Pine Street Inn
Ending Homelessness

AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

PINE STREET INN, INC. AND AFFILIATES

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JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pine Street Inn, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Pine Street Inn, Inc. (a Massachusetts corporation, not for profit) and Affiliates, which comprise the combined statements of financial position as of June 30, 2013 and 2012, 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 combined financial position of Pine Street Inn, Inc. and Affiliates as of June 30, 2013 and 2012, 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, Aronson, Finning & Co. P.C.

Boston, Massachusetts
November 13, 2013

PINE STREET INN, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,087,173	$ 12,382,377
Current portion of assets limited as to use (Note 5)	175,329	175,909
Accounts receivable, net of allowance for doubtful accounts of $350,361 and $248,234 at June 30, 2013 and 2012, respectively (Note 17)	2,629,065	2,613,001
Current portion of contributions receivable	1,748,984	2,260,831
Prepaid expenses and other assets	692,792	593,514
Total current assets	17,333,343	18,025,632
INVESTMENTS (Note 8)	24,689,799	23,047,205
PROPERTY, PLANT AND EQUIPMENT, net (Note 6)	34,314,423	35,364,168
CONTRIBUTIONS RECEIVABLE, net of current portion (Note 18)	625,081	1,123,900
ASSETS LIMITED AS TO USE, net of current portion (Note 5)	2,334,558	2,419,091
PRE-DEVELOPMENT AND OTHER ASSETS (Note 13)	483,287	426,996
Total assets	$ 79,780,491	$ 80,406,992

LIABILITIES AND NET ASSETS	2013	2012
CURRENT LIABILITIES:		
Current portion of notes payable (Note 10)	$ 1,411,666	$ 614,708
Accounts payable	958,211	823,678
Accrued expenses and other liabilities	3,709,778	3,561,591
Total current liabilities	6,079,655	4,999,977
NOTES PAYABLE, net of current portion (Note 10)	4,419,184	5,790,987
OTHER DEBT (Note 11)	16,255,998	16,185,517
Total liabilities	26,754,837	26,976,481
COMMITMENTS AND CONTINGENCIES (Note 19)		
NET ASSETS:		
Unrestricted:		
Available for operations	17,422,873	17,268,013
Board designated (Note 14)	11,262,000	11,314,000
Net investment in plant	11,035,400	10,695,537
Total unrestricted	39,720,273	39,277,550
Temporarily restricted (Note 15)	11,001,124	11,848,704
Permanently restricted (Note 16)	2,304,257	2,304,257
Total net assets	53,025,654	53,430,511
Total liabilities and net assets	$ 79,780,491	$ 80,406,992

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

PINE STREET INN, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUES:								
Contract revenue (Note 17)	$ 26,157,963	$ -	$ -	$ 26,157,963	$ 21,870,482	$ -	$ -	$ 21,870,482
Contributions and grants	7,579,934	2,272,813	-	9,852,747	8,943,259	1,775,297	-	10,718,556
Donated goods and services	5,030,142	-	-	5,030,142	3,131,094	-	-	3,131,094
Rental income and subsidies	3,286,130	-	-	3,286,130	3,291,042	-	-	3,291,042
Spending policy transfer (Note 8)	857,915	-	-	857,915	812,214	-	-	812,214
Other revenue	777,205	-	-	777,205	723,598	-	-	723,598
Net assets released from program restrictions (Note 15)	2,554,678	(2,554,678)	-	-	2,590,552	(2,590,552)	-	-
Total operating revenues	46,243,967	(281,865)	-	45,962,102	41,362,241	(815,255)	-	40,546,986
OPERATING EXPENSES:								
Emergency shelter	19,389,798	-	-	19,389,798	14,983,774	-	-	14,983,774
Permanent housing	13,802,660	-	-	13,802,660	11,743,069	-	-	11,743,069
Transitional housing and job training programs	4,648,354	-	-	4,648,354	4,389,983	-	-	4,389,983
Substance abuse treatment	1,448,113	-	-	1,448,113	685,002	-	-	685,002
General and administrative	6,291,197	-	-	6,291,197	5,483,939	-	-	5,483,939
Fundraising and development	2,320,311	-	-	2,320,311	2,263,858	-	-	2,263,858
Total operating expenses	47,900,433	-	-	47,900,433	39,549,625	-	-	39,549,625
Changes in net assets from operations	(1,656,466)	(281,865)	-	(1,938,331)	1,812,616	(815,255)	-	997,361
NON-OPERATING ACTIVITY:								
Net realized and unrealized gains on investments (Note 8)	1,078,236	119,648	-	1,197,884	55,334	6,489	-	61,823
Dividends and interest income (Note 8)	581,667	4,700	-	586,367	510,879	4,445	-	515,324
Capital contributions and grants	-	504,310	-	504,310	-	2,307,759	-	2,307,759
Forgiveness of debt (Note 11)	102,828	-	-	102,828	-	-	-	-
Contribution income - merger (Note 4)	-	-	-	-	2,195,657	457,246	-	2,652,903
Loss on sale of property held for sale (Note 7)	-	-	-	-	(57,335)	-	-	(57,335)
Merger expenses (Note 4)	-	-	-	-	(317,641)	-	-	(317,641)
Spending policy transfer (Note 8)	(857,915)	-	-	(857,915)	(812,214)	-	-	(812,214)
Net assets release from facility use restrictions (Note 15)	1,136,845	(1,136,845)	-	-	-	-	-	-
Net assets released from capital restrictions (Note 15)	57,528	(57,528)	-	-	360,277	(360,277)	-	-
Total non-operating activity	2,099,189	(565,715)	-	1,533,474	1,934,957	2,415,662	-	4,350,619
Changes in net assets	442,723	(847,580)	-	(404,857)	3,747,573	1,600,407	-	5,347,980
NET ASSETS, beginning of year	39,277,550	11,848,704	2,304,257	53,430,511	35,529,977	10,248,297	2,304,257	48,082,531
NET ASSETS, end of year	$ 39,720,273	$ 11,001,124	$ 2,304,257	$ 53,025,654	$ 39,277,550	$ 11,848,704	$ 2,304,257	$ 53,430,511

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

PINE STREET INN, INC. AND AFFILIATES

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	PROGRAM SERVICES					SUPPORT SERVICES			
2013	EMERGENCY SHELTER	PERMANENT HOUSING	TRANSITIONAL HOUSING AND JOB TRAINING PROGRAMS	SUBSTANCE ABUSE TREATMENT	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS-TRATIVE	FUNDRAISING AND DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL
Salaries and wages	$ 9,012,650	$ 5,590,865	$ 2,695,357	$ 651,222	$ 17,950,094	$ 2,888,224	$ 1,182,440	$ 4,070,664	$ 22,020,758
Employee benefits and payroll taxes (Note 13)	1,915,726	1,309,710	579,499	154,505	3,959,440	690,930	276,104	967,034	4,926,474
Total personnel and related costs	10,928,376	6,900,575	3,274,856	805,727	21,909,534	3,579,154	1,458,544	5,037,698	26,947,232
Occupancy (Note 12)	3,496,984	3,489,444	448,296	7,828	7,442,552	219,208	5,251	224,459	7,667,011
Food and supplies	2,198,817	492,395	344,579	22,128	3,057,919	104,182	83,753	187,935	3,245,854
Professional fees and contracted services	793,922	496,582	83,163	217,002	1,590,669	1,236,968	122,236	1,359,204	2,949,873
Other	586,053	171,171	149,071	373,672	1,279,967	343,177	148,482	491,659	1,771,626
Postage, printing and telephone	81,232	216,331	40,566	8,047	346,176	194,752	485,036	679,788	1,025,964
Transportation	158,424	213,639	91,704	12,321	476,088	31,717	4,286	36,003	512,091
Equipment expenses (Note 12)	166,253	171,873	37,576	1,388	377,090	35,831	12,723	48,554	425,644
Interest	91,259	170,005	12,557	-	273,821	110,762	-	110,762	384,583
Clothing, linens and laundry	270,892	-	16,530	-	287,422	-	-	-	287,422
Total expenses before depreciation and amortization	18,772,212	12,322,015	4,498,898	1,448,113	37,041,238	5,855,751	2,320,311	8,176,062	45,217,300
Depreciation and amortization	617,586	1,480,645	149,456	-	2,247,687	435,446	-	435,446	2,683,133
Total expenses	$ 19,389,798	$ 13,802,660	$ 4,648,354	$ 1,448,113	$ 39,288,925	$ 6,291,197	$ 2,320,311	$ 8,611,508	$ 47,900,433

	PROGRAM SERVICES					SUPPORT SERVICES			
2012	EMERGENCY SHELTER	PERMANENT HOUSING	TRANSITIONAL HOUSING AND JOB TRAINING PROGRAMS	SUBSTANCE ABUSE TREATMENT	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS-TRATIVE	FUNDRAISING AND DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL
Salaries and wages	$ 7,693,531	$ 4,843,545	$ 2,458,607	$ 336,769	$ 15,332,452	$ 2,514,304	$ 1,011,848	$ 3,526,152	$ 18,858,604
Employee benefits and payroll taxes (Note 13)	1,711,625	1,204,606	546,188	74,232	3,536,651	625,239	254,390	879,629	4,416,280
Total personnel and related costs	9,405,156	6,048,151	3,004,795	411,001	18,869,103	3,139,543	1,266,238	4,405,781	23,274,884
Occupancy (Note 12)	2,096,285	2,744,856	492,020	73,888	5,407,049	263,068	5,270	268,338	5,675,387
Food and supplies	1,479,470	452,632	328,677	54,249	2,315,028	72,523	65,139	137,662	2,452,690
Professional fees and contracted services	538,759	306,938	101,035	80,504	1,027,236	952,162	97,062	1,049,224	2,076,460
Other	192,749	99,698	146,051	43,872	482,370	297,722	247,553	545,275	1,027,645
Postage, printing and telephone	75,222	199,558	32,606	4,995	312,381	146,693	574,391	721,084	1,033,465
Transportation	155,525	216,962	51,416	4,696	428,599	30,302	3,739	34,041	462,640
Equipment expenses (Note 12)	115,092	99,292	34,655	1,957	250,996	35,037	3,722	38,759	289,755
Interest	87,014	129,252	26,628	-	242,894	120,631	-	120,631	363,525
Clothing, linens and laundry	233,554	-	16,072	7,010	256,636	-	-	-	256,636
Total expenses before depreciation and amortization	14,378,826	10,297,339	4,233,955	682,172	29,592,292	5,057,681	2,263,114	7,320,795	36,913,087
Depreciation and amortization	604,948	1,445,730	156,028	2,830	2,209,536	426,258	744	427,002	2,636,538
Total expenses	$ 14,983,774	$ 11,743,069	$ 4,389,983	$ 685,002	$ 31,801,828	$ 5,483,939	$ 2,263,858	$ 7,747,797	$ 39,549,625

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

PINE STREET INN, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (404,857)	$ 5,347,980
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,692,289	2,649,923
Bad debt	479,012	132,796
Net realized and unrealized gains on investments	(1,197,884)	(61,823)
Loss on sale of property held for sale	-	57,335
Loss on disposal of property, plant and equipment	118	2,453
Capital contributions and grants	(504,310)	(2,307,759)
Contribution income - merger	-	(2,652,903)
Forgiveness of debt	(102,828)	-
Changes in operating assets and liabilities:		
Accounts receivable	(492,076)	(290,053)
Contributions receivable	1,007,666	(508,418)
Prepaid expenses and other assets	(99,278)	175,111
Accounts payable	(22,974)	(116,761)
Accrued expenses and other liabilities	148,187	427,723
Net cash provided by operating activities	1,503,065	2,855,604
CASH FLOWS FROM INVESTING ACTIVITIES:		
Pre-development and other assets	(69,550)	(37,165)
Purchase of investments	(6,557,669)	(11,226,211)
Proceeds from sale of investments	6,112,959	9,013,324
Net proceeds from sale of property held for sale	-	1,023,902
Cash resulting from merger	-	2,282,501
Proceeds from sale of property, plant and equipment	17,548	-
Purchase of property, plant and equipment	(1,489,444)	(1,379,152)
Net cash used in investing activities	(1,986,156)	(322,801)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions and grants	504,310	2,307,759
Increase in assets limited as to use	85,113	69,900
Principal payments on notes payable	(731,856)	(736,431)
Proceeds from notes payable and other debt	330,320	189,913
Net cash provided by financing activities	187,887	1,831,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(295,204)	4,363,944
CASH AND CASH EQUIVALENTS, beginning of year	12,382,377	8,018,433
CASH AND CASH EQUIVALENTS, end of year	$ 12,087,173	$ 12,382,377
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 384,583	$ 363,525
Cost basis of property, plant and equipment disposed	$ 71,390	$ 263,698
Property, plant, and equipment financed through accounts payable	$ 266,222	$ 108,715
Unrealized gains (losses) on investments	$ 779,950	$ (41,726)

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

NOTE 1. NATURE OF ORGANIZATION

Pine Street Inn, Inc. (the Inn) is a Massachusetts not-for-profit corporation established to provide shelter, food, clinical, counseling, and transitional services for homeless and disadvantaged men and women within the City of Boston and surrounding communities. The Inn also provides housing options which are accessible and affordable to homeless men and women, mentally challenged adults, and individuals living with the HIV virus.

The following two legal entities are wholly-owned by the Inn and are included in the Inn's operations in the accompanying combined financial statements:

- 18-20 Parker Hill Avenue LLC is a Massachusetts limited liability corporation, which was organized to develop nineteen affordable housing units on Parker Hill Avenue in Boston, Massachusetts. The project was completed and occupancy began in fiscal year 2008.

- 1734 Washington Street Limited Partnership is a Massachusetts limited partnership, which was originally organized to develop thirty-three affordable housing units on Washington Street in Boston, Massachusetts. Since 1988, the Inn has been the sole stockholder of a corporation which was the General Partner in this real estate limited partnership. This General Partner investment consisted of a one percent equity interest in the limited partnership. The Inn became the sole investor of 1734 Washington Street Limited Partnership when it acquired the interests of the investor limited partners on March 31, 2006 (see Note 19).

Pine Street Inn Housing, Inc. (Housing) is a Massachusetts not-for-profit corporation, which was organized to provide elderly and disabled persons with housing facilities and services at the Inn's Richard Ring House at Woodward Park in Boston, Massachusetts. Section 811 funding was provided to Housing by the U.S. Department of Housing and Urban Development (HUD) for the development of a twelve-unit housing facility for mentally challenged individuals. The Board of Directors of Housing consists of directors and senior managers of the Inn.

Pine Street Housing II, Inc. (Housing II) is a Massachusetts not-for-profit corporation, which was organized to develop housing units on Geneva Avenue in Boston, Massachusetts. Section 202 funding was provided by HUD for the development of a ten-unit housing facility for elderly persons. The Board of Directors of Housing II consists of directors and senior managers of the Inn.

NOTE 2. NONPROFIT STATUS

The Inn, Housing and Housing II are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Inn, Housing and Housing II are also exempt from state income taxes. Donors may deduct contributions made to the Inn, Housing and Housing II within IRC requirements.

Certain rental income and other activities of the Inn are subject to Federal and State income taxes under Unrelated Business Taxable Income (UBTI) regulations. The Inn did not incur any tax expense related to these activities for the years ended June 30, 2013 and 2012. The Inn has Federal net operating loss carryforwards (NOLs) related to UBTI of $3,185,846 and $2,621,950 for the years ended June 30, 2013 and 2012, respectively. The Federal NOLs expire at various dates through 2033. The Inn has state NOLs related to UBTI of $2,109,518 and $1,796,682 for the years ended June 30, 2013 and 2012, respectively. The state NOLs expire at various dates through 2018. A deferred tax asset has not been recorded as the realization of the NOLs is uncertain.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The Inn, Housing and Housing II's combined financial statements have been prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Basis of Combination: The combined financial statements include the net assets of the Inn, Housing and Housing II (collectively, the Organization). All significant intercompany accounts have been eliminated in combination.

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.

Accounting for Uncertainty in Income Taxes: The Organization follows *the Accounting for Uncertainty in Income Taxes* standard, which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. For the years ended June 30, 2013 and 2012, the Organization determined that there were no material unrecognized tax benefits to report. The Organization files returns in the United States (Federal), Massachusetts (State) and various other jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

Classification and Reporting of Net Assets:

Unrestricted Net Assets represent those net resources that bear no donor-imposed restrictions and are generally available for use by the Organization. Unrestricted net assets include the following:

> **Available for Operations** represent funds available to carry on the operations of the Organization.
>
> **Board Designated** represent funds that have been designated by the Organization's Board of Directors for future use (see Note 14).
>
> **Net Investment in Plant** represent funds used in activities relating to the Organization's property, plant and equipment, net of related debts.

Temporarily Restricted Net Assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations (see Note 15).

Temporarily restricted net assets also include, under Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted funds that are subject to prudent appropriation by the Board of Directors in accordance with provisions of Massachusetts law.

Permanently Restricted Net Assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization (see Note 16).

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property, Plant and Equipment and Depreciation: Purchased property, plant and equipment are recorded at cost. Donated property, plant and equipment are recorded at fair market value at the time of donation.

Depreciation and amortization (including depreciation of assets recorded under capital leases) are computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Building improvements	20
Leasehold improvements	Greater of 5 years or life of the lease
Furniture and fixtures	3 – 7
Machinery and equipment	10
Motor vehicles	3 – 5

Expenditures for major renewals and improvements of property, plant and equipment are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Fair Value Measurement: The Organization follows the *Fair Value Measurements and Disclosure* standards under US GAAP. These standards define fair value, describe a framework for measuring fair value and mandate required disclosures about fair value measurements. These standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework are:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.

- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 also includes investments with notice periods for redemption of ninety days or less.

- Level 3: Inputs that are unobservable and which require significant judgment or estimation. Level 3 also includes investments with notice periods for redemption of more than ninety days.

A qualifying 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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Board of Directors has established policies governing long-term investments, which are held within several investment accounts, based on the purposes for those investment accounts and their earnings. Investments are recorded at fair value.

Investments are allocated among the unrestricted, temporarily and permanently restricted net asset classes in the accompanying combined financial statements according to the absence or presence of donor restrictions. Investments are classified as non-current based upon management's intent.

The Organization follows a "prudent person" standard in managing the relationship between risk and return in the deployment and diversification of the investment portfolio. The Organization views risk as the likelihood of permanent loss of capital as distinct from the volatility in investment value or return. Allocation decisions emphasize absolute return over the long-term, while taking prudent risks.

Investment return consists of dividends and interest income and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date and interest income is recorded as earned. Realized gains and losses on investment transactions are recorded based on the first-in, first-out (FIFO) cost method. Unrealized gains and losses are based on fair value changes.

Massachusetts state law allows the Organization to appropriate as much of the net appreciation as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Method of Accounting: The Organization utilizes the accrual method of accounting whereby revenue is recorded when earned and expenses are recorded when incurred.

Contributions Receivable: Contributions receivable consists of contributions committed to program operations and acquisition of capital (see Note 18).

Revenue Recognition and Funding: Contract revenue is recorded over the contract period as services are provided. The programs of the Organization are principally supported by contracts negotiated with agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to the regulations and rate formulae of the Massachusetts Executive Office for Administration and Finance. Revenue is recorded at the rates approved under the negotiated contracts as certified by the Massachusetts Operational Services Division. Excess of revenue over expenses from programs supported by the Commonwealth of Massachusetts, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purposes, and provided such expenditures are reimbursable under the Operational Services Division's regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment and would be reported as liabilities.

Rental income is generated primarily from the rental of low-income housing units and is recorded when earned. The Organization also receives subsidies from certain governmental entities for providing low-income housing assistance for qualified tenants, which is recorded when earned.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding: (continued)

Gross patient service revenue is recorded as earned at the full value of the services as determined by the Organization. Net patient service revenue reflects the amounts to be collected after provision for contractual allowances. Contractual allowances related to third-party pay sources are accrued on an estimated basis in the period the services are rendered. These contractual allowances are adjusted, as required, based on final settlement. The contractual allowances for the years ended June 30, 2013 and 2012, were approximately $598,000 and $163,000, respectively.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash, including marketable securities, are recorded at their estimated fair value on the date of the gift.

Contributions to be received after one year are discounted using a risk free discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Contributions of property, plant and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire property, plant and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

For certain contributions of cash or other assets to be used to acquire property that bear facility use restrictions, the restrictions are considered to be released at the time the facility use restrictions of such long-lived assets are met. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

Donations of services are reported as revenues and expenses of unrestricted net assets at the fair value of the services received. Donations of goods and facilities to be used in program operations are reported as revenues and expenses of unrestricted net assets at the time the goods are received or facilities are used.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding: (continued)

The value of these donated goods and services for the years ended June 30, 2013 and 2012, is:

	2013	2012
Facilities	$2,128,689	$1,125,683
Food	1,277,345	738,951
Program support	568,998	164,818
Volunteer services	531,708	558,442
Clothing, linens and laundry	290,566	256,636
Health care services	200,000	200,000
Miscellaneous	24,991	34,809
Professional services – legal	7,845	51,755
	$5,030,142	$3,131,094

Allowance for Doubtful Accounts: The Organization provides for losses using the allowance method. The allowance is based upon collection experience, contract terms and other circumstances which may affect the ability of the Organization to collect. When the Organization determines that a portion of its accounts receivable will not be collected, the receivable account is written off and a bad debt expense is recorded.

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

Subsequent Events: Subsequent events have been evaluated through November 13, 2013, which is the date the combined financial statements were issued.

NOTE 4. MERGER

Effective March 31, 2012, the Organization merged with hopeFound, Inc. (hopeFound), another nonprofit organization providing services to homeless and disadvantaged men and women. The Organization is the surviving entity of the merger. As a result of the merger, all property, leases, licenses, and other contractual rights of hopeFound were transferred to the Organization as were all its debts, liabilities, obligations, and duties. The merger was recorded by the Organization using the acquisition method whereby all assets ($3,669,197) and liabilities ($1,016,294) of hopeFound were recorded on the Organization's books at fair market value at the date of the merger. The Organization recorded contribution income of $2,652,903 pertaining to the difference between the fair market value of the assets acquired and the liabilities assumed. This amount is shown as contribution income - merger in the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2012.

NOTE 4. MERGER (Continued)

The Organization incurred $317,641 of legal and professional services costs relating to the merger, which have been reflected as merger expenses in the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2012.

Operating revenue and expense associated with former hopeFound programs for the period April 1, 2012, to June 30, 2012, are included in the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2012.

NOTE 5. ASSETS LIMITED AS TO USE

The Organization maintains escrow accounts (cash accounts and certificates of deposit) that were established to serve as replacement and operating reserves in connection with certain mortgage notes or to meet collateral requirements on certain mortgage notes (see Note 10). The Organization also maintains tenant security deposits, which are segregated from its operating accounts. Total assets limited as to use at June 30, 2013 and 2012, were $2,509,887 and $2,595,000, respectively.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	2013	2012
Land	$ 2,896,187	$ 2,896,187
Buildings	25,073,676	25,061,926
Building and leasehold improvements	35,695,493	34,654,269
Furniture and fixtures	782,760	748,758
Machinery and equipment	4,486,193	4,179,880
Motor vehicles	757,348	671,730
Construction in process	296,933	200,279
	69,988,590	68,413,029
Less - accumulated depreciation and amortization	35,674,167	33,048,861
	$34,314,423	$35,364,168

There are restrictions imposed by lenders and grantors on the use and sale of certain land, buildings and building and leasehold improvements (see Notes 10 and 11).

Depreciation for the years ended June 30, 2013 and 2012, was $2,669,874 and $2,625,890, respectively.

The Organization accounts for the carrying value of its property, plant and equipment in accordance with the requirements of *Impairment or Disposal of Long-Lived Assets*. As of June 30, 2013 and 2012, the Organization has not recognized any reduction in the carrying value of its property, plant and equipment in consideration of the requirement.

NOTE 7. PROPERTY HELD FOR SALE

During the year ended June 30, 2012, property was sold and a loss of $57,335 was incurred, which is reflected as a loss on sale of property held for sale in the accompanying combined statement of activities and changes in net assets.

NOTE 8. INVESTMENTS

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

	Level 1	
Description	**2013**	**2012**
Money market mutual funds	$ 317,083	$ 254,777
Equities:		
Domestic mutual funds	4,164,370	3,861,016
International mutual funds	2,109,198	644,832
Emerging market mutual funds	294,263	299,315
Fixed income:		
Domestic mutual funds	4,276,537	4,821,070
Emerging market mutual funds	264,605	276,908
Hard asset funds	765,484	1,485,485
Multi-strategy mutual fund	12,498,259	11,403,802
Total	$24,689,799	$23,047,205

For the years ended June 30, 2013 and 2012, the Organization's investments included shares of a multi-strategy mutual fund. The underlying investments provide the Organization with exposure to global equity and fixed income securities.

Investments are not insured and are subject to market fluctuations. All investment fair values have been provided by investment managers.

NOTE 8. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the accompanying combined statements of activities and changes in net assets for the years ended June 30:

	2013	2012
Dividends and interest income	$ 586,367	$ 515,324
Net realized gains	417,934	103,549
Net unrealized gains (losses)	779,950	(41,726)
Total investment return	1,784,251	577,147
Less - investment return designated for operations: Investment spending policy: 4.5% formula	857,915	812,214
Investment return (loss) in excess of investment spending policy	$ 926,336	$(235,067)

Annually in advance of an operating year, the Board of Directors determines the level of total investment return that will be used to support operations, which is referred to as the Investment Spending Policy. For the years ended June 30, 2013 and 2012, the amounts used to support operations were equal to 4.5% of the average market value of the Inn's long-term investments for each of the previous twelve quarterly periods. During the years ended June 30, 2013 and 2012, the Organization appropriated for operations $857,915 and $812,214, respectively, of investment return. This amount is reflected as spending policy transfer in the accompanying combined statements of activities and changes in net assets for the years ended June 30, 2013 and 2012.

NOTE 9. RELATED PARTY

The Organization is the administrative member and managing agent of 40 Upton Street LLC (Upton LLC), a Massachusetts limited liability company, that operates nineteen single-room occupancy units with eighteen units rented to low and moderate income individuals and one resident manager's unit. Upton LLC's initial occupancy began in December, 2011. The Inn made a capital contribution of $10 and holds a 1% interest in the capital, Federal Low Income Housing Tax Credits (LIHTC), profits, and losses of Upton LLC. As the managing agent, the Organization receives a management fee of 5% of gross collections, not including prepaid rents, as defined in the agreement. For the years ended June 30, 2013 and 2012, management fees totaled $9,283 and $3,326, respectively. During the development phase of Upton LLC, the Organization provided pre-development funds to the project. The Organization had $356,494 in accounts receivable due from Upton LLC at June 30, 2012, which have been fully collected.

NOTE 10. NOTES PAYABLE

In August, 2004, the Organization entered into a Bond Purchase and Guarantee Agreement with Massachusetts Development Finance Agency (MDFA) and Eastern Bank to obtain funds to repair and renovate several of its facilities. On August 12, 2004, MDFA issued a $5,000,000 Tax Exempt Revenue Bond which was purchased by Eastern Bank.

NOTE 10. NOTES PAYABLE (Continued)

The proceeds of the bond purchase were loaned to the Organization and the terms of the loan are included in a Loan and Trust Agreement (the Agreement) between the three parties. The loan bears interest at a fixed rate of 5.58% for the entire term and matures in August, 2024. The Organization has pledged a portion of its investments as collateral for the loan. The market value of pledged investments on June 30, 2013 and 2012, was $4,934,424 and $5,243,021, respectively.

The Agreement requires the Organization to maintain one or more deposit accounts with an aggregate total of at least $500,000 with Eastern Bank. These deposit accounts are included in assets limited as to use in the accompanying combined statements of financial position (see Note 5).

Notes payable consists of the following at June 30:

	2013	**2012**
Note payable to Eastern Bank, due in monthly interest and principal installments of $34,847, with a fixed interest rate of 5.58%, maturing in August, 2024. The note is secured through an assignment of investments owned by the Organization.	$3,454,097	$3,670,115
Various mortgage notes payable to Eastern Bank, due in monthly interest and principal installments ranging from $481 to $4,008, with fixed interest rates between 2% and 7.33%, maturing through November, 2026. The notes are collateralized by real estate. During the fiscal year ended June 30, 2013, select mortgage notes payable interest rates were reduced to 4% by the bank. During the fiscal year ended June 30, 2013, one mortgage note payable with an outstanding balance of $107,251 was paid in full with the proceeds of a mortgage note payable from the Commonwealth of Massachusetts (see Note 11).	1,041,504	1,298,376
Secured term note payable to Bank of America refinanced in June, 2012, with a fixed interest rate of 2%, due in monthly principal installments of $7,718, through June, 2014. A balloon payment and unpaid interest are due at maturity. The note is collateralized by a certificate of deposit held by the Organization which is included in assets limited as to use in the accompanying combined statements of financial position (see Note 5).	856,747	941,650
Various mortgage notes payable to City of Boston agencies, due in monthly interest and principal installments ranging from $485 to $1,401, with interest rates between 1% and 6%, maturing through February, 2037. The notes are collateralized by real estate. During the fiscal year ended June 30, 2013, one mortgage note payable reached maturity and was paid in full.	254,934	336,792

NOTE 10. NOTES PAYABLE (Continued)

	2013	2012
Vehicle capital lease obligations, due in monthly principal and interest installments ranging from $529 to $1,524, with interest rates of 3.0%, maturing through December, 2016. The leases are collateralized by vehicles.	223,568	158,762
	5,830,850	6,405,695
Less - current portion	1,411,666	614,708
	$4,419,184	$5,790,987

Maturities of notes payable and future minimum lease payments under capital leases for the next five years are:

Year Ending June 30,	Amount
2014	$1,411,666
2015	$ 511,304
2016	$ 489,798
2017	$ 353,616
2018	$ 359,517

There were no violations of covenants which management believes would cause a default in any loan agreement.

NOTE 11. OTHER DEBT

Other debt consists of contingent loans from various organizations used to develop the Organization's housing and other projects. These loans generally are not required to be repaid unless the project fails to comply with use restrictions and other conditions as defined in the various loan agreements. It is the intention of the Board of Directors and the management of the Organization to comply with use restrictions and other conditions. Therefore, no interest has been accrued on these loans.

Other debt consists of the following at June 30:

	2013	2012
Various mortgage notes payable to Commonwealth of Massachusetts agencies, with 0% interest rates, maturing through 2059. For certain mortgage notes payable, payments of principal and interest may be required in any year in which the Organization's cash receipts exceed between 105% to 115% of cash expenditures, as defined. These notes are collateralized by real estate. No principal or interest payments were required during the years ended June 30, 2013 and 2012.	$ 8,508,837	$ 8,384,337

NOTE 11. OTHER DEBT (Continued)

	2013	2012
Various mortgage notes payable to the Commonwealth of Massachusetts, the City of Boston and Town of Brookline for loans granted through HUD programs, with interest rates between 0% to 4%, maturing through 2058. These notes are collateralized by real estate and no principal and interest payments are required until maturity.	4,710,402	4,710,402
Various mortgage notes payable to the City of Boston and City of Boston agencies, with interest rates between 0% and 3%, maturing through September, 2105. These notes are collateralized by real estate and no principal and interest payments are required until maturity. During the fiscal year ended June 30, 2013, one mortgage note payable with a principal balance of $102,828 reached maturity and was forgiven by the City of Boston.	2,536,759	2,590,778
Mortgage note payable to Trinity Church in the City of Boston, with interest of 0%, maturing in 2036. This note is collateralized by real estate and no principal and interest payments are required until maturity.	500,000	500,000
	$16,255,998	$16,185,517

As of June 30, 2013, the Organization has $217,002 of other debt that matures in fiscal year 2015.

There were no violations of covenants which management believes would cause a default in any loan agreement.

NOTE 12. OPERATING LEASES

The Organization leases space, program equipment, and office and network equipment under various operating leases expiring through July, 2019. Lease expense for the years ended June 30, 2013 and 2012, was $2,394,293 and $1,686,450, respectively, and is included in occupancy and equipment expense in the accompanying combined statements of functional expenses.

One of these leases is a ninety-nine year ground lease with the City of Boston for the Organization's main facility that expires in May, 2100. The annual lease expense is $1, and the entire lease expense was prepaid at the inception of the lease. This lease has not been recorded as a capital lease due to the uncertainty of the building's value at lease inception.

The Organization leased space from a third-party owner to provide parking on a month-to-month basis, which terminated in July, 2013. The Organization had paid a nominal lease fee and had been responsible for the maintenance and insurance of the property.

NOTE 12. OPERATING LEASES (Continued)

Remaining minimum lease commitments existing under these leases are:

Years Ending June 30,	Amount
2014	$1,709,009
2015	$ 158,315
2016	$ 11,571
2017	$ 11,460
2018 and thereafter	$ 36,290

NOTE 13. RETIREMENT PLAN

The Inn has a contributory retirement plan pursuant to Section 403(b) (the 403(b) Plan) of the IRC covering substantially all full-time employees with one year of employment at December 31st. The Inn's funding policy is to contribute an amount to each eligible employee's account that is based upon the ratio of the employee's compensation to the compensation of all eligible employees and on the employee's years of service; however, funding is at the discretion of the Board of Directors. During fiscal years 2013 and 2012, the Inn incurred expenses of $400,000 each year, as contributions to the 403(b) Plan. These amounts are included in employee benefits and payroll taxes in the accompanying combined statements of functional expenses. As of June 30, 2013 and 2012, $600,000 was accrued and has been included in accrued expenses and other liabilities in the accompanying combined statements of financial position. Subsequent to June 30, 2013, $400,000 of this amount was paid.

The Inn had a contributory retirement plan pursuant to Section 401(k) (the 401(k) Plan) of the IRC covering eligible employees from its merger with hopeFound (see Note 4). The 401(k) Plan was terminated on September 30, 2013, and account balances were distributed to participants in accordance with regulations. Active employees in the 401(k) Plan were eligible to transfer their balances in the form of tax-free rollover into the 401(b) Plan. For the years ended June 30, 2013 and 2012, discretionary contributions to the 401(k) Plan for eligible participants were $13,018 and $3,404, respectively, and are included in employee benefits and payroll taxes in the accompanying combined statements of functional expenses.

The Inn also has unqualified plans pursuant to Section 457 of the IRC. One of the plans relates to its merger with hopeFound (see Note 4). For the years ended June 30, 2013 and 2012, the Inn did not accrue for contributions to these plans. The assets of the 457 plans for the years ended June 30, 2013 and 2012, were $183,750 and $166,835, respectively. These assets are included as pre-development and other assets in the accompanying combined statements of financial position.

NOTE 14. BOARD DESIGNATED NET ASSETS

Board designations of unrestricted net assets include those anticipated for the future repair and replacement of existing plant and equipment assets, as well as the development of further permanent housing facilities, housing initiatives and program support.

The Organization has certain mortgages financed through government agencies that allow for the deferral of principal and interest until the debt matures. These mortgages also include provisions that allow the Organization to extend the debt payments for an additional term beyond maturity. The Organization is confident that, in all likelihood, the Organization will not be required to repay any interest associated with this debt; accordingly, no interest is accrued in the accompanying combined financial statements. Certain unrestricted resources have been designated to offset any potential obligation for interest.

The Board of Directors has designated the following unrestricted net assets for the stated purposes as of June 30:

	2013	2012
Related to real estate	$ 7,388,000	$ 7,391,000
Related to unrecorded accrued interest	1,874,000	1,923,000
Related to program support	2,000,000	2,000,000
	$11,262,000	$11,314,000

NOTE 15. TEMPORARILY RESTRICTED NET ASSETS

Following is a summary of temporary restrictions at June 30:

	2013	2012
Gifts and other unexpended revenue and gains restricted to:		
Acquisition and rehabilitation of buildings and equipment	$ 4,408,457	$ 3,961,676
Facility use restrictions:		
Homeless shelter expired in 2013	-	295,000
Homeless shelter expiring in 2016	274,391	274,391
People with AIDS facility expired in 2013	-	40,200
Training facility expired in 2013	-	801,645
Low income housing expiring in 2015	33,212	33,212
Low income housing expiring in 2018	500,000	500,000
Low income housing expiring in 2021	371,989	371,989
Low income housing expiring in 2037	503,200	503,200
Low income housing expiring in 2043	1,228,582	1,228,582
Program operations	3,199,875	3,475,039
Accumulated appreciation on permanently restricted investments	481,418	363,770
	$11,001,124	$11,848,704

NOTE 15. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The sources of net assets released from temporary donor restrictions by incurring expenses to satisfy the restricted purposes or by occurrence of events specified by the donors or lenders were:

	2013	2012
Program operations	$2,554,678	$2,590,552
Expiration of facility use restrictions	1,136,845	-
Capital additions	57,528	360,277
Total net assets released from restrictions	$3,749,051	$2,950,829

NOTE 16. PERMANENTLY RESTRICTED NET ASSETS

Following is a summary according to donor restrictions placed on earnings at June 30, 2013 and 2012:

General support	$2,121,007
Estelle's Garden maintenance	100,000
Coughlin holiday fund	70,000
Richard Ring house	13,250
	$2,304,257

Changes in endowment net assets by class for the years ended June 30, 2013 and 2012, are:

	Donor Restricted		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2011	$359,495	$2,304,257	$2,663,752
Investment return:			
Investment income	4,445	-	4,445
Net unrealized losses	(5,381)	-	(5,381)
Net realized gains	11,870	-	11,870
Total investment return	10,934	-	10,934
Releases	(6,659)	-	(6,659)
Endowment net assets, June 30, 2012	363,770	2,304,257	2,668,027
Investment return:			
Investment income	4,700	-	4,700
Net unrealized gains	79,106	-	79,106
Net realized gains	40,541	-	40,541
Total investment return	124,347	-	124,347
Releases	(6,699)	-	(6,699)
Endowment net assets, June 30, 2013	$481,418	$2,304,257	$2,785,675

NOTE 17. CONCENTRATIONS

The Organization received 33% and 38% of its total unrestricted operating revenues through contracts from the Commonwealth of Massachusetts, Department of Housing and Community Development for the years ended June 30, 2013 and 2012, respectively. Approximately 30% and 26% of accounts receivable were due from the City of Boston, Department of Neighborhood Development at June 30, 2013 and 2012, respectively. Approximately 14% and 17% of accounts receivable were due from the Commonwealth of Massachusetts, Department of Housing and Community Development for the years ended June 30, 2013 and 2012, respectively.

NOTE 18. CONTRIBUTIONS RECEIVABLE AND CONDITIONAL GRANTS

The Organization has contributions receivable due at June 30:

	2013	2012
Due in one year	$1,748,984	$2,260,831
Due in two years	341,102	929,000
Due in three to five years	283,979	194,900
Total contributions receivable	2,374,065	3,384,731
Less - current portion	1,748,984	2,260,831
	$ 625,081	$1,123,900

As of June 30, 2013, contributions from a corporation and two foundations represented approximately 42% of the total contributions receivable. As of June 30, 2012, contributions from three foundations represented approximately 63% of the total contributions receivable.

During the year ended June 30, 2011, the Organization received a $1,500,000 grant from a foundation for housing development. A payment of $750,000 was received from the foundation during the year ended June 30, 2012. The foundation's payment of the grant is conditional upon the Organization meeting specified goals as defined in the agreement; accordingly, amounts outstanding at June 30, 2013 and 2012, have not been reflected in the accompanying combined financial statements.

During the year ended June 30, 2010, the Organization received two grants of $300,000 each from two foundations. Both grants were to be paid in equal amounts over three years. Payments from each foundation of $100,000 were received during fiscal years 2011 and 2010, respectively. Final payments were received during fiscal year 2013. The foundations' payments of the grants were conditional upon the Organization meeting specific goals as defined in their agreements; accordingly, amounts outstanding at June 30, 2012, have not been reflected in the accompanying combined financial statements.

NOTE 19. CONTINGENCY

As part of the acquisition of the 1734 Washington Street Limited Partnership in 2006, the Organization executed a residual receipt promissory note with each of the former investor limited partners. Through these notes, the Organization pledged, upon the sale of the real estate at 1734 Washington Street, to pay the previous limited partners $216,882 and 100% of the proceeds from the sale of the real estate at 1734 Washington Street. If the sale of the real estate did not occur prior to the maturity date of the notes, the pledges were to be extinguished without subsequent payment of the pledged amounts. The notes matured on March 31, 2011, and the Organization is in the process of dissolving the 1734 Washington Street Limited Partnership.

In the ordinary course of the Organization's business, the Organization is, from time-to-time, involved in disputes concerning employment of individuals with the Organization and/or litigation with outside parties. The Organization denies any wrongdoing in these cases and takes the appropriate legal steps in defense of these disputes. It is the Organization's opinion that any potential settlement would not be material to the accompanying combined financial statements.

NOTE 20. PROPERTY LEASES

The Organization leases a portion of its facility at 363 Albany Street, Boston, Massachusetts to two tenants. These leases expire through September, 2023. The Organization leases its 8 Church Street property to a third-party which expires in May, 2016.

Rental revenue from the above leases for the years ended June 30, 2013 and 2012, was $113,037 and $103,419, respectively, and is included in other revenue on the accompanying combined statements of activities and changes in net assets.

Under a month-to-month licensing agreement with a third-party owner, the Organization provided parking to employees who were charged a monthly fee. This parking agreement terminated in July, 2013. Parking fees for the years ended June 30, 2013 and 2012, were $48,363 and $49,170, respectively.

Future receipts under these leases for the next five years are:

Years Ending June 30,	Amount
2014	$114,691
2015	$118,247
2016	$121,374
2017	$ 97,451
2018	$ 86,442

NOTE 21. SUBSEQUENT EVENTS

On September 19, 2013, the Organization executed a Purchase and Sales Agreement for land and a building located in Boston, Massachusetts for the purchase price of $1,625,000 to be funded from releases from the Organization's temporarily restricted net assets designated for acquisition and rehabilitation of buildings and equipment (see Note 15). The sale is expected to take place during December, 2013.

On September 30, 2013, the Organization executed a Purchase and Sales Agreement for land and a building located in Boston, Massachusetts for the purchase price of $2,570,880 to be funded from a combination of mortgages from a bank and the Town of Brookline. The sale is expected to take place during January, 2014.

NOTE 22. RECLASSIFICATIONS

Certain amounts in the fiscal year 2012 combined financial statements have been reclassified to conform with the fiscal year 2013 presentation.