. The Organization released $57,200 of the reserve during the year ended June 30, 2015 for replacement of property and equipment. (Reference is made to Note 9)

NOTE 9 – RESTRICTIONS ON NET ASSETS

UNRESTRICTED NET ASSETS

Board designated net assets consist of funds designated for plant repairs and other special purposes by the Board of Directors. In both of the years ended June 30, 2015 and 2014, the Board voted to designate $17,500 of operating cash toward a reserve for replacement of property and equipment. (Reference is made to Note 8).

TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2015	2014
Gifts and grants for programs	$ 4,438,063	$ 4,773,325
Equipment	106,500	135,000
	$ 4,544,563	$ 4,908,325

PERMANENTLY RESTRICTED ASSETS

Permanently restricted net assets consisted of the following as of June 30:

	2015	2014
Remondi Family Endowment	$ 100,000	$ 100,000
Rocco and Louise Cammarata Endowment Fund	19,083	19,083
	$ 119,083	$ 119,083

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes during the years ended June 30:

	2015	2014
Program expenses and capital improvements	$ 1,409,670	$ 1,080,195

NOTE 11 - NOTES PAYABLE

Notes payable consists of two loans received from the Community Economic Development Assistance Corporation ("CEDAC"). The purpose of these loans was to underwrite the cost of capital improvements to establish facilities for a supportive housing program.

The first loan, in the amount of $377,900, accrues simple interest at a rate of 0% per year, provided that the Organization is not in default on the loan. The note matures on October 11, 2026, at which time the entire principal balance and other payments are due.

The second loan, in the amount of $758,252, accrues simple interest at a rate of 0%, provided that the Organization is not in default on the loan. The note matures on June 29, 2038, at which time the entire principal balance and other payments are due.

If all amounts due for each loan have not been paid in full at their respective maturity dates, CEDAC may extend the maturity for one or more additional periods of up to 10 periods for each loan, respectively. The Organization is not required to make periodic repayments under either loan provided it continues the operation of a supportive housing program over the terms of the loans and gross cash receipts for the Next Step program do not exceed 105% of cash expenditures over the fiscal year. If cash receipts exceed 105% of expenditures, an annual payment determined by CEDAC will be due 45 days after the Organization's fiscal year-end. The Organization does not anticipate the discontinuance of the supportive housing plan. Gross receipts were less than 105% of gross expenditures for the Next Step program for the years ended June 30, 2015 and 2014. Repayments under both loans are secured by an interest in the property and equipment.

NOTE 12 - CONTINGENT NOTES PAYABLE

Contingent notes payable is primarily comprised of grants and loans received from four funding sources in various amounts, which were made to underwrite the cost of capital improvements to establish the facilities for a supportive housing program.

NOTE 12 - CONTINGENT NOTES PAYABLE (CONTINUED)

The Organization is not required to make repayments provided it continues the operation of a supportive housing program over the terms of the respective grants and loans, the terms of which vary from 15 years to 40 years, and mature at various dates through October, 2026.

Amortization of contingent notes payable which are forgiven ratably over the term on the note, amounted to $33,661 for each of the years ended June 30, 2015 and 2014. The amortization of these notes was recorded as Next Step revenue in the consolidated statements of activities.

If the Organization were to discontinue the supportive housing program, which is not anticipated, there would be requirements for repayment that are provided for in the respective agreements. The total amount of these grants and loans originally received was $1,378,856, of which $650,914 and $684,575 remain outstanding at June 30, 2015 and 2014, respectively. Repayments are secured by an interest in the property and equipment.

NOTE 13 - CONTINGENCIES

The Organization derives substantially all of its revenue from state and municipal governments or government agencies and from contributions from the general public. If significant reductions in the level of this support were to occur, Saint Francis House, Inc.'s programs and activities would be affected proportionately.

NOTE 14 - FUNDRAISING

During the years ended June 30, 2015 and 2014, support received from fundraising efforts amounted to $6,927,528 and $7,280,240, respectively; for the same periods, the total cost of all fundraising activities amounted to $1,317,304 and $1,252,723, respectively. For the years ended June 30, 2015 and 2014 this support included $460,929 and $563,238 of donated services and $210,812 and $263,654 of donated food, respectively. This support does not include $274,564 and $224,797 of donated services not requiring specialized skills received during the years ended June 30, 2015 and 2014, respectively.

NOTE 15 - LINE OF CREDIT

The Organization has a $500,000 demand working capital line of credit with a variable interest rate equal to the 30 day LIBOR Advantage Rate plus 2.5% (2.69% and 2.65% at June 30, 2015 and 2014, respectively). The line is secured by all business assets of the Organization. As of June 30, 2015 and 2014, the Organization had not borrowed against the line of credit.

NOTE 16 - EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2001, the Organization entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish.

The Organization may contribute a discretionary matching contribution equal to a percentage of the employees' elective deferrals. Employee benefit plan expense for the years ended June 30, 2015 and 2014 was $23,681 and $24,955, respectively.

NOTE 17 - RELATED PARTY TRANSACTIONS

Under the terms of a signed purchase and sale agreement dated October 9, 2012, POUA has committed to purchasing the property at 48 Boylston Street, Boston, Massachusetts from a third party pending the approval of the Attorney General of Massachusetts and the Supreme Judicial Court. A member of the Board of Directors currently holds the mortgage of the property at 48 Boylston Street, Boston, Massachusetts, which will be paid by POUA. Reference is made to Note 1 regarding the Organization's equity interest in POUA.

Various members of the Board of Directors made contributions to the Organization totaling approximately $386,000 and $360,000, during the years ended June 30, 2015 and 2014, respectively.

NOTE 18 - ENDOWMENT

The Organization's endowment consists of funds established to support the food program and general operations at the Organization. Its endowment includes donor-restricted endowment funds. As required by 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 version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Massachusetts General Law Chapter 180A as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

NOTE 18 – ENDOWMENT (CONTINUED)

INTERPRETATION OF RELEVANT LAW (CONTINUED)

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

In accordance with UPMIFA and Massachusetts Law Chapter 180A, the Organization considers the following facts in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

RETURN OBJECTIVES AND RISK PARAMETERS

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds, if any. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested in a manner that assumes a minimum level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately .75% percent annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

During the year ended June 30, 2014, the Organization began holding its assets in mutual funds. Previously, the Organization had been holding its assets in a federally insured non-interest bearing checking account as a conservative measure in order to protect the principal of the endowment funds.

NOTE 18 – ENDOWMENT (CONTINUED)

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organization has been accumulating the additions to the permanently restricted endowment funds, in order to grow the fund over time and only spending the current income each year.

Endowment net assets composition by type of fund as of June 30 is as follows:

	2015	2014
Donor restricted endowment funds:		
Permanently restricted	$ 119,083	$ 119,083

Changes in permanently restricted endowment net assets for the years ended June 30:

	2015	2014
Endowment net assets, beginning of year	$ 119,083	$ 119,083
Interest	2,640	808
Appropriation of endowment assets for expenditure	(2,640)	(808)
Endowment net assets, end of year	$ 119,083	$ 119,083