

**ABBY KELLEY FOSTER HOUSE, INC.**

Financial Statements and  
Independent Auditors' Report

Year Ended December 31, 2009

**ABBY KELLEY FOSTER HOUSE, INC.**

**Financial Statements and Independent Auditors' Report**

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**INDEPENDENT AUDITORS' REPORT**

To the Officers and Directors  
Abby Kelley Foster House, Inc.  
Worcester, Massachusetts

We have audited the accompanying statement of financial position of Abby Kelley Foster House, Inc. (the Organization), as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated March 30, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abby Kelley Foster House, Inc. as of December 31, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*P.L. Jones & Associates, P.C.*

March 29, 2010

**ABBY KELLEY FOSTER HOUSE, INC.**

Statement of Financial Position

Year Ended December 31, 2009  
(With Summarized Financial Information for 2008)

**Assets**

	2009	2008
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 350,941	\$ 180,861
Accounts receivable	10,253	9,159
Inventory	5,753	7,365
Prepaid expenses	12,052	12,639
	<u>378,999</u>	<u>210,024</u>
<b>Total Current Assets</b>		
	<u>378,999</u>	<u>210,024</u>
Property and Equipment, net	<u>2,838,472</u>	<u>2,911,024</u>
Other Assets	<u>137,093</u>	<u>137,093</u>
<b>Total Assets</b>	<u>\$ 3,354,564</u>	<u>\$ 3,258,141</u>

**Liabilities and Net Assets**

<b>Current Liabilities:</b>		
Current portion of mortgage payable	\$ 8,104	\$ 12,210
Accounts payable	9,685	11,424
Accrued expenses	22,801	8,925
Security deposits	7,890	9,021
	<u>48,480</u>	<u>41,580</u>
<b>Total Current Liabilities</b>		
	<u>48,480</u>	<u>41,580</u>
<b>Long-Term Liabilities:</b>		
Deferred grant revenue	140,000	145,250
Mortgage payable, net of current portion	223,926	231,420
	<u>363,926</u>	<u>376,670</u>
<b>Total Long-Term Liabilities</b>		
	<u>363,926</u>	<u>376,670</u>
<b>Total Liabilities</b>	<u>412,406</u>	<u>418,250</u>
Contingencies	-	-
<b>Net Assets:</b>		
Unrestricted	2,896,716	2,774,989
Temporarily Restricted	45,442	64,902
	<u>2,942,158</u>	<u>2,839,891</u>
<b>Total Net Assets</b>		
	<u>2,942,158</u>	<u>2,839,891</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,354,564</u>	<u>\$ 3,258,141</u>

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

**ABBY KELLEY FOSTER HOUSE, INC.**

Statement of Activities

Year Ended December 31, 2009  
(With Summarized Financial Information for 2008)

	<b>Temporarily</b>		<b>Totals</b>	
	<b>Unrestricted</b>	<b>Restricted</b>	<b>2009</b>	<b>2008</b>
Support and Revenue:				
Other Income:				
Fundraising and donations	\$ 720,575	\$ 9,000	\$ 729,575	\$ 721,814
Rent and fees	283,025	-	283,025	275,095
Grants	170,324	21,500	191,824	110,740
Investment income and gains	483	-	483	1,713
Other income	<u>5,250</u>	<u>-</u>	<u>5,250</u>	<u>5,250</u>
Total Other Income	<u>1,179,657</u>	<u>30,500</u>	<u>1,210,157</u>	<u>1,114,612</u>
Sales	9,463	-	9,463	23,135
Less: Cost of sales	<u>(3,088)</u>	<u>-</u>	<u>(3,088)</u>	<u>(7,726)</u>
Net sales	<u>6,375</u>	<u>-</u>	<u>6,375</u>	<u>15,409</u>
Net Assets Released from Restrictions	<u>49,960</u>	<u>(49,960)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,235,992</u>	<u>(19,460)</u>	<u>1,216,532</u>	<u>1,130,021</u>
Expenses:				
Program services	1,009,031	-	1,009,031	1,032,613
Management and general	36,213	-	36,213	46,994
Fundraising	<u>69,021</u>	<u>-</u>	<u>69,021</u>	<u>65,126</u>
Total Expenses	<u>1,114,265</u>	<u>-</u>	<u>1,114,265</u>	<u>1,144,733</u>
Changes in Net Assets	121,727	(19,460)	102,267	(14,712)
Net Assets, beginning of year	2,774,989	64,902	2,839,891	2,864,603
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net Assets, end of year	<u>\$ 2,896,716</u>	<u>\$ 45,442</u>	<u>\$ 2,942,158</u>	<u>\$ 2,839,891</u>

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

**ABBY KELLEY FOSTER, HOUSE, INC.**

Statement of Functional Expenses

Year Ended December 31, 2009

(With Summarized Financial Information for 2008)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2009	2008
<b>Compensation and Related Expenses:</b>					
Salary expenses	\$ 437,512	\$ 16,904	\$ 42,757	\$ 497,173	\$ 495,447
Benefits and taxes	79,508	1,883	4,194	85,585	82,263
<b>Other Expenses:</b>					
Utilities	99,454	2,590	1,554	103,598	114,159
Printing and postage	44,429	926	926	46,281	41,046
Security	42,652	-	-	42,652	46,193
Insurance	38,481	2,649	925	42,055	41,206
Repairs and maintenance	41,008	418	418	41,844	56,126
Supplies	20,162	1,604	1,146	22,912	24,229
Professional fees	20,521	990	-	21,511	19,448
Event expense	-	-	15,699	15,699	12,019
Supportive services	14,984	-	-	14,984	16,810
Food	13,190	-	-	13,190	14,139
Public relations	10,860	-	-	10,860	12,184
Telephone	7,123	396	396	7,915	7,281
Service contracts	5,413	1,804	-	7,217	8,454
Equipment	6,670	-	-	6,670	14,313
Interest	5,947	-	-	5,947	7,455
Bad debt expense	-	5,542	-	5,542	16,097
Dues and subscriptions	2,864	-	1,006	3,870	3,431
Licenses and permits	2,163	507	-	2,670	1,796
Miscellaneous	6,289	-	-	6,289	4,139
<b>Total Expenses Before Depreciation</b>	<b>899,230</b>	<b>36,213</b>	<b>69,021</b>	<b>1,004,464</b>	<b>1,038,235</b>
<b>Depreciation</b>	<b>109,801</b>	<b>-</b>	<b>-</b>	<b>109,801</b>	<b>106,498</b>
<b>Total Functional Expenses</b>	<b>\$ 1,009,031</b>	<b>\$ 36,213</b>	<b>\$ 69,021</b>	<b>\$ 1,114,265</b>	<b>\$ 1,144,733</b>

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

**ABBY KELLEY FOSTER HOUSE, INC.**

Statement of Cash Flows

Year Ended December 31, 2009

(With Summarized Financial Information for 2008)

	2009	2008
Cash Flows from Operating Activities:		
Changes in net assets	\$ 102,267	\$ (14,712)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	109,801	106,498
Bad debt expense	5,542	16,097
(Increase) decrease in:		
Accounts receivable	(6,636)	(4,864)
Inventory	1,612	923
Prepaid expenses	(1,312)	(1,573)
Increase (decrease) in:		
Accounts payable	160	(4,466)
Accrued expenses	13,876	(5,892)
Security deposits	(1,131)	(3,914)
Deferred grant revenue	<u>(5,250)</u>	<u>(5,250)</u>
 Total adjustments	 <u>116,662</u>	 <u>97,559</u>
 Net Cash Provided by Operating Activities	 <u>218,929</u>	 <u>82,847</u>
 Cash Flows from Investing Activities:		
Purchases of property and equipment	(37,249)	(45,403)
Investment in other assets	-	(137,093)
Cash transferred to outside agency	-	(10,000)
Sales and maturities of investments	<u>-</u>	<u>1,188</u>
 Net Cash Used in Investing Activities	 <u>(37,249)</u>	 <u>(191,308)</u>
 Cash Flows from Financing Activities:		
Proceeds from line of credit	-	75,000
Payments on line of credit	-	(75,000)
Principal payments on long-term debt	<u>(11,600)</u>	<u>(11,426)</u>
 Net Cash Used in Financing Activities	 <u>(11,600)</u>	 <u>(11,426)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 170,080	 (119,887)
 Cash and Cash Equivalents, beginning of year	 <u>180,861</u>	 <u>300,748</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 350,941</u>	 <u>\$ 180,861</u>

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

# ABBY KELLEY FOSTER HOUSE, INC.

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities** – Abby Kelley Foster House, Inc. (the Organization) is a community based not-for-profit corporation formed to provide temporary and long-term shelter for women eighteen years or older who are alcohol and drug free and to their children. During 2003, the Organization established an affiliate, 52 High Street LLC, to expand housing programs consistent with the Organization's established purpose. During 2009, the affiliate 52 High Street, LLC was dissolved and all activity is part of the Organization's balances at year end.

**Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation** – The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor imposed restrictions. The Organization has classified its financial statements to present three classes of net assets. At December 31, 2009 and 2008 there were only unrestricted and temporarily restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. It is the policy of the Organization to report donor-restricted contributions as unrestricted when contributions are received and the restrictions are met in the same reporting period.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

**Cash and Cash Equivalents** – At various times during the year, the Organization's cash deposits may exceed the federally insured limits. Management believes that credit risk related to these deposits is minimal based on the strong credit rating of these financial institutions.



## ABBY KELLEY FOSTER HOUSE, INC.

### Notes to Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash and Cash Equivalents** (continued) – The Organization considers cash on hand, cash on deposit and money market funds to be cash equivalents. The Organization also considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Receivables** – Receivables represent amounts due from tenants for rent. The Organization considers receivables to be fully collectible, accordingly no allowance for doubtful accounts is required. If amounts become uncollectible they will be expensed when that determination is made.

**Inventory** – Inventory is valued at the lower of cost or market and cost is determined by the first-in first-out (FIFO) method. Inventory is comprised primarily of novelty items.

**Property and Equipment** – Property and equipment are recorded at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred where major acquisitions and improvements are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Contributions, Gifts and Grants** – The Organization records contributions, gifts and grants as revenue and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash and collection items or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their fair value at the date of the gift. Contributions, including unconditional promises to give, are recognized as revenue in the period received.

**Functional Allocation of Expenses** – Expenses by function have been allocated among program, management and general, and fundraising classifications on the basis of estimates by the Organization's management.

**Income Taxes** – Abby Kelley Foster House, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

## ABBY KELLEY FOSTER HOUSE, INC.

### Notes to Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Taxes** (continued) – Donors may deduct contributions made to the Organization within the Internal Revenue Code regulations. There are no unrecognized tax benefits and tax returns remain subject to examination by major tax jurisdictions for the standard three year statute of limitations.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications** – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

#### 2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2009 and 2008:

	<b>Estimated Useful Lives</b>	<b>2009</b>	<b>2008</b>
Land	-	\$ 138,600	\$ 138,600
Buildings and improvements	10-40 years	3,574,445	3,547,445
Furniture and fixtures	5-7 years	116,342	116,342
Office equipment and software	5-7 years	110,723	100,474
		<u>3,940,110</u>	<u>3,902,861</u>
Less: accumulated depreciation		<u>(1,101,638)</u>	<u>(991,837)</u>
Property and Equipment, net		<u>\$ 2,838,472</u>	<u>\$ 2,911,024</u>

Depreciation expense for the years ended December 31, 2009 and 2008 were \$109,801 and \$106,498, respectively.

## ABBY KELLEY FOSTER HOUSE, INC.

### Notes to Financial Statements (continued)

#### 3. OTHER ASSETS

Other assets consists of costs associated with the funding and planning of renovations relating to 52 High Street. As of December 31, 2009 this renovation project has been indefinitely postponed.

#### 4. LINE OF CREDIT

The Organization has a \$500,000 line of credit with a bank. Interest on outstanding borrowings is payable at a rate equal to the Wall Street Journal Prime Rate. The effective interest rate is subject to change on the date of each change in the Wall Street Journal Prime Rate. Principal is due on demand and is secured by the Organization's assets. There was no outstanding balance on the line of credit at December 31, 2009 and 2008.

#### 5. MORTGAGES PAYABLE

Mortgage payable consists of the following at December 31, 2009 and 2008:

	2009	2008
Bank note payable, secured by real property, due in monthly installments of \$829, including interest at 8.0%, due October 2013.	\$ 4,652	\$ 13,128
Bank note payable, secured by real property, due in monthly installments of \$633, including interest at 5.5%, due October 2015.	80,078	83,202
Note payable, City and State Home Funds and Housing Innovations Fund II. Lender modified note and interest rate to 0% in 2004. Principal payments will begin in January 2016.	<u>147,300</u>	<u>147,300</u>
	232,030	243,630
Less: current portion	<u>(8,104)</u>	<u>(12,210)</u>
Long term debt, net of current portion	<u>\$ 223,926</u>	<u>\$ 231,420</u>

**ABBY KELLEY FOSTER HOUSE, INC.**

Notes to Financial Statements (continued)

**5. MORTGAGES PAYABLE (continued)**

Debt maturities are as follows:

2010	\$	8,104
2011		3,647
2012		3,853
2013		4,070
2014		4,300
Thereafter		<u>208,056</u>
	\$	<u>232,030</u>

**6. DEFERRED GRANT REVENUE**

In 1995, the Organization received a total of \$210,000 of grant revenue on the condition that the Organization maintain its facilities as low income housing for forty years. Each year that the Organization provides this service to the community, one-fortieth of the grant funds are earned, \$5,250 of deferred grant revenue was recognized in 2009 and 2008.

**7. STATEMENT OF CASH FLOWS**

Supplemental disclosure of cash flow information is as follows:

	<b>2009</b>	<b>2008</b>
Cash paid during the year for interest	<u>\$ 5,947</u>	<u>\$ 7,455</u>

**8. DONATED SERVICES**

The Organization received donated professional services and donated goods for 2009 and 2008. The fair value of the donated services and goods was \$3,000 and \$2,000 in 2009 and 2008, respectively. Donated services and goods are included in contributions and expenses in the Statement of Activities.

## ABBY KELLEY FOSTER HOUSE, INC.

### Notes to Financial Statements (continued)

#### 8. DONATED SERVICES (continued)

Additionally the Organization also receives donated services that do not require specific expertise but which are nonetheless central to operations. For the years ended June 30, 2009 and 2008 the Organization had approximately 200 volunteers who donated an estimated 13,400 hours of time to the shelter, meals program, thrift shop, and reception office. In accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, the value of these services is not reflected in the financial statements.

#### 9. DEFERRED COMPENSATION PLAN

The Abby Kelley Foster House, Inc. has implemented a deferred compensation agreement, whereby the Organization may vote to make payments to the participating employees' accounts. The plan also provides for voluntary elective employee contributions. The Organization made contributions of \$3,025 and \$3,250 for the years ended December 31, 2009 and 2008, respectively.

#### 10. TRANSFERS

In fiscal year 2008, the Board voted that an endowment fund of \$10,000 be transferred to an outside agency for management and investment. A transfer was recorded to remove the assets from the statement of financial position as the receiving agency was given governance responsibility over the fund.

#### 11. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009 and 2008, temporarily restricted net assets are available for the following purposes:

	2009	2008
Grant support for repairs at 77 Chatham Street	\$ 22,349	\$ 14,849
Grant support for ARST fund	9,000	-
Grant support for repairs at 19 Crown Street	6,500	27,000
Grant support for training projects	5,000	10,000
Grant support for staff training	2,593	3,053
Grant support for computers and workstations	<u>-</u>	<u>10,000</u>
	<u>\$ 45,442</u>	<u>\$ 64,902</u>

**ABBY KELLEY FOSTER HOUSE, INC.**

Notes to Financial Statements (continued)

**12. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows:

Grant support for repairs at 19 Crown Street	\$ 27,000
Grant support for training projects	10,000
Grant support for computers and work stations	10,000
Grant support for repairs at 77 Chatham Street	2,500
Grant support for staff training	<u>460</u>
	<u>\$ 49,960</u>

**13. CONTINGENCIES**

In the normal course of operations, the Organization may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Organization.

**14. SUBSEQUENT EVENTS**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 29, 2010, the date the financial statements were issued.