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The Dimock Center

**DIMOCK COMMUNITY FOUNDATION, INC.
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

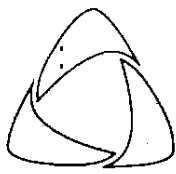
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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Contents
June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
Dimock Community Foundation, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Dimock Community Foundation, Inc. and Affiliates (Massachusetts corporations, not for profit) (collectively, the Foundation), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Dimock Community Foundation, Inc. and Affiliates as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Acorn, Pinning & Co., P.C.

Boston, Massachusetts
November 22, 2016

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Combined Statement of Financial Position
June 30, 2016

Assets	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Property and Equipment	Total			
Current Assets:						
Cash and cash equivalents	\$ 2,285,837	\$ -	\$ 2,285,837	\$ 1,660,919	\$ -	\$ 3,946,756
Patient accounts receivable, net of contractual allowance and allowance for doubtful accounts of approximately \$817,000	770,750	-	770,750	-	-	770,750
Grants and contracts receivable, net of allowance for doubtful accounts of approximately \$100,000	1,505,972	-	1,505,972	-	-	1,505,972
Inventory	309,151	-	309,151	-	-	309,151
Prepaid expenses and deposits	321,555	-	321,555	-	-	321,555
Total current assets	5,193,265	-	5,193,265	1,660,919	-	6,854,184
Property and Equipment:						
Land, buildings and improvements	-	43,678,613	43,678,613	-	-	43,678,613
Furniture and equipment	-	7,253,495	7,253,495	-	-	7,253,495
Construction in progress	-	1,410,210	1,410,210	-	-	1,410,210
	-	52,342,318	52,342,318	-	-	52,342,318
Less - accumulated depreciation	-	24,216,300	24,216,300	-	-	24,216,300
Net property and equipment	-	28,126,018	28,126,018	-	-	28,126,018
Other Assets:						
Investments	196,179	-	196,179	445,115	2,317,190	2,958,484
Note receivable, net of allowance	22,500	-	22,500	-	-	22,500
Restricted deposits	-	239,516	239,516	6,011,085	-	6,250,601
Financing fees, net of accumulated amortization of \$202,854	-	331,460	331,460	-	-	331,460
Total other assets	218,679	570,976	789,655	6,456,200	2,317,190	9,563,045
Total assets	\$ 5,411,944	\$ 28,696,994	\$ 34,108,938	\$ 8,117,119	\$ 2,317,190	\$ 44,543,247
Liabilities and Net Assets						
Current Liabilities:						
Current portion of long-term debt	\$ -	\$ 539,513	\$ 539,513	\$ -	\$ -	\$ 539,513
Accounts payable	1,552,607	-	1,552,607	-	-	1,552,607
Accrued expenses	2,257,113	-	2,257,113	-	-	2,257,113
Total current liabilities	3,809,720	539,513	4,349,233	-	-	4,349,233
Other Liabilities:						
Long-term debt, net of current portion	-	12,594,586	12,594,586	-	-	12,594,586
Conditional liabilities	-	815,541	815,541	-	-	815,541
Total other liabilities	-	13,410,127	13,410,127	-	-	13,410,127
Total liabilities	3,809,720	13,949,640	17,759,360	-	-	17,759,360
Net Assets:						
Unrestricted:						
Operating	1,502,224	-	1,502,224	-	-	1,502,224
Property and equipment	-	6,050,943	6,050,943	-	-	6,050,943
Custodial property	-	8,696,411	8,696,411	-	-	8,696,411
Board designated endowment	100,000	-	100,000	-	-	100,000
Total unrestricted	1,602,224	14,747,354	16,349,578	-	-	16,349,578
Temporarily restricted	-	-	-	8,117,119	-	8,117,119
Permanently restricted	-	-	-	-	2,317,190	2,317,190
Total net assets	1,602,224	14,747,354	16,349,578	8,117,119	2,317,190	26,783,887
Total liabilities and net assets	\$ 5,411,944	\$ 28,696,994	\$ 34,108,938	\$ 8,117,119	\$ 2,317,190	\$ 44,543,247

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Combined Statement of Financial Position
June 30, 2015

Assets	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Property and Equipment	Total			
Current Assets:						
Cash and cash equivalents	\$ 491,411	\$ -	\$ 491,411	\$ 1,443,542	\$ -	\$ 1,934,953
Patient accounts receivable, net of contractual allowance and allowance for doubtful accounts of approximately \$654,000	748,350	-	748,350	-	-	748,350
Grants and contracts receivable, net of allowance for doubtful accounts of approximately \$73,000	1,752,640	-	1,752,640	-	-	1,752,640
Rents and other receivables	44,171	-	44,171	-	-	44,171
Inventory	290,982	-	290,982	-	-	290,982
Prepaid expenses and deposits	337,865	-	337,865	-	-	337,865
Total current assets	3,665,419	-	3,665,419	1,443,542	-	5,108,961
Property and Equipment:						
Land, buildings and improvements	-	43,183,928	43,183,928	-	-	43,183,928
Furniture and equipment	-	6,907,350	6,907,350	-	-	6,907,350
Construction in progress	-	429,854	429,854	-	-	429,854
Less - accumulated depreciation	-	50,521,132	50,521,132	-	-	50,521,132
	-	22,745,137	22,745,137	-	-	22,745,137
Net property and equipment	-	27,775,995	27,775,995	-	-	27,775,995
Other Assets:						
Investments	161,377	-	161,377	543,348	2,267,190	2,971,915
Note receivable, net of allowance	22,500	-	22,500	-	-	22,500
Restricted deposits	-	239,396	239,396	5,321,771	-	5,561,167
Financing fees, net of accumulated amortization of \$181,132	-	353,182	353,182	-	-	353,182
Total other assets	183,877	592,578	776,455	5,865,119	2,267,190	8,908,764
Total assets	\$ 3,849,296	\$ 28,368,573	\$ 32,217,869	\$ 7,308,661	\$ 2,267,190	\$ 41,793,720
Liabilities and Net Assets						
Current Liabilities:						
Current portion of long-term debt	\$ -	\$ 542,748	\$ 542,748	\$ -	\$ -	\$ 542,748
Accounts payable	1,608,026	103,421	1,711,447	-	-	1,711,447
Accrued expenses	1,390,860	-	1,390,860	-	-	1,390,860
Total current liabilities	2,998,886	646,169	3,645,055	-	-	3,645,055
Other Liabilities:						
Long-term debt, net of current portion	-	12,947,169	12,947,169	-	-	12,947,169
Conditional liabilities	-	815,541	815,541	-	-	815,541
Total other liabilities	-	13,762,710	13,762,710	-	-	13,762,710
Total liabilities	2,998,886	14,408,879	17,407,765	-	-	17,407,765
Net Assets:						
Unrestricted:						
Operating	750,410	-	750,410	-	-	750,410
Property and equipment	-	5,529,609	5,529,609	-	-	5,529,609
Custodial property	-	8,430,085	8,430,085	-	-	8,430,085
Board designated endowment	100,000	-	100,000	-	-	100,000
Total unrestricted	850,410	13,959,694	14,810,104	-	-	14,810,104
Temporarily restricted	-	-	-	7,308,661	-	7,308,661
Permanently restricted	-	-	-	-	2,267,190	2,267,190
Total net assets	850,410	13,959,694	14,810,104	7,308,661	2,267,190	24,385,955
Total liabilities and net assets	\$ 3,849,296	\$ 28,368,573	\$ 32,217,869	\$ 7,308,661	\$ 2,267,190	\$ 41,793,720

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Property and Equipment	Total			
Operating Revenues:						
Grants and contracts	\$ 17,332,089	\$ -	\$ 17,332,089	\$ -	\$ -	17,332,089
Net patient service revenue	15,966,910	-	15,966,910	-	-	15,966,910
Contributions and other	1,501,953	-	1,501,953	1,426,216	-	2,928,169
In-kind goods and services	1,011,003	-	1,011,003	-	-	1,011,003
Event revenue	727,392	-	727,392	-	-	727,392
Rental income	622,996	-	622,996	-	-	622,996
Investment income	62,664	-	62,664	-	-	62,664
Net assets released from program restrictions	836,046	-	836,046	(836,046)	-	-
Total operating revenues	38,061,053	-	38,061,053	590,170	-	38,651,223
Operating Expenses:						
Program services:						
Health Services	13,504,336	205,536	13,709,872	-	-	13,709,872
Behavioral Health	9,417,212	252,560	9,669,772	-	-	9,669,772
Child and Family Development	6,779,391	273,348	7,052,739	-	-	7,052,739
Career Development Services	246,161	38,866	285,027	-	-	285,027
Total program services	29,947,100	770,310	30,717,410	-	-	30,717,410
Supporting services:						
Fundraising	777,154	15,108	792,262	-	-	792,262
General and Administrative	3,442,893	511,704	3,954,597	-	-	3,954,597
Facilities	2,384,192	195,763	2,579,955	-	-	2,579,955
Total supporting services	6,604,239	722,575	7,326,814	-	-	7,326,814
Total operating expenses	36,551,339	1,492,885	38,044,224	-	-	38,044,224
Changes in net assets from operations	1,509,714	(1,492,885)	16,829	590,170	-	606,999
Non-Operating Revenues (Expenses):						
Capital grants	-	1,472,645	1,472,645	366,521	-	1,839,166
Capital campaign revenue	-	549,714	549,714	-	-	549,714
Endowment contribution	-	-	-	-	50,000	50,000
Capital campaign expense	-	(549,714)	(549,714)	-	-	(549,714)
Net realized and unrealized losses on investments	-	-	-	(98,233)	-	(98,233)
Net assets released from capital restrictions	-	50,000	50,000	(50,000)	-	-
Total non-operating revenues (expenses)	-	1,522,645	1,522,645	218,288	50,000	1,790,933
Changes in net assets	1,509,714	29,760	1,539,474	808,458	50,000	2,397,932
Net Assets, beginning of year	850,410	13,959,694	14,810,104	7,308,661	2,267,190	24,385,955
Operational transfers	(757,900)	757,900	-	-	-	-
Net Assets, end of year	\$ 1,602,224	\$ 14,747,354	\$ 16,349,578	\$ 8,117,119	\$ 2,317,190	\$ 26,783,887

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Property and Equipment	Total			
Operating Revenues:						
Grants and contracts	\$ 16,152,545	\$ -	\$ 16,152,545	\$ -	\$ -	\$ 16,152,545
Net patient service revenue	15,487,241	-	15,487,241	-	-	15,487,241
Contributions and other	594,551	-	594,551	536,124	-	1,130,675
In-kind goods and services	731,701	-	731,701	-	-	731,701
Event revenue	856,946	-	856,946	-	-	856,946
Rental income	627,784	-	627,784	-	-	627,784
Investment return appropriated for current operations	100,000	-	100,000	-	-	100,000
Investment income	56,523	-	56,523	-	-	56,523
Net assets released from program restrictions	592,277	-	592,277	(592,277)	-	-
Total operating revenues	35,199,568	-	35,199,568	(56,153)	-	35,143,415
Operating Expenses:						
Program services:						
Health Services	12,162,008	191,473	12,353,481	-	-	12,353,481
Behavioral Health	8,399,189	257,383	8,656,572	-	-	8,656,572
Child and Family Development	6,510,423	243,139	6,753,562	-	-	6,753,562
Career Development Services	208,695	37,676	246,371	-	-	246,371
Total program services	27,280,315	729,671	28,009,986	-	-	28,009,986
Supporting services:						
Fundraising	837,372	13,403	850,775	-	-	850,775
General and Administrative	3,144,193	460,346	3,604,539	-	-	3,604,539
Facilities	2,428,713	194,032	2,622,745	-	-	2,622,745
Total supporting services	6,410,278	667,781	7,078,059	-	-	7,078,059
Total operating expenses	33,690,593	1,397,452	35,088,045	-	-	35,088,045
Changes in net assets from operations	1,508,975	(1,397,452)	111,523	(56,153)	-	55,370
Non-Operating Revenues (Expenses):						
Capital grants	-	1,939,287	1,939,287	5,321,771	-	7,261,058
Net realized and unrealized gains on investments	-	-	-	(18,038)	-	(18,038)
Investment return appropriated for current operations	-	-	-	(100,000)	-	(100,000)
Net assets released from capital restrictions	-	50,000	50,000	(50,000)	-	-
Total non-operating revenues (expenses)	-	1,989,287	1,989,287	5,153,733	-	7,143,020
Changes in net assets	1,508,975	591,835	2,100,810	5,097,580	-	7,198,390
Net Assets, beginning of year	318,449	12,390,845	12,709,294	2,211,081	2,267,190	17,187,565
Operational transfers	(977,014)	977,014	-	-	-	-
Net Assets, end of year	\$ 850,410	\$ 13,959,694	\$ 14,810,104	\$ 7,308,661	\$ 2,267,190	\$ 24,385,955

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**Combined Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,397,932	\$ 7,198,390
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,492,885	1,397,452
Net realized and unrealized (gains) losses on investments	98,233	18,038
Bad debt	1,102,908	1,072,751
Endowment contribution	(50,000)	-
Capital grants	(1,839,166)	(7,261,058)
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,125,308)	(1,084,780)
Grants and contracts receivable	246,668	(315,107)
Rents and other receivables	44,171	(44,171)
Inventory	(18,169)	(15,286)
Prepaid expenses and deposits	16,310	(169,045)
Accounts payable	(55,419)	(107,741)
Accrued expenses	866,253	(43,273)
Net cash provided by operating activities	<u>3,177,298</u>	<u>646,170</u>
Cash Flows from Investing Activities:		
Restricted deposits, net	(689,434)	(4,810,287)
Purchases of investments	(503,525)	(353,401)
Note receivable	-	1,500
Proceeds from sale of investments	418,723	424,252
Purchase of property and equipment	(1,924,607)	(2,876,178)
Net cash used in investing activities	<u>(2,698,843)</u>	<u>(7,614,114)</u>
Cash Flows from Financing Activities:		
Capital grants	1,839,166	7,261,058
Endowment contribution	50,000	-
Principal payments on long-term debt	(355,818)	(601,246)
Net cash provided by financing activities	<u>1,533,348</u>	<u>6,659,812</u>
Net Change in Cash and Cash Equivalents	2,011,803	(308,132)
Cash and Cash Equivalents:		
Beginning of year	<u>1,934,953</u>	<u>2,243,085</u>
End of year	<u>\$ 3,946,756</u>	<u>\$ 1,934,953</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 633,978</u>	<u>\$ 582,747</u>
Non-Cash Activity:		
Unrealized gains (losses) on investments	<u>\$ (110,757)</u>	<u>\$ 24,449</u>
Property and equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 103,421</u>

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DIMOCK COMMUNITY FOUNDATION, INC. AND A

**Combined Statement of Functional Expenses
For the Year Ended June 30, 2016**

	<u>Services</u>		
	<u>Facilities</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Operating Expenses:			
Personnel and related costs:			
Salaries	270,236	\$ 2,316,290	\$ 19,178,484
Fringe benefits and payroll taxes	152,832	495,463	3,303,502
Temporary services	-	24,153	315,823
Total personnel and related costs	<u>423,068</u>	<u>2,835,906</u>	<u>22,797,809</u>
Occupancy:			
Depreciation and amortization	195,763	722,575	1,492,885
Occupancy	664,659	665,600	999,610
Interest	246,568	328,156	633,978
Total occupancy	<u>1,106,990</u>	<u>1,716,331</u>	<u>3,126,473</u>
Other operating expenses:			
Direct program expense	938,586	1,162,287	5,740,267
Supplies and related	93,849	1,274,368	2,526,773
Consultants	-	124,070	1,107,894
Bad debt	-	-	1,102,908
In-kind goods and services	-	-	1,011,003
Subcontractors	-	-	360,075
Insurance	17,462	213,852	271,022
Total other operating expenses	<u>1,049,897</u>	<u>2,774,577</u>	<u>12,119,942</u>
Total operating expenses before facilities and general and administrative allocations	2,579,955	7,326,814	38,044,224
Facilities allocation	<u>(2,579,955)</u>	<u>(1,756,022)</u>	<u>-</u>
Total operating expenses before general and administrative allocation	-	5,570,792	38,044,224
General and administrative allocation	-	<u>(4,621,703)</u>	<u>-</u>
Total operating expenses	<u>-</u>	<u>\$ 949,089</u>	<u>\$ 38,044,224</u>

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**Combined Statement Of Functional Expenses
For The Year Ended June 30, 2015**

	<u>Services</u>		
	<u>Facilities</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Operating Expenses:			
Personnel and related costs:			
Salaries	\$ 136,568	\$ 2,095,523	\$ 17,375,915
Fringe benefits and payroll taxes	24,568	376,989	3,125,975
Temporary services	102,494	135,686	285,592
Total personnel and related costs	<u>263,630</u>	<u>2,608,198</u>	<u>20,787,482</u>
Occupancy:			
Depreciation and amortization	194,032	667,781	1,397,452
Occupancy	908,506	908,506	1,159,375
Interest	251,966	270,329	582,747
Total occupancy	<u>1,354,504</u>	<u>1,846,616</u>	<u>3,139,574</u>
Other operating expenses:			
Direct program expense	806,395	996,955	5,141,209
Supplies and related	187,245	1,271,999	2,526,929
Consultants	-	145,056	1,073,114
Bad debt	-	-	1,072,751
In-kind goods and services	-	-	731,701
Subcontractors	-	-	347,501
Insurance	10,971	209,235	267,784
Total other operating expenses	<u>1,004,611</u>	<u>2,623,245</u>	<u>11,160,989</u>
Total operating expenses before facilities and general and administrative allocations	2,622,745	7,078,059	35,088,045
Facilities allocation	<u>(2,622,745)</u>	<u>(1,785,148)</u>	<u>-</u>
Total operating expenses before general and administrative allocation	-	5,292,911	35,088,045
General and administrative allocation	<u>-</u>	<u>(4,275,215)</u>	<u>-</u>
Total operating expenses	<u>\$ -</u>	<u>\$ 1,017,696</u>	<u>\$ 35,088,045</u>

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

1. OPERATIONS AND NONPROFIT STATUS

Dimock Community Foundation, Inc. and Affiliates (collectively, the Foundation) operate various health service, substance abuse, HIV service, child and family development, and career development programs for residents of Roxbury, Massachusetts and surrounding communities.

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. Dimock Community Health Center, Inc. (the Health Center), Dimock Community Services Corporation (the Services Corp), Dimock Community Realty Corporation (the Realty Corp) and Dimock Support Corporation (the Support Corp) (collectively, the Affiliates) (see below) are exempt from Federal income taxes as an organization (not private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The Affiliates are also exempt from state income taxes. The Health Center, Services Corp and the Realty Corp file a group return under Dimock Community Health Center, Inc. Donors may deduct contributions made to the Foundation within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of Dimock Community Foundation, Inc., Dimock Community Health Center, Inc., Dimock Community Services Corporation, Dimock Community Realty Corporation, and Dimock Support Corporation.

Certain members of the Board of Directors of the Services Corp, the Realty Corp and the Support Corp are appointed by the Board of Directors of Dimock Community Foundation, Inc. These entities also share the officers and management of Dimock Community Foundation, Inc. Dimock Community Health Center, Inc.'s Board of Directors is separate from the Board of Directors of Dimock Community Foundation, Inc. These entities share the management of Dimock Community Foundation, Inc. All material intercompany accounts and transactions have been eliminated in combination.

Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, the Foundation considers cash and cash equivalents to be cash in banks, money market accounts, petty cash on hand, and debt securities with a maturity of three months or less.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Amounts are written off as they are determined to be uncollectible.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable

Patient accounts receivable are stated as unpaid balances, less allowances for doubtful accounts and unposted contractual allowances. The Foundation provides for losses on patient accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full payments are not expected in accordance with the contractual terms. It is the Foundation's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, except that such instruments purchased with endowment assets are classified as investments. Cash equivalents are considered Level 1 in the fair value hierarchy.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

Investments are recorded at fair market value using Levels 1 and 2 inputs (see page 10). Investment income on the investment portfolio consists of interest and dividends. Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded on the basis of specific shares' historical cost. Unrealized gains and losses are recognized based on market value changes during the period (see Note 3).

Inventory

Inventory consists of pharmaceuticals, office supplies, medical supplies, and eye glasses and is recorded at the lower of cost (first-in, first-out) or market.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair market value at the date of donation. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 5 years

Depreciation expense for the years ended June 30, 2016 and 2015, was \$1,471,163 and \$1,375,730, respectively. At June 30, 2016 and 2015, the net book value of assets purchased with the Commonwealth of Massachusetts and Federal funds was approximately \$8,696,000 and \$8,430,000, respectively. The Commonwealth of Massachusetts and the Federal government retains a reversionary interest in these assets. The net book value of these assets is reflected as unrestricted custodial property net assets (see page 12).

For the year ended June 30, 2016 and 2015, construction in progress related to the renovation of the Detox building (see Notes 14 and 17). Expected completion is October 2017 and is estimated to cost approximately \$16,000,000. These assets are not depreciated until they have been placed in service.

Financing Fees and Amortization

Financing fees consist of legal fees and closing costs relating to long-term debt (see Note 5). These costs are amortized over the life of the notes (twenty and thirty years). Amortization expense was \$21,722 for the years ended June 30, 2016 and 2015.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its unrestricted net assets into the following categories:

Operating - consists of amounts that are available for use in the Foundation's operating activities.

Property and equipment - consists of the net book value of unrestricted property and equipment and resources available and amounts expended for property and equipment, net of related debt.

Custodial property - consists of the net book value of property and equipment purchased with Commonwealth of Massachusetts and Federal funds (see page 11).

Board designated endowment - consists of funds earmarked by the Board of Directors for endowment.

Temporarily Restricted Net Assets

The Foundation receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes. Temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Purpose restricted	\$ 1,660,919	\$ 1,118,542
Appreciation on permanently restricted net assets	445,115	543,348
Capital	<u>6,011,085</u>	<u>5,646,771</u>
	<u>\$ 8,117,119</u>	<u>\$ 7,308,661</u>

Permanently Restricted Net Assets

Permanently restricted net assets represent grants and contributions whose principal will be held in perpetuity and only the investment income and appreciation can be spent (see Note 4).

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and expenses on the accompanying combined statements of activities and changes in net assets. Non-operating revenues (losses) include capital and investment activity.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from contracts is recorded over the period covered by the contract as services are provided. Revenue from unrestricted grants and contributions is recorded when received or unconditionally pledged. Event revenue consists of grants and contributions from the Foundation's annual fundraising event.

Patient service revenue is recorded as services are provided. Gross patient service revenue is recorded at the full value of those services as assigned by the Foundation. The Health Center establishes fees for services to patients based on the patient's ability to pay for these services. Net patient service revenue reflects the amounts to be collected after provision for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on final settlements. Contractual allowances for the years ended June 30, 2016 and 2015, were approximately \$5,879,000 and \$5,349,000, respectively.

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received or unconditionally pledged with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets received and released from restrictions in the same year are recorded as unrestricted revenues.

All other revenues are recognized as earned.

Measuring Charity Care

The Foundation has a policy of providing free care services to patients who meet certain criteria under its free care policy without charge or at amounts less than its established rates. The Foundation does not pursue collection of amounts determined to qualify as free care and these amounts are not reported as revenue. The approximate value of free care services provided for the years ended June 30, 2016 and 2015, was \$1,339,000 and \$1,420,000, respectively. The cost of providing these services was approximately \$1,445,000 and \$777,000 for the years ended June 30, 2016 and 2015, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services. The Foundation billed a third party approximately \$1,315,000 and \$933,000 for the years ended June 30, 2016 and 2015, respectively, for these services.

In-Kind Goods and Services

Organizations contribute goods and services to the Foundation in support of various aspects of its programs. These goods and services are reflected in the accompanying combined financial statements based upon the estimated value assigned to them by the donating organizations or by management. The value of these goods and services was approximately \$1,011,000 and \$732,000 for the years ended June 30, 2016 and 2015, respectively, and is reflected as in-kind goods and services on the accompanying combined statements of activities and changes in net assets and functional expenses.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental Income

The Foundation rents portions of its facilities under various rental agreements ranging from tenant-at-will arrangements to five-year leases. As of June 30, 2016 and 2015, monthly rental income was approximately \$52,000.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2016 and 2015, was approximately \$20,000 and \$34,000, respectively, and is included in supplies and related on the accompanying combined statements of functional expenses.

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 22, 2016, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements, except as disclosed in Note 17.

Tax Positions

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statement regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2016 and 2015.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

3. INVESTMENTS AND NOTE RECEIVABLE

Investments

Investments are presented in the accompanying combined financial statements at fair value. The following table presents the fair value measurements and market values of the Foundation's investments by level within the valuation framework as of June 30:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market fund	\$ 240,542	\$ -	\$ -	\$ 240,542
Mutual funds:				
Domestic funds	348,630	-	-	348,630
Foreign funds	211,900	-	-	211,900
Equities:				
U.S. Corporate stock	1,279,048	-	-	1,279,048
Foreign stock	159,661	-	-	159,661
Corporate bonds	<u>-</u>	<u>718,703</u>	<u>-</u>	<u>718,703</u>
Total investments	<u>\$ 2,239,781</u>	<u>\$ 718,703</u>	<u>\$ -</u>	<u>\$ 2,958,484</u>
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market fund	\$ 112,468	\$ -	\$ -	\$ 112,468
Mutual funds:				
Domestic funds	383,110	-	-	383,110
Foreign funds	240,360	-	-	240,360
Equities:				
U.S. Corporate stock	1,338,878	-	-	1,338,878
Foreign stock	240,622	-	-	240,622
Corporate bonds	<u>-</u>	<u>656,477</u>	<u>-</u>	<u>656,477</u>
Total investments	<u>\$ 2,315,438</u>	<u>\$ 656,477</u>	<u>\$ -</u>	<u>\$ 2,971,915</u>

The Foundation's investment portfolio is managed by one investment advisor. The following is a summary of the investment appreciation of the portfolio for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Unrealized gains on investments	\$ (110,757)	\$ 24,449
Net realized gains (losses) on investments	<u>12,524</u>	<u>(42,487)</u>
Net realized and unrealized gains (losses) on investments	<u>\$ (98,233)</u>	<u>\$ (18,038)</u>

Investments are classified as long-term due to management's intent to hold these investments for long-term purposes. Investments are not insured and are subject to ongoing market fluctuations.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

3. INVESTMENTS AND NOTE RECEIVABLE (Continued)

Note Receivable

In 1993, the Foundation exchanged three residential properties it had received from the City of Boston for a 7.3% note receivable for \$497,298 from a real estate limited partnership (the Partnership). Interest accrued annually on the note and was added to the note's principal. Beginning in 2006, the Foundation stopped accruing interest on the note as the collection of any additional accrued interest has been determined by management to be uncertain. The entire balance was due in October 2010. During 2015, the note was amended to be non-interest bearing and to have annual payments of \$1,500 due by January 31st of each year. During 2016, the annual payment of \$1,500 was not received; however, the Foundation believes the amount is collectable. The maturity date of the note is March 31, 2066 at which time all interest and principal is due. The note is secured by a third priority mortgage on the properties as well as the assignment of leases and rents.

	<u>2016</u>	<u>2015</u>
Note receivable balance	\$ 1,002,500	\$ 1,002,500
Discount/reserve	<u>(980,000)</u>	<u>(980,000)</u>
	<u>\$ 22,500</u>	<u>\$ 22,500</u>

This note has been valued using Level 3 inputs (see Note 2). The Foundation accounted for this note receivable by discounting the note balance including outstanding accrued interest.

4. ENDOWMENT

The Foundation's endowment consists of donor restricted funds classified as permanently restricted net assets, appreciation on permanently restricted net assets (see page 12) and a Board-designated fund (see page 12) established for a variety of purposes. Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

4. ENDOWMENT (Continued)

Reconciliations of endowment investment activities for fiscal years 2016 and 2015 are as follows:

	<u>Unrestricted Board- Designated</u>	<u>Donor-Restricted</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, June 30, 2014	<u>\$ 100,000</u>	<u>\$ 661,386</u>	<u>\$ 2,267,190</u>	<u>\$ 3,028,576</u>
Investment return:				
Net realized gains	-	(42,487)	-	(42,487)
Net unrealized gains	-	24,449	-	24,449
Total investment return	-	(18,038)	-	(18,038)
Appropriation of endowment assets for expenditure	-	(100,000)	-	(100,000)
Endowment net assets, June 30, 2015	<u>100,000</u>	<u>543,348</u>	<u>2,267,190</u>	<u>2,910,538</u>
Investment return:				
Net realized losses	-	12,524	-	12,524
Net unrealized gains	-	(110,757)	-	(110,757)
Total investment return	-	(98,233)	-	(98,233)
Capital contributions	-	-	50,000	50,000
Endowment net assets, June 30, 2016	<u>\$ 100,000</u>	<u>\$ 445,115</u>	<u>\$ 2,317,190</u>	<u>\$ 2,862,305</u>

The Foundation follows the Massachusetts version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Subject to the intent of a donor, the Foundation may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation.

The Board of Directors has voted to allow for the use of a portion of total investment return for operations each year. The Foundation will annually distribute from its investment portfolios an amount not to exceed 5% of the average values for each portfolio over the prior three years determined at least quarterly. There was no appropriation during fiscal year 2016. During 2015, the Board of Directors voted to appropriate \$100,000 to be used for operating purposes.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

4. ENDOWMENT (Continued)

The Foundation has an investment policy which, combined with the spending rate, attempts to provide a predictable stream of returns combined with asset protection. Endowment assets include those assets restricted by donors that the Foundation must hold in perpetuity. Under the Foundation's investment policy and spending rate, both approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Foundation 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 Finance Committee, advised by a third party investment advisor, is responsible for selecting the investment managers of the Foundation's portfolio. The Investment Committee's strategy is to include an array of strategies and investment managers for the portfolio in order to maximize risk adjusted returns.

5. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
2012 MDFA revenue bonds, interest due monthly with interest at 4.5% on the first of each month (see page 19 for further disclosure). This note is secured by a shared first mortgage on all assets of the Foundation.	\$ 8,659,281	\$ 8,831,660
5.6% note payable to a bank, due in monthly installments of \$20,876, principal and interest through April 2042. This note is secured by a shared first mortgage on all assets of the Foundation.	3,380,782	3,437,070
2013 MDFA revenue bonds, interest due monthly with interest at 4.5% on the first of each month (see page 19 for further disclosure). This note is secured by a shared first mortgage on all assets of the Foundation.	905,897	1,012,575
3% note payable to a municipality, due in monthly installments of \$1,418, principal and interest through December 2005, based on a twenty-year amortization schedule. At that time, the balance of principal of \$185,377 was due. The note is secured by a third mortgage on a building. During 2005, the payments on the loan were deferred and the term of the loan was extended through May 2012, at which time the balance was due. The Foundation is currently in negotiations with the municipality for forgiveness.	107,423	127,896

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

5. LONG-TERM DEBT (Continued)

	<u>2016</u>	<u>2015</u>
3% balloon note payable to a municipality, due in monthly installments of principal and interest of approximately \$420 through June 2005, secured by a shared second mortgage on a building. During 2005, the term of the loan was extended through May 2012. The Foundation is currently in negotiations with the municipality for forgiveness.	63,216	63,216
Other notes payable	<u>17,500</u>	<u>17,500</u>
	13,134,099	13,489,917
Less - current portion	<u>539,513</u>	<u>542,748</u>
	<u>\$ 12,594,586</u>	<u>\$ 12,947,169</u>

MDFA Bonds

On March 30, 2012, Century Bank issued 2012 MDFA Bonds of \$9,347,670 maturing in April 2042. The bonds bear interest at an initial fixed rate of 4.5% for the first ten years (initial rate period), through March 31, 2022. After the initial rate period (the subsequent rate period), the interest rate will adjust to .67 multiplied by the sum of the Federal Home Loan Bank (FHLB) Rate plus 250 basis points with a floor of 4.5%. During the initial and subsequent rate periods, principal and interest are due in monthly installments of \$47,740. After the subsequent rate period, principal and interest will be payable with the adjusted interest rate and amortized over the remaining life of the bonds. If the bonds are prepaid prior to the maturity date, the Foundation is subject to a prepayment penalty, as defined in the agreement.

On September 19, 2013, Century bank amended the above agreement with the Foundation and issued 2013 MDFA Bonds of \$1,200,000. The bonds bear interest at a rate of 4%. Principal and interest are payable in monthly installments of \$12,158 until the bonds maturity in September 2023. If the bonds are prepaid prior to the maturity date, the Foundation is subject to a prepayment penalty, as defined in the agreement.

The loan agreement requires the Foundation to maintain a debt service reserve of approximately \$284,000 which was funded with the proceeds of the MDFA bonds. Withdrawals may be made from the MDFA bond reserve for renewal, renovation or replacement of property and is included in restricted deposits in the accompanying combined statements of financial position (see Note 8). The bonds are secured by mortgages on certain real estate, as well as substantially all of the Foundation's assets. The Foundation was in compliance with the debt service requirement as of June 30, 2016 and 2015.

HEFA Bond

The bond note payable was paid in full in February 2015. As of June 30, 2015, the debt service reserve was distributed to the Foundation and used to pay off the note payable.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

5. LONG-TERM DEBT (Continued)

Aggregate maturities of long-term debt over the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 539,513
2018	\$ 367,790
2019	\$ 384,985
2020	\$ 401,489
2021	\$ 420,788

Certain long-term debt agreements require the Foundation to comply with certain financial covenants. The Foundation was either in compliance with the covenants or attained waivers at June 30, 2016 and 2015.

6. NOTE PAYABLE TO A BANK

The Foundation has a line of credit with a bank for a maximum borrowing of \$1,500,000, due on demand, and expiring on December 31, 2048. Interest is payable monthly on outstanding borrowings at the *Wall Street Journal's* prime rate (3.50% and 3.25% at June 30, 2016 and 2015, respectively). The line of credit is secured by certain business assets. The agreement requires the balance of the line of credit to be zero for a minimum of thirty days during each fiscal year. The Foundation was in compliance with the covenant as of June 30, 2016 and 2015. There was no balance outstanding as of June 30, 2016 and 2015.

7. EMPLOYEE BENEFIT PLANS

The Foundation has a defined contribution retirement plan that is qualified under Section 403(b) of the IRC. All employees who are age 21 and over and have worked at least 1,000 hours prior to the plan year are eligible to participate in the plan. The Foundation's management, at its discretion, annually decides whether to make an optional contribution to the plan. This contribution is split among all participants based on eligible pay. The Foundation's contributions are vested based on the years of service of each participant. All contributions are 100% vested after two years of employment. The Foundation made contributions of \$50,245 and \$116,201 during fiscal years 2016 and 2015, respectively, which is included in fringe benefits and payroll taxes in the accompanying combined statement of functional expenses.

The Foundation has a split-dollar life insurance program as a benefit for the Foundation's senior management. The employees are entitled to full ownership of their respective policies when they leave the Foundation's employment.

The Foundation has an unfunded plan that qualifies under Section 457 of the IRC. This plan became effective July 1, 2014, and provides deferred compensation to a select group of management and highly compensated employees as designated by the Foundation's Board. The Foundation can make discretionary contributions to the plan on an annual basis. The Foundation can make annual contributions up to fifteen percent (15%) of participant's compensation, reduced by the amount contributed by the participant to the 403(b) plan, up to the maximum of the lesser of \$17,500 or 100% of participant includible compensation. Participants shall be fully vested upon the occurrence of one of the following factors; the participant's attainment of normal retirement age, involuntary termination of employment, death or permanent disability.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

8. RESTRICTED DEPOSITS

Restricted deposits consist of debt service and other reserves for the MDFA bonds (see Note 5) and capital grant proceeds. The balances are as follows as of June 30:

	<u>2016</u>	<u>2015</u>
MDFA Bond Reserve	\$ 239,516	\$ 239,396
Capital grant proceeds	<u>6,011,085</u>	<u>5,321,771</u>
	<u>\$ 6,250,601</u>	<u>\$ 5,561,167</u>

9. LEASE COMMITMENT

The Foundation leases various facilities for its programs. The lease agreements expire at various dates through 2019. Monthly payments under the agreements range from approximately \$900 to \$4,200 per month during the lease period.

Rent expense under these lease agreements was \$174,597 and \$174,553 for the years ended June 30, 2016 and 2015, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

Minimum lease payments over the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 102,588
2018	\$ 26,477
2019	\$ 14,796
2020	\$ 14,796
2021	\$ 14,796

10. CONCENTRATIONS

The Foundation maintains its cash balances in three Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its operating cash balance.

For the year ended June 30, 2016, approximately 48% and 41% of the Foundation's operating revenues were from contracts with the Commonwealth of Massachusetts and the U.S. Department of Health and Human Services, respectively. For the year ended June 30, 2015, approximately 42% and 41% of the Foundation's operating revenues were from contracts with the Commonwealth of Massachusetts and the U.S. Department of Health and Human Services, respectively.

As of June 30, 2016, approximately 28% of the Foundation's grants and contracts receivable were due from the Commonwealth of Massachusetts and 47% were due from the U.S. Department of Health and Human Services. As of June 30, 2015, 27% of the Foundation's grants and contracts receivable were due from the Commonwealth of Massachusetts and 46% were due from the U.S. Department of Health and Human Services, respectively.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

10. CONCENTRATIONS (Continued)

Net Patient Service Revenue and Patient Accounts Receivable

The Foundation had the following concentrations of payers within patient accounts receivable and net patient service revenue as of and for the years ended June 30:

	<u>2016</u>		<u>2015</u>	
	<u>Net Patient Accounts Receivable</u>	<u>Net Patient Service Revenue</u>	<u>Net Patient Accounts Receivable</u>	<u>Net Patient Service Revenue</u>
Mass Health	56%	60%	33%	61%
Health Safety Net	16%	8%	11%	9%

11. RELATED PARTY TRANSACTIONS

Members of the Board of Directors hold management positions at companies that provide services to the Foundation. The type of services and the approximate dollar values are as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Net patient service revenue	\$ 1,778,000	\$ 1,042,000
Group health insurance policies placed	\$ 946,000	\$ 1,138,000
Contract services	\$ 126,000	\$ 102,000

The above mentioned Board members abstain from discussions and voting on matters related to their respective employers.

12. COMMITMENTS AND CONTINGENCIES

The Foundation, from time-to-time, is the defendant in lawsuits. It is management's belief that the Foundation will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combined financial statements for any potential liability resulting from these lawsuits.

The Foundation received five grants totaling \$1,399,000 to fund the development costs of the Cary Cottage Building and the Transitional Housing Project (the Project), which was completed in 2006. These grants place certain affordable housing restrictions on the operations of the Project through May 2056, as defined in a joint affordable housing restriction agreement (the Restriction Agreement). The entire indebtedness may become immediately due and payable at the option of the Mortgagee, if any of the restrictions are not met as defined by the Restriction Agreement. Under the Restriction Agreement, the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD), one of the grantors has an option to purchase the Foundation's interest in the Project within 120 days after May 2056.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

13. CONDITIONAL LIABILITIES

In connection with the Project (see Note 12), the Foundation entered into a loan agreement with Community Economic Development Assistance Corporation (CEDAC) in the amount of \$500,000. Simple interest accrues at 5% per year through June 2025, and thereafter, no additional interest shall accrue until June 2035, the maturity date of the loan. Principal and interest payments are due based on certain levels of cash flow being attained as defined in the agreement or in full at June 6, 2035. Required cash flow levels were not achieved in fiscal years 2016 or 2015. This note is secured by a shared second mortgage on the Project and assignment of leases and rents. As of June 30, 2016 and 2015, there was \$500,000 of borrowings under this agreement. These borrowings are included in conditional liabilities in the accompanying combined statements of financial position.

The Foundation entered into a non-interest bearing loan agreement with the Department of Neighborhood Development in the amount of \$315,541 on August 14, 2013, for costs incurred during the repairs and modifications on certain property. This property must be used and occupied by thirteen very low income homeless women living with HIV/AIDS, substance abuse and mental illness. This loan matures in August 2043. Principal and interest payments are due based on certain levels of cash flow being attained as defined in the agreement. Required cash flow levels were not achieved in fiscal years 2016 or 2015. As of June 30, 2016 and 2015, there was \$315,541 of borrowings under this agreement. These borrowings are included in conditional liabilities in the accompanying combined statements of financial position.

14. CAPITAL PROJECT

During May 2012, the Foundation was awarded a grant from the U.S. Department of Health and Human Services under the Affordable Care Act totaling \$4,950,479. The grant was restricted for the renovation of existing space and expansion of the Richard Building. The Foundation spent \$1,779,204 of this grant as of June 30, 2015; these amounts are included in capital grants on the accompanying combined statement of activities and changes in net assets. This project was completed in March 2015.

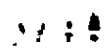
During December 2014, the Foundation was awarded a grant from the Commonwealth of Massachusetts Drug Control Program totaling \$5,000,000. The grant is restricted for the renovation of existing space and expansion of the Detox Building (see page 11). The Foundation spent \$1,410,210 and \$429,854, respectively, of this grant as of June 30, 2016 and 2015; this amount is included in construction in progress on the combined statement of financial position.

15. MEDICAL MALPRACTICE INSURANCE

The Foundation is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Health Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Foundation is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Foundation, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

16. FUNDING

The Foundation receives funding from several agencies to assist with operating costs and charges patients and third parties for services provided. Charges made to most third party payers for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effects of such determinations or adjustments, if any, will not have a material effect on the combined financial position of the Foundation as of June 30, 2016 and 2015, or on the changes in its net assets for the years then ended.

The Foundation is entitled to receive settlements based upon the submission of cost reports. These settlements are not readily determinable and are, therefore, recorded as revenue when received.

The Foundation receives funding from various governmental agencies to assist with program expenses and operating costs. These grants and contracts have been expended in accordance with the respective terms contained in the agreements and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Foundation as of June 30, 2016 and 2015, or on the changes in its net assets for the years then ended.

17. SUBSEQUENT EVENTS

Subsequent to year end, the Foundation contributed the Detox Building to the Support Corporation and entered into a note payable agreement with a bank for \$4,270,000. The Foundation used the proceeds from the note payable and combined them with grant funding (see Note 14) as well as the capital campaign contributions to make two leverage loans to COCRF Investor 64, LLC (COCRF) totaling \$9,743,600. COCFR used these two loans and combined them with New Market Tax Credit (NMTC) equity to make 4 loans totaling \$14,280,000 to the Support Corporation. The Support Corporation will use the loans for renovations and expansion of the Detox Building (see Note 14).

The NMTC program offers credits against Federal income taxes over a seven-year period for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs) pursuant to Section 45D of the IRC in order to assist eligible businesses in making investments in certain low-income communities. The Support Corporation is a Qualified Active Low Income Community Business (QALICB) and operates the Project in a manner intended to enable the Support Corporation to continue to qualify as a QALICB for the purposes of the NMTC within the meaning of Section 45D(d)(2) of the IRC.

Subsequent to year end, the Foundation joined CCC, a pilot Accountable Care Organization (ACO). CCC is a newly formed health care corporation organized to take responsibility for managing the cost and quality of health care for its members. The Foundation has committed \$50,000 towards the ACO as an initial contribution.

18. RECLASSIFICATIONS

Certain amounts in the June 30, 2015 combined financial statements have been reclassified to conform with the June 30, 2016 presentation.