

ABBY KELLEY FOSTER HOUSE, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2016 AND 2015

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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ABBY KELLEY FOSTER HOUSE, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 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.

ABBY KELLEY FOSTER HOUSE, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

C O N T E N T S

| | <i>Pages</i> |
|--|--------------|
| Independent Auditors' Report..... | 1 |
| Statements of Financial Position as of December 31, 2016 and 2015..... | 2 |
| Statement of Activities for the Year Ended December 31, 2016..... <i>(With Summarized Comparative Totals for 2015)</i> | 3 |
| Statement of Activities for the Year Ended December 31, 2015..... | 4 |
| Statement of Functional Expenses for the Year Ended December 31, 2016..... <i>(With Summarized Comparative Totals for 2015)</i> | 5 |
| Statement of Functional Expenses for the Year Ended December 31, 2015..... | 6 |
| Statements of Cash Flows for the Years Ended December 31, 2016 and 2015..... | 7 |
| Notes to Financial Statements..... | 8 - 22 |

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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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 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 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.

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, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
April 12, 2017

ABBY KELLEY FOSTER HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS:</u> | | |
| Cash and Cash Equivalents | \$ 404,204 | \$ 499,887 |
| Accounts and Other Receivables | 7,007 | 3,350 |
| Grants Receivable | 12,000 | - |
| Capital Campaign Pledges Receivable | 94,812 | - |
| Inventories | 20,333 | 15,187 |
| Other Current Assets | 6,951 | 400 |
| Total Current Assets | <u>545,307</u> | <u>518,824</u> |
| <u>NET PROPERTY AND EQUIPMENT</u> | <u>2,540,358</u> | <u>2,639,668</u> |
| <u>NON-CURRENT ASSETS:</u> | | |
| Pre-Development Loan Proceeds | - | 34,938 |
| Board Designated Operating, Building and Capital Asset Reserves | 380,067 | - |
| Capital Campaign Proceeds | 260,393 | - |
| Grants Receivable | 36,000 | - |
| Capital Campaign Pledges Receivable | 76,184 | - |
| Pledge for Future Pro Bono Construction Costs | 40,000 | - |
| Beneficial Interest in Agency Fund | 286,405 | 244,090 |
| Pre-Development Costs | 467,610 | 259,524 |
| Total Non-Current Assets | <u>1,546,659</u> | <u>538,552</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 4,632,324</u> | <u>\$ 3,697,044</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES:</u> | | |
| Current Portion of Long-Term Debt | \$ 4,922 | \$ 4,694 |
| Accounts Payable and Accrued Expenses | 52,475 | 31,414 |
| Accrued Payroll and Related Costs | 23,327 | 20,655 |
| Deferred Revenue | 525 | 2,470 |
| Total Current Liabilities | <u>81,249</u> | <u>59,233</u> |
| <u>LONG-TERM LIABILITIES:</u> | | |
| Long-Term Mortgage, Net of Current Portion | 46,892 | 51,911 |
| Pre-Development Payables | 8,128 | 27,260 |
| Pre-Development Loans | 337,557 | 205,753 |
| Deferred Forgivable Debt | 287,300 | 287,300 |
| Total Long-Term Liabilities | <u>679,877</u> | <u>572,224</u> |
| <u>TOTAL LIABILITIES</u> | <u>761,126</u> | <u>631,457</u> |
| <u>NET ASSETS:</u> | | |
| Unrestricted Net Assets | 3,045,213 | 2,806,316 |
| Temporarily Restricted Net Assets | 825,985 | 259,271 |
| Total Net Assets | <u>3,871,198</u> | <u>3,065,587</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 4,632,324</u> | <u>\$ 3,697,044</u> |

ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Totals for 2015)

| | <u>TEMPORARILY RESTRICTED</u> | | | | <u>TOTAL ACTIVITIES</u> | |
|---|-------------------------------|--------------------------|-----------------------------|--------------------------|----------------------------|----------------------------|
| | <u>UNRESTRICTED</u> | <u>OPERATIONS</u> | <u>CAPITAL CAMPAIGN</u> | <u>TOTAL</u> | <u>2016</u> | <u>2015</u> |
| <u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u> | | | | | | |
| <i>Support and Revenues:</i> | | | | | | |
| Gifts, Grants and Contributions | \$ 704,624 | \$ 173,128 | \$ 697,600 | \$ 870,728 | \$ 1,575,352 | \$ 972,333 |
| Rental Income | 451,778 | - | - | - | 451,778 | 457,302 |
| Thrift Shop Income | 196,414 | - | - | - | 196,414 | 180,492 |
| Donated Goods and Services | 154,959 | - | - | - | 154,959 | 114,849 |
| Special Fund Raising Event Proceeds | 156,863 | 14,554 | - | 14,554 | 171,417 | 86,666 |
| Less: Cost of Direct Benefits to Donors | (34,173) | - | - | - | (34,173) | (5,760) |
| Change in Beneficial Interest in Agency Fund | - | 12,314 | - | 12,314 | 12,314 | (4,549) |
| Investment Return | 104 | - | - | - | 104 | (130) |
| Total Support and Revenues | <u>1,630,569</u> | <u>199,996</u> | <u>697,600</u> | <u>897,596</u> | <u>2,528,165</u> | <u>1,801,203</u> |
| <i>Reclassifications of Net Assets:</i> | | | | | | |
| Net Assets Released to Operating Activities | 235,854 | (84,643) | (151,211) | (235,854) | - | - |
| Net Assets Released to Capital Projects | <u>95,028</u> | <u>(20,028)</u> | <u>(75,000)</u> | <u>(95,028)</u> | - | - |
| Total Reclassifications of Net Assets | <u>330,882</u> | <u>(104,671)</u> | <u>(226,211)</u> | <u>(330,882)</u> | - | - |
| <u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u> | <u>1,961,451</u> | <u>95,325</u> | <u>471,389</u> | <u>566,714</u> | <u>2,528,165</u> | <u>1,801,203</u> |
| <u>EXPENSES:</u> | | | | | | |
| Program Services | 1,224,914 | - | - | - | 1,224,914 | 1,186,429 |
| Administrative | 123,621 | - | - | - | 123,621 | 133,520 |
| Fund Raising - Operations | 77,180 | - | - | - | 77,180 | 100,627 |
| Fund Raising - Capital Campaign | <u>173,743</u> | - | - | - | <u>173,743</u> | <u>40,000</u> |
| <u>TOTAL EXPENSES BEFORE DEPRECIATION</u> | <u>1,599,458</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,599,458</u> | <u>1,460,576</u> |
| <u>CHANGE IN NET ASSETS BEFORE DEPRECIATION</u> | <u>361,993</u> | <u>95,325</u> | <u>471,389</u> | <u>566,714</u> | <u>928,707</u> | <u>340,627</u> |
| Depreciation Expense | <u>(123,096)</u> | - | - | - | <u>(123,096)</u> | <u>(129,325)</u> |
| <u>TOTAL CHANGE IN NET ASSETS</u> | <u>238,897</u> | <u>95,325</u> | <u>471,389</u> | <u>566,714</u> | <u>805,611</u> | <u>211,302</u> |
| <u>NET ASSETS - BEGINNING OF YEAR</u> | <u>2,806,316</u> | <u>259,271</u> | <u>-</u> | <u>259,271</u> | <u>3,065,587</u> | <u>2,854,285</u> |
| <u>NET ASSETS - END OF YEAR</u> | <u>\$ 3,045,213</u> | <u>\$ 354,596</u> | <u>\$ 471,389</u> | <u>\$ 825,985</u> | <u>\$ 3,871,198</u> | <u>\$ 3,065,587</u> |

ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>UNDESIGNATED</u> | <u>BOARD DESIGNATED</u> | <u>TOTAL UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL ACTIVITIES</u> |
|--|----------------------------|-----------------------------|-------------------------------|-----------------------------------|-----------------------------|
| <u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u> | | | | | |
| <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 Fund Raising Event Proceeds | 86,666 | - | 86,666 | - | 86,666 |
| Less: Cost of Direct Benefits to Donors | (5,760) | - | (5,760) | - | (5,760) |
| Change in Beneficial Interest in Agency Fund | - | - | - | (4,549) | (4,549) |
| Investment Return | (130) | - | (130) | - | (130) |
| Total Support and 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> |
| <u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u> | <u>1,713,695</u> | <u>-</u> | <u>1,713,695</u> | <u>87,508</u> | <u>1,801,203</u> |
| <u>EXPENSES:</u> | | | | | |
| 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 |
| <u>TOTAL EXPENSES BEFORE DEPRECIATION</u> | <u>1,460,576</u> | <u>-</u> | <u>1,460,576</u> | <u>-</u> | <u>1,460,576</u> |
| <u>CHANGE IN NET ASSETS BEFORE DEPRECIATION</u> | <u>253,119</u> | <u>-</u> | <u>253,119</u> | <u>87,508</u> | <u>340,627</u> |
| Depreciation Expense | (129,325) | - | (129,325) | - | (129,325) |
| <u>TOTAL CHANGE IN NET ASSETS</u> | <u>123,794</u> | <u>-</u> | <u>123,794</u> | <u>87,508</u> | <u>211,302</u> |
| <u>NET ASSETS - BEGINNING OF YEAR AS RESTATED</u> (Note 11) | <u>2,682,522</u> | <u>-</u> | <u>2,682,522</u> | <u>171,763</u> | <u>2,854,285</u> |
| <u>NET ASSETS - END OF YEAR</u> | <u>\$ 2,806,316</u> | <u>\$ -</u> | <u>\$ 2,806,316</u> | <u>\$ 259,271</u> | <u>\$ 3,065,587</u> |

ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Totals for 2015)

| | <u>PROGRAM</u> <u>SERVICES</u> | <u>ADMINI-</u> <u>STRATIVE</u> | <u>FUND RAISING</u> | | <u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u> | |
|--|-----------------------------------|-----------------------------------|---------------------|-----------------------------------|--|---------------------|
| | | | <u>OPERATIONS</u> | <u>CAPITAL</u> <u>CAMPAIGN</u> | <u>2016</u> | <u>2015</u> |
| Salaries and Wages | \$ 492,477 | \$ 68,573 | \$ 43,637 | \$ 18,702 | \$ 623,389 | \$ 594,734 |
| Payroll Taxes | 41,385 | 5,762 | 3,667 | 1,572 | 52,386 | 50,213 |
| Employee Benefits | 59,430 | 8,275 | 5,265 | 2,257 | 75,227 | 77,933 |
| Volunteer Services <i>(Note 10)</i> | 118,569 | - | - | - | 118,569 | 101,723 |
| Direct Client Assistance - Rental and Thrift Shop Subsidies | 115,556 | - | - | - | 115,556 | 130,449 |
| Program Supplies and Expenses <i>(Note 10)</i> | 31,584 | 419 | - | - | 32,003 | 40,069 |
| Fund Raising Event Costs | - | - | 16,516 | - | 16,516 | 9,650 |
| Repairs and Maintenance | 105,858 | 876 | 719 | - | 107,453 | 84,425 |
| Utilities | 102,324 | 1,529 | 1,392 | - | 105,245 | 120,522 |
| Insurance | 35,246 | 2,836 | 1,044 | - | 39,126 | 38,465 |
| Accounting and Legal Expense | 5,660 | 21,841 | - | - | 27,501 | 37,502 |
| Professional Fees and Consultants <i>(Note 10)</i> | 60,605 | 3,718 | - | - | 64,323 | 55,986 |
| Capital Campaign Consultant | - | - | - | 150,632 | 150,632 | 40,000 |
| Small Equipment and Furnishings | 15,747 | 1,223 | 1,111 | - | 18,081 | 10,133 |
| Office Supplies and Expenses | 5,861 | 816 | 742 | - | 7,419 | 9,034 |
| Printing and Postage | 24,657 | 551 | 2,211 | 580 | 27,999 | 34,080 |
| Bank and Payroll Fees | - | 6,347 | - | - | 6,347 | 6,962 |
| Staff Training and Workshops | 2,690 | 375 | 341 | - | 3,406 | 5,984 |
| Dues, Fees and Subscriptions | 4,789 | 480 | 535 | - | 5,804 | 6,211 |
| Interest Expense | 2,476 | - | - | - | 2,476 | 3,065 |
| Miscellaneous Expenses | - | - | - | - | - | 3,436 |
| Total Expenses Before Depreciation and Direct Event Costs | 1,224,914 | 123,621 | 77,180 | 173,743 | 1,599,458 | 1,460,576 |
| Depreciation Expense | 118,887 | 2,203 | 2,006 | - | 123,096 | 129,325 |
| Cost of Direct Benefits to Donors | - | - | 34,173 | - | 34,173 | 5,760 |
| Total Functional Expenses | \$ 1,343,801 | \$ 125,824 | \$ 113,359 | \$ 173,743 | \$ 1,756,727 | \$ 1,595,661 |

ABBY KELLEY FOSTER HOUSE, INC.

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

| | <u>PROGRAM</u> <u>SERVICES</u> | <u>ADMINI-</u> <u>STRATIVE</u> | <u>FUND</u> <u>RAISING</u> | <u>TOTAL</u> <u>FUNCTIONAL</u> <u>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 |
| Fund Raising Event Costs | - | - | 9,650 | 9,650 |
| 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 | 7,565 | 34,080 |
| 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 | 1,952 | 244 | 1,240 | 3,436 |
| | <u>1,186,429</u> | <u>133,520</u> | <u>140,627</u> | <u>1,460,576</u> |
| Total Expenses Before Depreciation and Direct Event Costs | | | | |
| Depreciation Expense | 125,105 | 2,110 | 2,110 | 129,325 |
| Cost of Direct Benefits to Donors | - | - | 5,760 | 5,760 |
| | <u>-</u> | <u>-</u> | <u>5,760</u> | <u>5,760</u> |
| Total Functional Expenses | <u>\$ 1,311,534</u> | <u>\$ 135,630</u> | <u>\$ 148,497</u> | <u>\$ 1,595,661</u> |

ABBY KELLEY FOSTER HOUSE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Change in Net Assets | \$ 805,611 | \$ 211,302 |
| <i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i> | | |
| Capital Campaign Pledges | (697,600) | - |
| Depreciation Expense | 123,096 | 129,325 |
| Change in Fair Value of Beneficial Interest in Assets Held by Others | (12,314) | 4,549 |
| <i>(Increase) Decrease in Current Assets:</i> | | |
| Accounts and Other Receivables | (3,657) | 3,920 |
| Grants Receivable | (12,000) | - |
| Inventories | (5,146) | (11,209) |
| Other Current Assets | (6,551) | 2,949 |
| <i>Increase (Decrease) in Current Liabilities:</i> | | |
| Accounts Payable and Accrued Expenses | 21,061 | 17,390 |
| Accrued Payroll and Related Costs | 2,672 | 2,608 |
| Deferred Revenue | (1,945) | 2,470 |
| <i>(Increase) Decrease in Non-Current Assets:</i> | | |
| Grants Receivable | (36,000) | - |
| Net Adjustment | (628,384) | 152,002 |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | <u>177,227</u> | <u>363,304</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Pre-Development Expenditures | (207,849) | (166,161) |
| Contribution to Beneficial Interest in Agency Fund | (30,000) | (100,000) |
| Transfer of Cash to Board Designated Reserve Funds | (380,067) | - |
| Acquisition of Property and Equipment | (23,787) | (23,093) |
| Net Cash Flows from Investing Activities | (641,703) | (289,254) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u> | | |
| Principal Reduction on Long-Term Debt | (4,791) | (4,566) |
| Use of Pre-Development Loan Funds Held in Escrow | 34,938 | - |
| Proceeds from Capital Campaign Pledges and Grants | 486,603 | - |
| Capital Campaign Funds Held for Renovation | (260,393) | - |
| Proceeds from Pre-Development Loans | 112,436 | 166,126 |
| Net Cash Flows from Financing Activities | 368,793 | 161,560 |
| <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u> | <u>(95,683)</u> | <u>235,610</u> |
| <u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u> | <u>499,887</u> | <u>264,277</u> |
| <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u> | <u>\$ 404,204</u> | <u>\$ 499,887</u> |
| <i>Supplemental Disclosures :</i> | | |
| Interest Paid | \$ 2,476 | \$ 3,065 |
| <i>Non-Cash Investing and Financing :</i> | | |
| Pre-Development Payables | \$ 8,128 | \$ 27,260 |

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 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

In 2016, Abby’s House celebrated its 40th anniversary. 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, a Shelter House Coordinator, and more than 30 regular volunteers, our nine-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.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 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 75 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.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 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.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 3 (Continued)

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, 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 years 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. Cash held for long-term purposes or for investment into the capital renovation project is classified as non-current within the Statements of Financial Position. As of December 31, 2016, such amounts consisted of *Board Designated Operating, Building and Capital Asset Reserves* and *Capital Campaign Proceeds*.

Receivables:

Accounts and Other Receivables primarily represent amounts due from tenants for rent along with other small balances due from events. 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.

Grants Receivable reflects the balance due on a five-year grant commitment which is intended to support general operations. The portion of grants receivable which is scheduled for payment in the coming fiscal year is classified as current, while commitments that exceed one year are classified as non-current. As of December 31, 2016, all noncurrent grants receivable were due within four years.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 3 (Continued)

Capital Campaign Pledges Receivable represent amounts due from individual donors and foundations which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of December 31, 2016, the non-current pledges were due within three years.

Pledge for Future Pro Bono Construction Costs represents a commitment from one contractor to provide electrical engineering work valued at \$40,000 for the renovation project at 52 High Street. The commitment has been recorded within the capital campaign revenue for 2016 with a corresponding pledge to provide the related services. When provided, these services will be capitalized as part of the renovation project.

Management considers these commitments to be fully collectible and therefore, has not established a reserve for uncollectible grants and pledges. If grants or pledges are determined uncollectible, an allowance will be provided for when that determination is made. For the years presented, the Organization did not report any losses on unpaid grant or pledge commitments.

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.

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 support and revenues 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*TM, 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 Statements of Financial Position. As of December 31, 2016 and 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).

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 3 (Continued)

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 Statements 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, 2016 and 2015, *Pre-Development Costs* consisted of Real Estate Development Consultants, Architectural, Legal and Engineering Fees, and accrued interest on pre-development loans.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to 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.

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 external subsidies 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 a subsidy and reported within *Direct Client Assistance - Rental and Thrift Shop 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*TM, 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 on the Statement of Activities and are either listed as expenses on the Statement of Functional Expenses or capitalized assets on the Statements of Financial Position.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 3 *(Continued)*

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 - Operations - 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 also includes the costs of special fund raising events.

Capital Campaign – As further discussed in Note 13, Abby's House began fund raising for a Capital Campaign which will provide funding to expand and renovate its main facility. Costs associated with raising funds to support the planned renovation project have been classified as *Capital Campaign* in the accompanying financial statements.

Total fundraising expenses for the years ended December 31, 2016 and 2015 amounted to \$287,102 and \$148,497, respectively, which includes the following costs:

| | <u>2016</u> | <u>2015</u> |
|------------------------------|------------------|------------------|
| Fund Raising for Programs | \$ 62,670 | \$ 93,087 |
| Capital Campaign | 173,743 | 40,000 |
| Costs of Fund Raising Events | <u>50,689</u> | <u>15,410</u> |
| Total | <u>\$287,102</u> | <u>\$148,497</u> |

Reclassifications:

Certain amounts in the prior year information have been reclassified to conform to the current year presentation. Specifically, the presentation of the direct costs of special events has been included within the Statement of Functional Expenses. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of the Organization's property and equipment as of December 31, 2016 and 2015.

| <u>Asset Category</u> | <u>Est. Life</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value 2016</u> |
|------------------------------|----------------------|--------------------|-------------------------------------|--------------------------------|
| Land | - | \$ 138,600 | \$ - | \$ 138,600 |
| Buildings and Improvements | 10 - 40 | 4,132,474 | 1,733,531 | 2,398,943 |
| Furniture and Fixtures | 5 - 7 | 38,037 | 35,222 | 2,815 |
| Office and Program Equipment | 5 - 7 | <u>2,158</u> | <u>2,158</u> | <u>-</u> |
| Total | | <u>\$4,311,269</u> | <u>\$1,770,911</u> | <u>\$2,540,358</u> |

| <u>Asset Category</u> | <u>Est. Life</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value 2015</u> |
|------------------------------|----------------------|--------------------|-------------------------------------|--------------------------------|
| Land | - | \$ 138,600 | \$ - | \$ 138,600 |
| Buildings 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 | <u>29,124</u> | <u>29,124</u> | <u>-</u> |
| Total | | <u>\$4,350,647</u> | <u>\$1,710,979</u> | <u>\$2,639,668</u> |

During 2016, Abby's House disposed of fully depreciated furniture, fixtures and equipment with an aggregate original cost of \$63,165. As these assets were fully depreciated, there was no gain or loss recognized and these disposals had no impact on the change in net assets.

NOTE 5 BENEFICIAL INTEREST

The estimated value of funds held by GWCF on behalf of the Organization was \$286,405 and \$244,090 as of December 31, 2016 and 2015, respectively. 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 2016 and 2015, Abby's House contributed \$30,000 and \$100,100, respectively, to the fund. The Organization received no distributions from the fund in either year presented.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 5 (Continued)

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

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Beneficial Interest – Beginning of Year | \$244,090 | \$148,639 |
| Contributions to Fund | 30,000 | 100,100 |
| Investment Gains (losses) | 14,024 | (5,073) |
| Interest and Dividends | 2,136 | 2,828 |
| Investment Management Fees | <u>(3,845)</u> | <u>(2,404)</u> |
| Beneficial Interest – End of Year | <u>\$286,405</u> | <u>\$244,090</u> |

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 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, 2016, the outstanding balance on the loan was \$51,814. The mortgage note was paid in full on February 28, 2017. The principal portion scheduled for payment in 2017 is \$4,922 and the remaining non-current portion due in subsequent periods is scheduled below:

| <u>Year Ending</u> | <u>Principal Due</u> |
|--------------------|----------------------|
| December 31, 2018 | \$ 5,154 |
| December 31, 2019 | 5,397 |
| December 31, 2020 | 5,646 |
| December 31, 2021 | 5,918 |
| Thereafter | <u>24,777</u> |
| Total | <u>\$46,892</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.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 6 (Continued)

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 before the loan maturity date the project's annual cash flow exceeds 1.05 of the annual cash expenses, including debt coverage requirements, 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.

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 complete 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, which was increased to \$365,000 in 2016. As of December 31, 2016 and 2015, the outstanding principal balance was \$265,000 and \$151,564 plus accrued interest of \$19,057 and \$2,939, respectively. 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 proceeds of \$50,000 from Housing Ministries in connection with the renovation project at 52 High Street, Worcester. The loan matures on June 10, 2017, and bears interest at the rate of 4.5% per annum. As of December 31, 2016 and 2015, the balance due on the loan was \$50,000 plus accrued interest in the amount of \$3,500 and \$1,250, respectively, which has been deferred as part of the *Pre-Development Costs* in the accompanying Statements 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 Loans* in the accompanying Statements 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.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 6 (Continued)

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 United 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 3.75% and 3.50% as of December 31, 2016 and 2015, respectively and carried a zero balance at each year end.

NOTE 7 RESTRICTED AND DESIGNATED 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, 2016 and 2015:

| <u>Nature of Restriction</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------|------------------|------------------|
| Capital Campaign | \$471,389 | \$ - |
| Beneficial Interest in Agency Fund | 286,405 | 244,090 |
| ARST Fund | 14,616 | 3,666 |
| Time Restricted | 48,000 | - |
| City Overflow Shelter Funds | 3,105 | - |
| Board Development | 1,913 | - |
| Housing and Shelter Program | 557 | 1,488 |
| Building Repairs | - | 10,027 |
| Total | <u>\$825,985</u> | <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>2016</u> | <u>2015</u> |
|--------------------------------------|------------------|------------------|
| Capital Campaign | \$226,211 | \$ - |
| Opening the Door for Women Program | 30,000 | 15,000 |
| Housing and Shelter Program | 28,276 | 62,851 |
| Lapse of Time Restrictions | 12,000 | - |
| ARST Fund | 11,280 | 22,453 |
| Building Repairs/Capital Needs | 20,027 | 23,949 |
| Board Development | 3,088 | - |
| Information Technology | - | 12,396 |
| Health and Wellness Advocacy Program | - | 5,000 |
| Total | <u>\$330,882</u> | <u>\$141,649</u> |

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 7 *(Continued)*

Board Designated Net Assets:

During 2016, the Board of Directors established an *Operating Reserve Fund* and a *Building and Capital Asset Reserve Fund*. The *Operating Reserve Fund*, having a target minimum of two months, is intended to provide an internal source of funds for special and unique situations such as unanticipated costs, loss of funding or uninsured loss. The *Building and Capital Asset Reserve* is intended to provide a ready source of funds for repair or acquisition of buildings, leaseholds, furniture, fixtures and equipment necessary for the effective operation of the Organization and programs. The target amount of the *Building and Capital Asset Reserve* will be, at a minimum, one year of the average annual depreciation.

In 2015, 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, 2016 and 2015.

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-------------------|-------------------|
| Total Rental Income and Other Charges | \$ 462,306 | \$ 457,302 |
| Less: Rental Subsidies | <u>(108,856)</u> | <u>(119,223)</u> |
| Actual Rent Received | <u>\$ 353,450</u> | <u>\$ 338,079</u> |

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. For each of the years presented, these events included *Hip Hip Her Race*, *Springtacular* and a fashion show. In addition, in 2016, a 40th Anniversary Gala event was held. The results of the fund raising events are summarized below:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|------------------|-----------------|
| Contributions and Sponsorships | \$111,170 | \$58,343 |
| Gross Event Ticket Sales | 42,572 | 16,125 |
| Auction Proceeds | <u>17,675</u> | <u>12,198</u> |
| Total Proceeds | 171,417 | 86,666 |
| Less: Direct Costs of Special Events | <u>(34,173)</u> | <u>(5,760)</u> |
| Event Proceeds Net of Direct Costs | 137,244 | 80,906 |
| Less: Indirect Event Costs | <u>(16,516)</u> | <u>(9,650)</u> |
| Net Special Event Proceeds | <u>\$120,728</u> | <u>\$71,256</u> |

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 10 DONATED GOODS AND SERVICES

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

| <u>Description</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|------------------|------------------|
| Volunteer Services | \$118,569 | \$101,723 |
| Gift Cards | 13,116 | - |
| Professional Fees and Consultants | 3,991 | 8,860 |
| Program Supplies and Expenses | <u>19,283</u> | <u>4,266</u> |
| Total | <u>\$154,959</u> | <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.

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 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 | <u>(26,250)</u> | <u>-</u> | <u>(26,250)</u> |
| Net Assets as Restated as of January 1, 2015 | <u>\$2,682,522</u> | <u>\$171,763</u> | <u>\$2,854,285</u> |

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 discretionary contributions to the participating employee accounts. The Organization did not make any employer contributions to the plan for the years presented.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

NOTE 13 CAPITAL CAMPAIGN: OPENING DOORS, TRANSFORMING LIVES – BUILDING THE FUTURE OF ABBY’S HOUSE

In 2016, the Abby’s House Board of Directors approved a three-year, \$2 million capital campaign to preserve 54 units of supportive housing through the renovation of 52 High Street and to support the long-term sustainability of the Organization. In 2015, Abby’s House had worked with Graham Pelton Consulting to perform a study to determine the feasibility of a campaign. In 2016, Graham Pelton prepared a campaign plan and timetable and provided onsite campaign management services. They assisted with the development of a steering committee, trained staff and volunteers on gift solicitation strategies and gift recognition, and helped to develop campaign materials. An independent grants consultant was hired on a limited basis to help complete successful proposals to foundations. Abby’s House has been encouraged by the overwhelmingly positive response to the campaign. One hundred percent of the 2016 Board members made a pledge to the campaign, and many individuals and foundations also made pledges, thus raising a total of \$697,600 in 2016.

Currently, the expected cost of the renovation is \$14,263,149, which will be funded with a combination of capital campaign proceeds, historic tax credits, low-income housing tax credits, federal HOME funds, and funding from the Massachusetts Department of Housing and Community Development. As of December 31, 2016, Abby’s House had been notified of their approval to receive \$800,000 of state historic tax credits by the Massachusetts Historical Commission, along with a conditional funding commitment for \$550,000 in HOME funds through the City of Worcester.

NOTE 14 CONCENTRATIONS AND RELATED PARTY TRANSACTIONS

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 \$431,531 and \$264,572 in excess of federally insured and other limits as of December 31, 2016 and 2015, respectively, 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.

Capital Campaign Pledges:

With participation from generous current and many former members of the board of directors, total commitments from related parties represents approximately 27% of total capital campaign gifts, grants and contributions and 55% of outstanding pledges receivable as of and for the year ended December 31, 2016. One foundation gift also accounts for approximately 22% of total capital campaign revenue for 2016.

Grants Receivable:

Grants Receivable consists of the balance due on one multi-year commitment for \$60,000 payable over five years.

ABBY KELLEY FOSTER HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Continued)

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 12, 2017, the date which the financial statements were available for issue, and noted the following events which met the disclosure criteria.

Conditional Funding Approvals:

Abby Kelley Foster House, Inc. will undertake considerable renovations of the existing 54 units at Abby's House and add one new unit, for a total of 55 units. The project will provide housing for women who have been homeless due to domestic violence, eviction, economic crisis, or unemployment, and supportive services will be offered on-site to residents. On March 22, 2017, the Massachusetts Department of Housing and Community Development ("DHCD") awarded funding for the project through the new National Housing Trust Fund ("HTF"), which was established by Congress to provide low-income housing. In total, DHCD has conditionally reserved funds in the following amounts: \$500,000 in HTF funding; \$989,051 in state and federal low-income housing tax credits, and \$2.5 million in state subsidies. The funding is conditional upon the ability of Abby's house to proceed to a construction/finance closing.

Debt:

As disclosed in Note 6, on February 28, 2017, Abby's House paid off its mortgage on 77 Chatham Street held by Peoples Bank.