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**ABBY KELLEY FOSTER HOUSE, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2015**

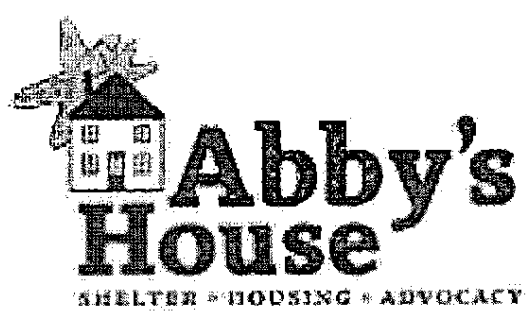
Smith  Sullivan  
& Brown PC  
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CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200 Westborough, Massachusetts 01581  
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

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**ABBY KELLEY FOSTER HOUSE, INC.**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**



**Mission Statement**

*To provide shelter and affordable housing, as well as advocacy and support services, to homeless, battered and low-income women, with or without children. Abby's House empowers the women we serve to lead self-directed lives filled with dignity and hope.*

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ABBY KELLEY FOSTER HOUSE, INC.  
REPORT ON FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

**C O N T E N T S**

|  | <i>Pages</i> |
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Abby Kelley Foster House, Inc.  
Worcester, Massachusetts

We have audited the accompanying financial statements of Abby Kelley Foster House, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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To the Board of Directors  
Abby Kelley Foster House, Inc.

**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, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 11 to the financial statements, the Organization has restated its opening net assets as of January 1, 2015.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
April 13, 2016

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ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

ASSETS

CURRENT ASSETS:

|                           |                |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 499,887     |
| Accounts Receivable       | 3,350          |
| Inventories               | 15,187         |
| Other Current Assets      | 400            |
| Total Current Assets      | <u>518,824</u> |

NET PROPERTY AND EQUIPMENT

2,639,668

NON-CURRENT ASSETS:

|                                    |                |
|------------------------------------|----------------|
| Pre-Development Loan Proceeds      | 34,938         |
| Beneficial Interest in Agency Fund | 244,090        |
| Pre-Development Costs              | 259,524        |
| Total Non-Current Assets           | <u>538,552</u> |

TOTAL ASSETS

\$ 3,697,044

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

|                                       |               |
|---------------------------------------|---------------|
| Current Portion of Long-Term Debt     | \$ 4,694      |
| Accounts Payable and Accrued Expenses | 31,414        |
| Accrued Payroll and Related Costs     | 20,655        |
| Deferred Revenue                      | 2,470         |
| Total Current Liabilities             | <u>59,233</u> |

LONG-TERM LIABILITIES:

|  |                |
|--|----------------|
| Long-Term Mortgage, Net of Current Portion | 51,911         |
| Pre-Development Payables                   | 27,260         |
| Pre-Development Loans                      | 205,753        |
| Deferred Forgivable Debt                   | 287,300        |
| Total Long-Term Liabilities                | <u>572,224</u> |

TOTAL LIABILITIES

631,457

NET ASSETS:

|                                   |                  |
|-----------------------------------|------------------|
| Unrestricted Net Assets           | 2,806,316        |
| Temporarily Restricted Net Assets | 259,271          |
| Total Net Assets                  | <u>3,065,587</u> |

TOTAL LIABILITIES AND NET ASSETS

\$ 3,697,044

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ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | UNDESIGNATED               | BOARD<br>DESIGNATED | TOTAL<br>UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | TOTAL<br>ACTIVITIES        |
|---|----------------------------|---------------------|----------------------------|---------------------------|----------------------------|
| <b>SUPPORT, REVENUES AND RECLASSIFICATIONS:</b>             |                            |                     |                            |                           |                            |
| <i>Support and Revenues:</i>                                |                            |                     |                            |                           |                            |
| Gifts, Grants and Contributions                             | \$ 788,727                 | \$ 50,000           | \$ 838,727                 | \$ 133,606                | \$ 972,333                 |
| Rental Income   | 457,302                    | -                   | 457,302                    | -                         | 457,302                    |
| Thrift Shop Income  | 180,492                    | -                   | 180,492                    | -                         | 180,492                    |
| Donated Goods and Services                                  | 114,849                    | -                   | 114,849                    | -                         | 114,849                    |
| Special Fundraising Events, Net of Direct Costs             | 80,906                     | -                   | 80,906                     | -                         | 80,906                     |
| Change in Beneficial Interest in Agency Fund                | -                          | -                   | -                          | (4,549)                   | (4,549)                    |
| Investment Return   | (130)                      | -                   | (130)                      | -                         | (130)                      |
| Total Public Support and Other Revenues                     | <u>1,622,146</u>           | <u>50,000</u>       | <u>1,672,146</u>           | <u>129,057</u>            | <u>1,801,203</u>           |
| <i>Reclassifications of Net Assets:</i>                     |                            |                     |                            |                           |                            |
| Appropriation of Board Designated Funds                     | 50,000                     | (50,000)            | -                          | -                         | -                          |
| Transfer of Agency Funds                                    | (100,100)                  | -                   | (100,100)                  | 100,100                   | -                          |
| Net Assets Released from Restriction                        | 141,649                    | -                   | 141,649                    | (141,649)                 | -                          |
| Total Reclassifications of Net Assets                       | <u>91,549</u>              | <u>(50,000)</u>     | <u>41,549</u>              | <u>(41,549)</u>           | <u>-</u>                   |
| <b>TOTAL SUPPORT, REVENUES<br/>AND RECLASSIFICATIONS</b>    | <b><u>1,713,695</u></b>    | <b><u>-</u></b>     | <b><u>1,713,695</u></b>    | <b><u>87,508</u></b>      | <b><u>1,801,203</u></b>    |
| <b>FUNCTIONAL EXPENSES:</b>                                 |                            |                     |                            |                           |                            |
| Program Services  | 1,186,429                  | -                   | 1,186,429                  | -                         | 1,186,429                  |
| Administrative  | 133,520                    | -                   | 133,520                    | -                         | 133,520                    |
| Fundraising   | 140,627                    | -                   | 140,627                    | -                         | 140,627                    |
| <b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>        | <b><u>1,460,576</u></b>    | <b><u>-</u></b>     | <b><u>1,460,576</u></b>    | <b><u>-</u></b>           | <b><u>1,460,576</u></b>    |
| <b>CHANGE IN NET ASSETS BEFORE DEPRECIATION</b>             | <b>253,119</b>             | <b>-</b>            | <b>253,119</b>             | <b>87,508</b>             | <b>340,627</b>             |
| Depreciation Expense  | (129,325)                  | -                   | (129,325)                  | -                         | (129,325)                  |
| <b>TOTAL CHANGE IN NET ASSETS</b>                           | <b>123,794</b>             | <b>-</b>            | <b>123,794</b>             | <b>87,508</b>             | <b>211,302</b>             |
| <b>NET ASSETS - BEGINNING OF YEAR AS RESTATED</b> (Note 11) | <b><u>2,682,522</u></b>    | <b><u>-</u></b>     | <b><u>2,682,522</u></b>    | <b><u>171,763</u></b>     | <b><u>2,854,285</u></b>    |
| <b>NET ASSETS - END OF YEAR</b>                             | <b><u>\$ 2,806,316</u></b> | <b><u>\$ -</u></b>  | <b><u>\$ 2,806,316</u></b> | <b><u>\$ 259,271</u></b>  | <b><u>\$ 3,065,587</u></b> |

The Accompanying Notes are an Integral Part of these Financial Statements... Page 4

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ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

|   | <u>PROGRAM<br/>SERVICES</u> | <u>ADMINI-<br/>STRATIVE</u> | <u>FUND<br/>RAISING</u> | <u>TOTAL<br/>FUNCTIONAL<br/>EXPENSES</u> |
|---|-----------------------------|-----------------------------|-------------------------|--|
| Salaries and Wages  | \$ 472,639                  | \$ 61,011                   | \$ 61,084               | \$ 594,734                               |
| Payroll Taxes   | 39,905                      | 5,151                       | 5,157                   | 50,213                                   |
| Employee Benefits   | 61,934                      | 7,995                       | 8,004                   | 77,933                                   |
| Volunteer Services (Note 10)                                | 101,723                     | -                           | -                       | 101,723                                  |
| Direct Client Assistance - Rental and Thrift Shop Subsidies | 130,449                     | -                           | -                       | 130,449                                  |
| Program Supplies and Expenses (Note 10)                     | 40,069                      | -                           | -                       | 40,069                                   |
| Repairs and Maintenance                                     | 77,931                      | 5,067                       | 1,427                   | 84,425                                   |
| Utilities   | 117,342                     | 1,590                       | 1,590                   | 120,522                                  |
| Insurance   | 33,272                      | 4,173                       | 1,020                   | 38,465                                   |
| Accounting and Legal Expense                                | -                           | 37,502                      | -                       | 37,502                                   |
| Professional Fees and Consultants (Note 10)                 | 52,237                      | 2,925                       | 824                     | 55,986                                   |
| Capital Campaign Consultant                                 | -                           | -                           | 40,000                  | 40,000                                   |
| Small Equipment and Furnishings                             | 9,177                       | 478                         | 478                     | 10,133                                   |
| Office Supplies and Expenses                                | 7,228                       | 903                         | 903                     | 9,034                                    |
| Printing and Postage  | 25,641                      | 874                         | 12,522                  | 39,037                                   |
| Bank and Payroll Fees                                       | 2,065                       | 4,639                       | 258                     | 6,962                                    |
| Staff Training and Workshops                                | 5,126                       | 454                         | 404                     | 5,984                                    |
| Dues, Fees and Subscriptions                                | 4,708                       | 480                         | 1,023                   | 6,211                                    |
| Interest Expense  | 3,031                       | 34                          | -                       | 3,065                                    |
| Miscellaneous Expenses                                      | <u>1,952</u>                | <u>244</u>                  | <u>5,933</u>            | <u>8,129</u>                             |
| Total Functional Expenses Before Depreciation               | 1,186,429                   | 133,520                     | 140,627                 | 1,460,576                                |
| Depreciation Expense  | <u>125,105</u>              | <u>2,110</u>                | <u>2,110</u>            | <u>129,325</u>                           |
| Total Functional Expenses                                   | <u>\$ 1,311,534</u>         | <u>\$ 135,630</u>           | <u>\$ 142,737</u>       | <u>\$ 1,589,901</u>                      |

The Accompanying Notes are an Integral Part of these Financial Statements. . . . Page 5



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ABBY KELLEY FOSTER HOUSE, INC.  
  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|   |                   |
|---|-------------------|
| Change in Net Assets  | <u>\$ 211,302</u> |
| <i>Adjustments to Reconcile the Above<br/>to Net Cash Provided by Operating Activities:</i> |                   |
| Depreciation Expense  | 129,325           |
| Change in Fair Value of Beneficial Interest in Assets Held by Others                        | 4,549             |
| <i>(Increase) Decrease in Current Assets:</i>   |                   |
| Accounts Receivable   | 3,920             |
| Inventory   | (11,209)          |
| Other Current Assets  | 2,949             |
| <i>Increase (Decrease) in Current Liabilities:</i>  |                   |
| Accounts Payable and Accrued Expenses   | 17,390            |
| Accrued Payroll and Related Costs   | 2,608             |
| Deferred Revenue  | 2,470             |
| Net Adjustment  | <u>152,002</u>    |

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 363,304

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|  |                  |
|--|------------------|
| Pre-Development Expenditures                       | (166,161)        |
| Contribution to Beneficial Interest in Agency Fund | (100,000)        |
| Acquisition of Property and Equipment              | (23,093)         |
| Net Cash Flows from Investing Activities           | <u>(289,254)</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|  |                |
|--|----------------|
| Principal Reduction on Long-Term Debt    | (4,566)        |
| Proceeds from Pre-Development Loans      | 166,126        |
| Net Cash Flows from Financing Activities | <u>161,560</u> |

**NET INCREASE IN CASH BALANCES** 235,610

**CASH BALANCES - BEGINNING OF YEAR** 264,277

**CASH BALANCES - END OF YEAR** \$ 499,887

|                                  |                 |
|----------------------------------|-----------------|
| <i>Supplemental Disclosures:</i> |                 |
| Interest Paid                    | <u>\$ 3,065</u> |

|  |                  |
|--|------------------|
| <i>Non-Cash Investing and Financing:</i> |                  |
| Pre-Development Payables                 | <u>\$ 27,260</u> |

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 ORGANIZATION

Abby Kelley Foster House, Inc. ("Abby's House" or the "Organization") was incorporated in 1976 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Abby Kelley Foster House, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

**Overview:**

Abby's House has been effectively responding to one of the most basic and fundamental human needs - a safe place to stay - since 1976. Abby's House provides a warm, welcoming and safe place for women who are homeless due to lack of safe, affordable housing, domestic violence, economic instability, or unemployment.

Abby's House annually serves hundreds of women, providing them with shelter, housing and advocacy. We are able to welcome women from all circumstances without the restrictions from government funding for programs. Our immediate goal is to "to answer the door, one knock at a time" for women (and their children) who are in need of safe or stable housing.

Our long-term goal is to provide a supportive and safe environment in which women can rebuild and reclaim their lives. We provide women with the tangible skills, access to services, and emotional support to actively mitigate the issues which led to her homelessness and to prevent future homelessness. This strategic intervention lays the foundation for her to make independent choices for herself and lead a self-directed life filled with dignity and hope.

**Programs**

Our shelter, housing and advocacy programs operate year-round, seven days per week/24 hours per day. We have an on-site emergency response team to address any issues that may arise during non-traditional office hours.

**Overnight Shelter:**

Staffed by a Shelter Advocate and more than 30 regular volunteers, our 9-bed Overnight Shelter provides women with safe shelter and focuses on helping her put together a plan to address her immediate needs. We assist her in finding and securing long-term, stable housing either in Abby's House Supportive Housing program or elsewhere, or help her to access residential programs, like inpatient substance abuse treatment programs.

**Supportive Housing:**

With seven two-bedroom apartments and 70 single room occupancy housing units in three buildings in Worcester, Abby's House is Worcester's largest provider of affordable housing specifically designed to meet the needs of women and children. We meet the needs of working women who cannot afford market-rate rent, or allow those who are on SSI or SSDI to live safely and comfortably.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 2 *(Continued)*

**Advocacy:**

Each woman living with us is assigned her own Advocate, who helps her identify realistic goals and provides her with the tools she needs to achieve them. Our focus on intensive case management, or advocacy, is to help our guests access wraparound services they need to survive and thrive. Individualized services allow us to work with each woman, given her own specific set of circumstances and needs.

In order to meet the needs of the women served, we work with more than 50 other social services and government agencies and departments. Our focus is to effectively create a system of seamless service provision and assist our women with the sometimes daunting task of matching needs with existing resources - and assisting them with accessing those services. We partner with other services providers to meet the needs of each and every woman staying at Abby's through advocacy, outreach, and transportation services.

**Referral Services:**

We receive a minimum of 15 - 20 calls or in-person visits per week from women seeking help. Developing and maintaining positive working relationships with local professionals and organizations in other areas of human service is vital for effective referrals.

**Women's Center:**

Each and every current and past resident and guest is invited to be involved in the Abby's House Women's Center. Women's Center activities include weekly meals, holiday celebrations, a food pantry, financial literacy sessions, computer access and computer training, and other educational and social activities based on women's interests and volunteer availability. The comradery that is built through the Women's Center provides a sense of community and stability in women's lives.

**Thrift Shop:**

Abby's House Thrift Shop offers gently used clothing and household items to women in need. Each week we receive hundreds of items from loyal supporters. Volunteers and staff sort items and provide a safe, affordable and comfortable place for our residents and shelter guests to shop. In addition to providing clothing vouchers to the women who reside at Abby's House, we are also able to offer clothing vouchers to women from over 25 agencies who work with women in need. All proceeds from the Thrift Shop support the programs at Abby's House.

**Annette Rafferty Survive to Thrive (ARST) Fund:**

Through a collaborative application process involving residents or guests and their Advocates, the ARST Fund provides emergency funding to cover expenses like medical and dental needs, to our no- and low-income residents and guests. This fund also helps to break the cycle of poverty by providing financial support to our women for education or vocational training with the goal of helping them to become financially self-sufficient. Additional grants are made to cover the skyrocketing costs of obtaining permanent and stable housing, including first, last and security payments required for moving in to an apartment.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 3    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

**Basis of Accounting:**

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

**Fair Value of Financial Instruments:**

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are defined as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements is the recurring measurement of its beneficial interest in an agency endowment fund. There have been no changes to this valuation methodology.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 3 (Continued)

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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. These classifications are related to the existence or absence of donor-imposed restrictions as listed below:

*Unrestricted Net Assets* - consists of assets, public support and program revenues which are available and used for operations, programs, and capital expenditures. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

*Temporarily Restricted Net Assets* - includes funds with donor-imposed restrictions which permit the Organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently; but permits the Organization to expend part or all of the income derived from the donated assets. For the year presented, the Organization did not have any assets of this nature.

**Cash and Cash Equivalents:**

Cash and cash equivalents include short-term, interest-bearing, highly liquid investments with original maturities of three months or less.

**Accounts Receivable:**

As of December 31, 2015, *Accounts Receivable* represent amounts due from tenants for rent. These amounts are considered fully collectible; accordingly, these financial statements do not contain a provision for uncollectible receivables. If amounts owed become uncollectible, a provision will be recognized at that time.

**Inventories:**

*Inventories* consist of donated clothing and goods available for sale in the Thrift Shop and for distribution to residents and low income women in the community, and novelty items purchased for resale. Inventory of clothing and goods is valued based upon management's estimate of the thrift shop value at year end, while inventory of items purchased for resale is valued at lower of cost or market as determined on a first-in, first-out basis.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 3 *(Continued)*

**Property and Equipment:**

Property, equipment, furnishing and improvement purchases in excess of \$2,000 (\$5,000 effective December 2015) are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets, as expressed in terms of years.

**Beneficial Interest in Assets Held By Others:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization's beneficial interest in an agency endowment fund held by the Greater Worcester Community Foundation ("GWCF") is recognized as an asset in the accompanying Statement of Financial Position. As of December 31, 2015, the beneficial interest in the fund is classified as a Level 3 financial instrument within the fair value hierarchy and has been measured at fair value on a recurring basis. The fair value of the Organization's beneficial interest in the agency endowment is based on a percentage interest in the endowment fund's fair value as represented by the fund's management. Changes in the fair value of the beneficial interest in the agency endowment fund are recognized in the Organization's Statement of Activities. Distributions received from the fund are recorded as decreases in the beneficial interest *(See Note 5)*.

**Pre-Development Costs:**

As further discussed in Note 13, Abby's House is currently raising funds for a capital campaign to renovate the Organization's main facility in Worcester. The Organization is currently in the Pre-Development Phase of this project. During this phase of the project, the costs are carried as *Pre-Development Costs* in the Statement of Financial Position. Once the assets are placed in service, the costs will be reclassified to their proper asset category and depreciated over their appropriate useful life. As of December 31, 2015, *Pre-Development Costs* consisted of Real Estate Development Consultants, Architectural and Engineering Fees, and accrued interest on pre-development loans.

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

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 are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 3 *(Continued)*

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

**Revenue Recognition:**

The Organization's primary program revenue sources are rental income and income from its thrift shop sales. *Rental income* consists of funds received from tenants and is recognized when earned based upon occupancy dates. The Organization's rental rates are considered below-market rental rates. The difference between the market rates that could be charged for the square-footage and the actual rates charged is recognized as *Direct Client Assistance - Rental Subsidies* in the accompanying Statement of Functional Expenses. *Thrift Shop Income* results from the sale of donated clothing and goods. The revenue recognized is considered to represent the fair value of the donated goods, and is considered to be contributed revenue.

**In-Kind Goods and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization maintains a policy whereby the value of the donated goods and services which create or enhance nonfinancial assets; require a specialized skill; and/or which would have otherwise been purchased by the Organization are recognized as revenue and expense on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses.

**Functional Expenses:**

Abby Kelley Foster House, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated according to the Organization's cost allocation plan as well as other payroll and square-footage formulas. Supporting services are those related to operating and managing Abby Kelley Foster House, Inc. and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to Abby Kelley Foster House, Inc.'s internal management and accounting for program services.

*Fund Raising* - includes all activities related to maintaining contributor information; writing grant proposals; distribution of materials and other similar projects related to the procurement of funds for Abby Kelley Foster House, Inc.'s programs. Fund raising expenses presented in this accompanying Statement of Functional Expenses include the indirect costs of special fund raising events, while direct event costs are netted against the event proceeds. For the year ended December 31, 2015, total fund raising expenses, including both direct and indirect event costs, were \$148,497.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 4 PROPERTY AND EQUIPMENT

A following is a summary of the Organization's property and equipment as of December 31, 2015.

| <u>Asset Category</u>        | <u>Est. Life</u> | <u>Cost</u>        | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|------------------------------|------------------|--------------------|---------------------------------|-----------------------|
| Land                         | -                | \$ 138,600         | \$ -                            | \$ 138,600            |
| Building and Improvements    | 10 - 40          | 4,108,687          | 1,611,212                       | 2,497,475             |
| Furniture and Fixtures       | 5 - 7            | 74,236             | 70,643                          | 3,593                 |
| Office and Program Equipment | 5 - 7            | 29,124             | 29,124                          | -                     |
| Total                        |                  | <u>\$4,350,647</u> | <u>\$1,710,979</u>              | <u>\$2,639,668</u>    |

NOTE 5 BENEFICIAL INTEREST

The estimated value of funds held by GWCF on behalf of the Organization was \$244,090 as of December 31, 2015. The Organization contributes to this fund which may be used for future programs or capital needs. In addition, it is the hope of the Organization that other individuals will contribute to the fund. The nature of the agency endowment fund agreement grants variance power, or control, to the GWCF, which gives GWCF the ultimate authority over the Fund and the income derived there from. The Organization retains a beneficial interest in the endowment Fund held by the GWCF, the assets of which are not in the Organization's possession. The Organization has legally enforceable rights and claims to the earnings on such assets. Upon request by the Organization, and subject to the approval of the GWCF, income from the fund is distributed to the Organization. The Organization may also request distributions of the principal, subject to an application and approval process. Based upon the agreement with GWCF, the funds are reported as temporarily restricted net assets in the accompanying financial statements.

During 2015, Abby's House contributed an additional \$100,000 to the fund. The Organization received no distributions from the fund in 2015.

The following schedule summarizes the changes in the Organization's beneficial interest, valued using Level 3 inputs, for the year presented:

|   | <u>Amount</u>    |
|---|------------------|
| Beneficial Interest – Beginning of Year | \$148,639        |
| Contributions to Fund                   | 100,100          |
| Investment Gains (losses)               | (5,073)          |
| Interest and Dividends                  | 2,828            |
| Investment Management Fees              | <u>(2,404)</u>   |
| Beneficial Interest – End of Year       | <u>\$244,090</u> |



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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 6    DEBT

**Mortgage Debt – 77 Chatham Street, Worcester:**

*People's United Bank:*

On October 20, 1995, the Organization entered into a mortgage agreement with People's United Bank (formerly Flagship Bank and Trust Company) in the amount of \$110,000 secured by the property at 77 Chatham Street. The terms of the agreement specified a 20-year first mortgage at a fixed rate of 5.5% (with a 30-year amortization period). The monthly repayment amount was \$633, consisting of principal and interest, with a final balloon payment due in October 2015. On July 24, 2015, the Organization refinanced the outstanding principal balance of \$59,030 with People's United Bank. Per the terms of the refinancing agreement, the amount is payable over 123 months with interest payable at the annual rate of 4.55%. As of December 31, 2015, the outstanding balance on the loan was \$56,605. The principal portion scheduled for payment in 2016 is \$4,694 and the remaining non-current portion due in subsequent periods is scheduled below:

| <u>Year Ending</u> | <u>Principal Due</u> |
|--------------------|----------------------|
| December 31, 2017  | \$ 4,922             |
| December 31, 2018  | 5,154                |
| December 31, 2019  | 5,397                |
| December 31, 2020  | 5,646                |
| Thereafter         | <u>30,792</u>        |
| Total              | <u>\$51,911</u>      |

*Community Economic Development Assistance Corporation ("CEDAC"):*

On January 25, 1996, the Organization received a mortgage in the amount of \$147,300 under the Housing Innovations Fund II program, as funded by the Massachusetts Department of Housing and Community Development and administered by CEDAC. The original terms of the note provided that simple interest would accrue at the annual rate of 5% for a 20-year period, while the note has a 30-year term, and is due on January 25, 2026. The note was amended to a 0% interest rate, retroactive to the initial loan date. The note is secured by the above property.

CEDAC has the option to extend the note for additional 10-year terms, provided that the project remains in compliance with the affordable housing regulations. If at any time during the 20-year term the project's debt coverage ratio exceeds 1.05, the excess cash flow would be due and payable to CEDAC within 45 days of the end of each calendar year.

*City and State HOME Funds:*

On November 14, 1995, the City of Worcester, through its Office of Planning and Community Development, loaned \$70,000 for the acquisition and renovation of the property located at 77 Chatham Street. The Commonwealth of Massachusetts, through its Executive Office of Communities and Development, provided matching funds with an additional loan of \$70,000 to the project.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 6 *(Continued)*

The total loan amount of \$140,000 is funded by the U.S. Department of Housing and Urban Development ("HUD") under the HOME Program which requires a deed restriction for the affordable housing regulations. The debt is structured as an interest-free loan with no payments due for 40 years, maturing on November 14, 2035, at which time the balance is due in full. The note would also become payable in full upon the sale or refinancing of the property. The note is secured by a fourth mortgage and security agreement on the property and is subordinate to the mortgages held by People's United Bank and CEDAC.

**Pre-Development Loans – 52 High Street, Worcester:**

*CEDAC:*

Abby's House was approved for feasibility and pre-development financing from CEDAC, a public-private community development finance institution, with a maximum potential borrowing limit of \$400,000, as approved by the lender. As of December 31, 2015, the approved borrowing amount was \$165,000, the outstanding principal balance was \$151,564 plus accrued interest of \$2,939. The pre-development loan is dated June 22, 2015, bears interest at the rate of 7%, which will be capitalized as construction period interest, and the full principal balance and accrued interest is due upon construction closing and financing.

*Housing Ministries of New England, Inc. (Housing Ministries):*

Abby's House secured a pre-development loan in June 2015 with a borrowing capacity of \$50,000 from Housing Ministries in connection with the renovation project at 52 High Street, Worcester. The loan matures on June 10, 2016, and bears interest at the rate of 4.5% per annum. As of December 31, 2015, the balance due on the loan was \$50,000 plus accrued interest in the amount of \$1,250 which has been deferred as part of the *Pre-Development Costs* in the accompanying Statement of Financial Position. The Organization received the loan proceeds in full upon execution and the unexpended balance as of December 31, 2015 is reflected as *Pre-Development Loan Proceeds* in the accompanying Statement of Financial Position.

Each of the above pre-development loans are secured by a mortgage on the property which stipulates that the property must comply with affordable housing regulations.

The Organization has determined that all pre-development financing shall be presented as non-current debt, regardless of the maturity date. This position is based upon the assumption that the payables will be funded with loans that will be converted to long-term permanent financing upon construction financing.

**Line of Credit:**

The Organization has a \$500,000 revolving line-of-credit with a bank. Principal is due on demand and is secured by the Organization's assets. Borrowings on the line-of-credit bear interest at the Wall Street Journal Prime Rate, which was 3.50% as of December 31, 2015. The line-of-credit carried a zero balance as of December 31, 2015.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 7 RESTRICTED NET ASSETS

**Temporarily Restricted Net Assets:**

Temporarily restricted net assets consists of unexpended donor designated grants and contributions with the following restrictions as of December 31, 2015:

| <u>Nature of Restriction</u>       | <u>Amount</u>    |
|------------------------------------|------------------|
| Beneficial Interest in Agency Fund | \$244,090        |
| Repairs at 21-23 Crown Street      | 10,027           |
| ARST Fund                          | 3,666            |
| Housing and Shelter Program        | 1,488            |
| Total                              | <u>\$259,271</u> |

Net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes or by occurrence of events specified by the donors were as follows:

| <u>Nature of Restriction</u>         | <u>Amount</u>    |
|--------------------------------------|------------------|
| Housing and Shelter Program          | \$ 62,851        |
| ARST Fund                            | 22,453           |
| Repairs at 21-23 Crown Street        | 22,604           |
| Opening the Door for Women Program   | 15,000           |
| Information Technology               | 12,396           |
| Health and Wellness Advocacy Program | 5,000            |
| Repairs at 19 Crown Street           | 1,345            |
| Total                                | <u>\$141,649</u> |

**Board Designated Net Assets:**

For the year presented, Board Designated Net Assets reflect unrestricted funds designated by the Board of Directors for costs associated with the Capital Campaign. These funds were released in full during 2015.

NOTE 8 RENTAL INCOME

Abby's House operates 77 units of affordable housing serving low income women and children. The following table summarizes the components of rental income for the year ended December 31, 2015.

|                                       |                   |
|---------------------------------------|-------------------|
| Total Rental Income and Other Charges | \$ 457,302        |
| Less: Rental Subsidies                | <u>(119,223)</u>  |
| Actual Rent Received                  | <u>\$ 338,079</u> |

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 9 SPECIAL FUND RAISING EVENTS

The Organization sponsors special fund raising events to generate contributions as well as gain public awareness for its programs and charitable purposes. Revenue from these events is reflected on the Statement of Activities net of the direct costs of the events, while the indirect event costs are reported as fund raising expenses on the Statement of Functional Expenses. The results of the fund raising events are summarized below:

|   | <u>Hip Hip<br/>Her Race</u> | <u>Spring-<br/>tacular</u> | <u>Fashion<br/>Show</u> | <u>Total</u>    |
|---|-----------------------------|----------------------------|-------------------------|-----------------|
| Contributions and Sponsorships Received | \$38,087                    | \$19,211                   | \$1,045                 | \$58,343        |
| Gross Event Ticket Sales                | -                           | 12,955                     | 3,170                   | 16,125          |
| Auction Proceeds                        | -                           | <u>8,611</u>               | <u>3,587</u>            | <u>12,198</u>   |
| Total Proceeds                          | <u>38,087</u>               | <u>40,777</u>              | <u>7,802</u>            | <u>86,666</u>   |
| Less: Direct Costs of Special Events    | <u>(798)</u>                | <u>(4,962)</u>             | -                       | <u>(5,760)</u>  |
| Event Proceeds Net of Direct Costs      | <u>37,289</u>               | <u>35,815</u>              | <u>7,802</u>            | <u>80,906</u>   |
| Less: Indirect Event Costs              | <u>(5,313)</u>              | <u>(4,076)</u>             | <u>(261)</u>            | <u>(9,650)</u>  |
| Net Special Event Proceeds              | <u>\$31,976</u>             | <u>\$31,739</u>            | <u>\$7,541</u>          | <u>\$71,256</u> |

NOTE 10 DONATED GOODS AND SERVICES

For the year presented, the Organization recognized the following in-kind contributions in the accompanying financial statements:

| <u>Description</u>                | <u>Amount</u>    |
|-----------------------------------|------------------|
| Volunteer Services                | \$101,723        |
| Professional Fees and Consultants | 8,860            |
| Program Supplies and Expenses     | <u>4,266</u>     |
| Total                             | <u>\$114,849</u> |

In addition, Abby's House accepts contributions of personal items and clothing which are sold in the Thrift Shop and presented as contribution revenue arising from thrift shop sales.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 11 RESTATEMENT OF NET ASSETS

Management has restated its net assets in the accompanying Statement of Activities as follows:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>       |
|---|---------------------|-----------------------------------|--------------------|
| Net Assets as of January 1, 2015                  | \$2,942,449         | \$ 23,124                         | \$2,965,573        |
| (A) Restatement of Beneficial Interest            | (148,639)           | 148,639                           | -                  |
| (B) Recognize impairment of pre-development costs | (85,038)            | -                                 | (85,038)           |
| (C) To restore debt balances                      | (63,000)            | -                                 | (63,000)           |
| (D) To correct grant improperly recorded as debt  | <u>36,750</u>       | <u>-</u>                          | <u>36,750</u>      |
| Net Assets as Restated as of January 1, 2015      | <u>\$2,682,522</u>  | <u>\$171,763</u>                  | <u>\$2,854,285</u> |

- (A) The Organization previously reported their beneficial interest in an agency endowment fund as unrestricted.
- (B) The Organization previously capitalized pre-development costs that became outdated and the future benefit to the Organization was diminished.
- (C) The Organization previously reported a deferred payment loan as a grant.
- (D) The Organization previously reported a direct subsidy as a loan.

NOTE 12 RETIREMENT PLAN

Abby Kelley Foster House, Inc. maintains a 403(b) retirement savings plan covering all eligible employees. The plan allows eligible employees of the Organization to defer a percentage of their earnings from current taxation by investing in mutual funds. The Organization may vote to make payments to the participating employee accounts. The Organization did not make any contributions for the year ended December 31, 2015.

NOTE 13 CAPITAL CAMPAIGN

In order to raise the needed funds to renovate 52 High Street and preserve 54 units of supportive housing for women, Abby's House selected Graham Pelton Consulting to help advise and manage a Capital Campaign. The Organization signed and executed a contract with the consulting firm during 2015 which can be cancelled or altered by either party upon sixty days notice. Graham Pelton conducted a study in late 2015 to identify a Campaign goal and potential support for a Campaign. Their study included interviews of 24 individuals and over 90 e-survey responses. Based on their assessment and recommendations, the Board of Directors voted to proceed with a Campaign to raise \$2 million over three years. In addition to making the 52 High Street renovations possible, the Campaign will also support the long-term sustainability of Abby's House.

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ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

*(Continued)*

NOTE 14    CONCENTRATIONS

**Cash and Investments:**

The Organization is subject to concentrations in credit risk relating primarily to cash and investments. Cash deposits are insured by the Federal Deposit Insurance Corporation under the applicable limits. The Organization had \$264,572 in excess of federally insured and other limits as of December 31, 2015, however, management considers concentration risk in cash balances to be low. The Organization invests in professionally managed money market funds. These investments are exposed to various risks, such as fluctuations in market value, and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances. The Organization's investment performance is reviewed by the Board of Directors on a periodic basis.

NOTE 15    CONTINGENCIES

The Organization is party to claims arising in the normal course of business. While the ultimate resolution of these claims or other proceedings against the Organization cannot be predicted with certainty, management does not expect these matters to have a materially adverse effect on the Organization's financial position or results of operations.

NOTE 16    SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 13, 2016, the date which the financial statements were available for issue, and noted no events which met the criteria.