

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

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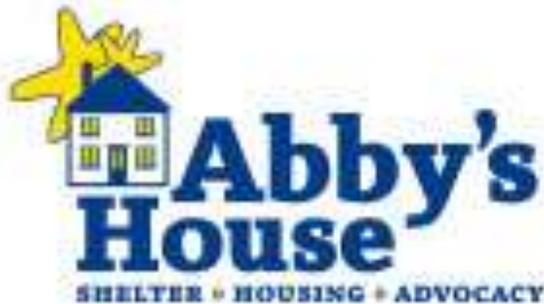
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016



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. AND AFFILIATES

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Abby Kelley Foster House, Inc. (a Massachusetts nonprofit organization) and Affiliates (collectively "the Organizations"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Abby Kelley Foster House, Inc. and Affiliates as of December 31, 2017 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Prior Year Financial Statements

We previously audited Abby Kelley Foster House, Inc.'s financial statements for the year ended December 31, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2017. As further discussed in Note 3, the 2016 financial statements are presented in full within the 2017 consolidated financial statements and include the accounts of Abby Kelley Foster House, Inc.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 29 - 32 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 9, 2018

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 1,506,040	\$ 404,204
Accounts and Other Receivables	7,304	7,007
Grants Receivable	89,500	12,000
Capital Campaign Pledges Receivable	157,761	94,812
Inventories and Other Current Assets	34,366	27,284
Total Current Assets	<u>1,794,971</u>	<u>545,307</u>
 <u>NET PROPERTY AND EQUIPMENT</u>	 <u>3,886,300</u>	 <u>2,540,358</u>
<u>NON-CURRENT ASSETS:</u>		
Bond Proceeds Reserve	7,400,040	-
Board Designated Operating, Building and Capital Asset Reserves	380,257	380,067
Capital Campaign Proceeds	852,540	260,393
Capital Campaign Pledges Receivable	126,534	76,184
Pledge for Pro Bono Construction Costs	40,000	40,000
Grants Receivable	24,000	36,000
Beneficial Interest in Agency Fund	683,281	286,405
Pre-Development Costs	89,524	467,610
Total Non-Current Assets	<u>9,596,176</u>	<u>1,546,659</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 15,277,447</u>	 <u>\$ 4,632,324</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Current Portion of Long-Term Debt	\$ -	\$ 4,922
Accounts Payable and Accrued Expenses	20,329	52,475
Accrued Payroll and Related Costs	47,066	23,327
Deferred Revenue	1,020	525
Total Current Liabilities	<u>68,415</u>	<u>81,249</u>
<u>LONG-TERM LIABILITIES:</u>		
Long-Term Mortgage, Net of Current Portion	-	46,892
Accounts Payable, Construction	178,070	8,128
Construction and Renovation Financing	9,315,894	337,557
Deferred Forgivable Debt	287,300	287,300
Total Long-Term Liabilities	<u>9,781,264</u>	<u>679,877</u>
 <u>TOTAL LIABILITIES</u>	 <u>9,849,679</u>	 <u>761,126</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	3,116,654	3,045,213
Temporarily Restricted Net Assets	1,906,234	825,985
Total AKFH Net Assets	<u>5,022,888</u>	<u>3,871,198</u>
Non-Controlling Interest	404,880	-
Total Net Assets	<u>5,427,768</u>	<u>3,871,198</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 15,277,447</u>	 <u>\$ 4,632,324</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Comparative Totals for 2016)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>			<u>TOTAL ACTIVITIES</u>	
		<u>OPERATIONS</u>	<u>CAPITAL CAMPAIGN</u>	<u>TOTAL</u>	<u>2017</u>	<u>2016</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 969,469	\$ 131,526	\$ 792,863	\$ 924,389	\$ 1,893,858	\$ 1,575,352
Rental Income	431,380	-	-	-	431,380	451,778
Thrift Shop Donations	219,560	-	-	-	219,560	196,414
Donated Goods and Services	138,992	-	-	-	138,992	154,959
Special Fund Raising Event Proceeds	80,370	-	-	-	80,370	171,417
Less: Cost of Direct Benefits to Donors	(3,279)	-	-	-	(3,279)	(34,173)
Change in Beneficial Interest in Agency Fund	-	41,877	-	41,877	41,877	12,314
Other Income	11,324	-	-	-	11,324	-
Interest Income	242	-	-	-	242	104
Total Support and Revenues	<u>1,848,058</u>	<u>173,403</u>	<u>792,863</u>	<u>966,266</u>	<u>2,814,324</u>	<u>2,528,165</u>
<i>Reclassifications of Net Assets:</i>						
Transfer of Agency Funds	(355,000)	355,000	-	355,000	-	-
Net Assets Released to Operating Activities	115,028	(71,872)	(43,156)	(115,028)	-	-
Net Assets Released to Capital Projects	125,989	-	(125,989)	(125,989)	-	-
Total Reclassifications of Net Assets	<u>(113,983)</u>	<u>283,128</u>	<u>(169,145)</u>	<u>113,983</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,734,075</u>	<u>456,531</u>	<u>623,718</u>	<u>1,080,249</u>	<u>2,814,324</u>	<u>2,528,165</u>
<u>EXPENSES:</u>						
Program Services	1,304,402	-	-	-	1,304,402	1,224,914
Administrative	118,414	-	-	-	118,414	123,621
Fund Raising - Operations	64,331	-	-	-	64,331	77,180
Fund Raising - Capital Campaign	67,307	-	-	-	67,307	173,743
<u>TOTAL EXPENSES BEFORE DEPRECIATION AND OTHER CHANGES</u>	<u>1,554,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554,454</u>	<u>1,599,458</u>
<u>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND OTHER CHANGES</u>	<u>179,621</u>	<u>456,531</u>	<u>623,718</u>	<u>1,080,249</u>	<u>1,259,870</u>	<u>928,707</u>
Depreciation Expense	(108,180)	-	-	-	(108,180)	(123,096)
Capital Contribution from Equity Investor	404,880	-	-	-	404,880	-
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>476,321</u>	<u>456,531</u>	<u>623,718</u>	<u>1,080,249</u>	<u>1,556,570</u>	<u>805,611</u>
<u>NET ASSETS - BEGINNING 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>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 3,521,534</u>	<u>\$ 811,127</u>	<u>\$ 1,095,107</u>	<u>\$ 1,906,234</u>	<u>\$ 5,427,768</u>	<u>\$ 3,871,198</u>

ABBY KELLEY FOSTER HOUSE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	TEMPORARILY RESTRICTED				
	UNRESTRICTED	OPERATIONS	CAPITAL CAMPAIGN	TOTAL	TOTAL ACTIVITIES
<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
Rental Income	451,778	-	-	-	451,778
Thrift Shop Donations	196,414	-	-	-	196,414
Donated Goods and Services	154,959	-	-	-	154,959
Special Fund Raising Event Proceeds	156,863	14,554	-	14,554	171,417
Less: Cost of Direct Benefits to Donors	(34,173)	-	-	-	(34,173)
Change in Beneficial Interest in Agency Fund	-	12,314	-	12,314	12,314
Investment Return	104	-	-	-	104
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>
<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	95,028	(20,028)	(75,000)	(95,028)	-
Total Reclassifications of Net Assets	<u>330,882</u>	<u>(104,671)</u>	<u>(226,211)</u>	<u>(330,882)</u>	<u>-</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>EXPENSES:</u>					
Program Services	1,224,914	-	-	-	1,224,914
Administrative	123,621	-	-	-	123,621
Fund Raising - Operations	77,180	-	-	-	77,180
Fund Raising - Capital Campaign	173,743	-	-	-	173,743
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>1,599,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599,458</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>
Depreciation Expense	(123,096)	-	-	-	(123,096)
<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>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>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>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Summarized Comparative Totals for 2016)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND RAISING</u>		<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>OPERATIONS</u>	<u>CAPITAL</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>CAMPAIGN</u>	<u>2017</u>	<u>2016</u>
Salaries and Wages	\$ 569,634	\$ 62,333	\$ 40,126	\$ 20,166	\$ 692,259	\$ 623,389
Payroll Taxes	48,486	5,306	3,415	1,717	58,924	52,386
Employee Benefits	64,096	7,014	4,515	2,269	77,894	75,227
Volunteer Services <i>(Note 10)</i>	116,081	-	-	-	116,081	118,569
Direct Client Assistance - Rental and Thrift Shop Subsidies	131,185	-	-	-	131,185	115,556
Program Supplies and Expenses <i>(Note 10)</i>	28,291	-	-	-	28,291	32,003
Fund Raising Event Costs	-	-	9,532	-	9,532	16,516
Repairs and Maintenance	80,333	-	826	-	81,159	107,453
Utilities	105,144	1,410	1,221	-	107,775	105,245
Insurance	34,571	2,769	991	-	38,331	39,126
Accounting and Legal Expense	4,310	28,296	-	-	32,606	27,501
Professional Fees and Consultants <i>(Note 10)</i>	69,714	938	-	-	70,652	64,323
Capital Campaign Consultant	-	-	-	39,085	39,085	150,632
Small Equipment and Furnishings	7,857	510	494	-	8,861	18,081
Office Supplies and Expenses	5,557	990	588	-	7,135	7,419
Printing and Postage	26,046	284	1,908	4,070	32,308	27,999
Bank and Payroll Fees	-	6,567	-	-	6,567	6,347
Staff Training and Workshops	2,630	100	420	-	3,150	3,406
Dues, Fees and Subscriptions	7,984	305	295	-	8,584	5,804
Interest Expense	2,483	-	-	-	2,483	2,476
Bad Debts	-	1,592	-	-	1,592	-
Total Expenses Before Depreciation and Direct Event Costs	<u>1,304,402</u>	<u>118,414</u>	<u>64,331</u>	<u>67,307</u>	<u>1,554,454</u>	<u>1,599,458</u>
Depreciation Expense	104,870	1,774	1,536	-	108,180	123,096
Cost of Direct Benefits to Donors	-	-	3,279	-	3,279	34,173
Total Functional Expenses	<u>\$ 1,409,272</u>	<u>\$ 120,188</u>	<u>\$ 69,146</u>	<u>\$ 67,307</u>	<u>\$ 1,665,913</u>	<u>\$ 1,756,727</u>

ABBY KELLEY FOSTER HOUSE, INC.

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

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 1,556,570	\$ 805,611
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Capital Campaign Pledges	(792,863)	(697,600)
Capital Contribution from Equity Investor	(404,880)	-
Depreciation Expense	108,180	123,096
Change in Fair Value of Beneficial Interest in Assets Held by Others	(41,877)	(12,314)
<i>(Increase) Decrease in Current Assets:</i>		
Accounts and Other Receivables	(397)	(3,657)
Grants Receivable	(77,500)	(12,000)
Inventories and Other Current Assets	(7,082)	(11,697)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	15,788	21,061
Accrued Payroll and Related Costs	23,739	2,672
Deferred Revenue	187,995	(1,945)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable	12,000	(36,000)
Net Adjustment	(976,897)	(628,384)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>579,673</u>	<u>177,227</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Pre-Development/Renovation Expenditures	(1,103,540)	(207,849)
Contribution to Beneficial Interest in Agency Fund	(355,000)	(30,000)
Acquisition of Property and Equipment	(9,908)	(23,787)
Net Cash Flows from Investing Activities	<u>(1,468,448)</u>	<u>(261,636)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal Reduction on Long-Term Debt	(51,814)	(4,791)
Capital Contributions from Equity Investor	404,880	-
Proceeds from Bond Issuance	8,200,000	-
Proceeds from Pre-Development Loans	100,000	147,374
Proceeds from Construction Loans	652,858	-
Proceeds from Capital Campaign Pledges and Grants	677,064	486,603
Net Cash Flows from Financing Activities	<u>9,982,988</u>	<u>629,186</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>9,094,213</u>	<u>544,777</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,044,664</u>	<u>499,887</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 10,138,877</u>	<u>\$ 1,044,664</u>
<i>Supplemental Disclosures :</i>		
Interest Paid	\$ 2,483	\$ 2,476
<i>Non-Cash Investing and Financing :</i>		
Accounts Payable, Construction	\$ 178,070	\$ 8,128

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Abby Kelley Foster House, Inc.:

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 (“IRC”). 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.

In 2017, in connection with a major renovation project, further detailed in Note 12, Abby’s House established the following entities in order to receive and transfer federal and state tax credits.

AKFH Renovations MM LLC:

AKFH Renovations MM LLC (“the Managing Member”) was established as a Massachusetts Limited Liability Company pursuant to Chapter 156C of the Massachusetts General Laws on March 24, 2017. The Managing Member is a tax-exempt controlled entity as defined in IRC Section 168, owned 50% by Abby’s House and 50% by Women’s Institute Realty, Inc., an unrelated Massachusetts charitable nonprofit corporation. Abby’s House serves as the General Partner of the Managing Member. Pursuant to IRC Code Section 168, the Managing Member elected to be taxed as a corporation.

AKFH Renovations LLC:

On March 24, 2017, the Managing Member established AKFH Renovations LLC (“the LLC”) also organized as a Massachusetts Limited Liability Company pursuant to Chapter 156C of the Massachusetts General Laws. The Managing Member served as the sole member of the LLC until December 28, 2017, at which time the First Amended and Restated Operating Agreement was executed, and the Managing Member admitted Massachusetts Housing Equity Fund XXIII LLC (“MHIC”) as the Investor Member. On that date, MHIC acquired a 99.99% interest in the LLC with a capital contribution as further detailed in Note 7.

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, with and without 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 tangible skills, access to services, and emotional support in order to actively mitigate the issues which led to her homelessness and to prevent future homelessness.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 2 *(Continued)*

Our advocacy 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-call crisis 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, when further stabilization is required in transitioning towards permanent housing.

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.

Advocacy:

Advocates help women to identify realistic goals and provide the tools needed to achieve them. Our focus on intensive case management, or advocacy, is to help our shelter guests and residents 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 women with the sometimes daunting task of matching needs with existing resources - and assisting them with accessing those 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 2 *(Continued)*

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 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 mission of Abby's House.

Annette Rafferty Survive to Thrive (ARST) Fund:

Through a collaborative application process involving residents or shelter guests and their Advocates, the ARST Fund provides emergency funding to cover expenses like medical and dental needs. This fund also helps to break the cycle of poverty by providing financial support to residents and shelter guests for education or vocational training with the goal of helping them to become financially self-sufficient. Additional grants are made to cover the escalating costs of obtaining permanent and stable housing, including first, last and security payments required for moving into an apartment.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organizations' consolidated financial statements are described below to enhance the usefulness of the consolidated 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 consolidated 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 Organizations.

Basis of Accounting:

The Organizations' policy is to maintain their books and prepare their consolidated 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

Principles of Consolidation:

The accompanying consolidated financial statements incorporate the accounts of the following entities (collectively “the Organizations”):

- Abby Kelley Foster House, Inc.
- AKFH Renovations MM LLC
- AKFH Renovations LLC

Abby’s House is considered the primary beneficiary of the LLC and its Managing Member. These entities are considered to be variable interest entities (“VIE”) within the meaning of standards pertaining to the consolidation of variable interest entities. An entity considered to be the primary beneficiary of the VIE has both (a) the power to direct activities of the VIE that most significantly impact the VIE’s economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The interest owned by the unaffiliated members or limited partners is referred to in the accompanying consolidated financial statements as the *Non-Controlling Interest* and represents the Investor Member’s proportionate share of equity and net results from operations. As of and for the year ended December 31, 2017, MHIC and Women’s Institute Realty, Inc. represent the *Non-Controlling Interest*.

Except as otherwise specified in the partnership agreements, all items of income, expense, gain, loss, tax credits and cash are allocated to the partners based upon their ownership percentage. All material inter-affiliated accounts and transactions are eliminated in the consolidated financial statements.

Fair Value of Financial Instruments:

The Organizations reports their 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

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 Organizations' financial statements is the recurring measurement of its beneficial interest in an agency endowment fund. There have been no changes to this valuation methodology.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organizations report information regarding their 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 Organizations 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 Organizations to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organizations. 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 Organizations to expend part or all of the income derived from the donated assets. For the years presented, the Organizations did not have any assets of this nature.

Through December 27, 2017, all transactions and activities in the accompanying financial statements were conducted by Abby's House. On December 28, 2017, as part of a construction and finance closing, a number of transactions were initiated and documents were executed to admit the Investor Member to the LLC, transfer the related property from Abby's House to the LLC and execute a number of funding agreements. Management has elected to present comparative financial statements, as the prior year information remains consistent in substance with the nature of operations and the activities of Abby's House and its affiliates.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

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 Consolidated Statements of Financial Position. For the years presented, such amounts consisted of the following balances:

<u>Cash Composition</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 1,506,040	\$ 404,204
Board Designated Operating, Building and Capital Asset Reserves	380,257	380,067
Bond Proceeds Reserve	7,400,040	-
Capital Campaign Proceeds	<u>852,540</u>	<u>260,393</u>
Total	<u>\$10,138,877</u>	<u>\$1,044,664</u>

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. Uncollectible pledges from 2016 special events totaling \$1,592 were recognized as *Bad Debts* in 2017.

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, 2017 and 2016, all noncurrent grants receivable were due within three and four years, respectively.

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, 2017 and 2016, all non-current pledges were due within four and three years, respectively.

Pledge for 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 in 2018, 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 Organizations did not report any losses on unpaid grant or pledge commitments.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 *(Continued)*

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 \$5,000 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.

The Organizations review their investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of the property. There were no impairment losses recognized in each of the years presented.

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, 2017 and 2016, 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 Consolidated 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 12, Abby's House is currently raising funds for a capital campaign to renovate the Organization's main facility in Worcester. Through December 28, 2017, the Organization was in the Pre-Development Phase of this project. During this phase of the project, the costs were carried as *Pre-Development Costs* in the Consolidated Statements of Financial Position. As of December 31, 2016, *Pre-Development Costs* consisted of Real Estate Development Consultants, Architectural, Legal and Engineering Fees, and accrued interest on pre-development loans. Effective December 28, 2017, after a construction and finance closing, *Pre-Development Costs* totaling \$1,444,214 were reclassified to *Construction in Progress* and upon completion, the costs will be reclassified to their proper asset category and depreciated over an appropriate useful life.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

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 Consolidated Statements of Functional Expenses. *Thrift Shop Donations* 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 Consolidated Statement of Activities and are either listed as expenses on the Consolidated Statement of Functional Expenses or capitalized assets on the Consolidated Statements of Financial Position.

Functional Expenses:

The Organizations allocate their 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 affiliates) and its programs on a day-to-day basis.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 *(Continued)*

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Abby Kelley Foster House, Inc. and its affiliates' 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. and its affiliates' programs. Fund raising expenses also includes the costs of special fund raising events.

Capital Campaign - As further discussed in Note 12, Abby's House has been 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 renovation project have been classified as *Capital Campaign* in the accompanying consolidated financial statements.

Total fundraising expenses for the years ended December 31, 2017 and 2016 amounted to \$136,453 and \$287,102, respectively, which includes the following costs:

	<u>2017</u>	<u>2016</u>
Fund Raising for Programs	\$ 56,335	\$ 62,670
Capital Campaign	67,307	173,743
Costs of Fund Raising Events	<u>12,811</u>	<u>50,689</u>
Total	<u>\$136,453</u>	<u>\$287,102</u>

Tax Position:

The Organizations currently evaluate all tax positions, and make a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by Abby's House is the lack of Unrelated Business Income Tax and its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and the fact that changes may result from closing of statute of limitations on tax returns, new legislation, and clarification of existing legislation through government pronouncements, the courts, and through the examination process.

AKFH Renovations LLC is taxed as a partnership and files a U.S. Return of Partnership Income, which indicates the share of items to be reported on each members' income tax return. AKFH Renovations MM LLC is taxed as a corporation and files a U.S. Corporation Income Tax Return. For the year ended December 31, 2017, the initial filing period, there was no taxable income reported. As a result, no provision for income taxes is required in the accompanying consolidated financial statements.

For the years presented, the Organizations have not recognized any tax benefits or loss contingencies for uncertain tax positions based on these evaluations.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 3 *(Continued)*

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning January 1, 2018 and is not expected to have a material effect on the Organization's financial position or change in net assets.

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*, which deferred the effective date of ASC Update No. 2014-09 by one year. This guidance will be effective for this Organization beginning January 1, 2019 and is not expected to have a material effect on the Organization's financial position or change in net assets.

Reclassifications:

Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

NOTE 4 PROPERTY AND EQUIPMENT

Property and Equipment consists of land and land improvements, buildings and associated improvements, furnishings, fixtures, appliances, and equipment. The following is a summary of property and equipment as of December 31, 2017 and 2016:

<u>Asset Category</u>	<u>2017</u>	<u>2016</u>
Land	\$ 225,636	\$ 225,636
Buildings and Improvements	4,055,346	4,045,438
Construction in Progress	1,444,214	-
Furnishings, Fixtures, and Equipment	<u>40,195</u>	<u>40,195</u>
Subtotal	5,765,391	4,311,269
Less Accumulated Depreciation	<u>(1,879,091)</u>	<u>(1,770,911)</u>
Property and Equipment	<u>\$3,886,300</u>	<u>\$2,540,358</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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 4 *(Continued)*

As part of the capital renovation project at 52 High Street, as was required to facilitate various tax credit and investor equity transactions, Abby's House sold the land and building to AKFH Renovations, LLC for \$2,000,000. The sale of the real estate resulted in a gain of \$96,941 for Abby's House, and pursuant to the sale, Abby's House holds a mortgage note receivable and AKFH Renovations LLC carries a corresponding debt in the amount of \$1,200,000. The note bears interest at the annual rate of 2.64%, compounded annually, and payable to the extent of available "Net Cash Flow" as defined in the First Amended and Restated Operating Agreement. At present, Abby's House does not expect that the project will generate excess cash flows in the future; however, interest will be accrued annually for the 40-year term of the promissory note, maturing December 28, 2057. While these transactions are recognized in each respective entity, they are eliminated in the accompanying consolidated financial statements.

NOTE 5 BENEFICIAL INTEREST

The estimated value of funds held by GWCF on behalf of Abby's House was \$683,281 and \$286,405 as of December 31, 2017 and 2016, respectively. Abby's House contributes to this fund which may be used for future programs or capital needs. In addition, it is the hope of Abby's House that other individuals will contribute to the fund. The nature of the agency endowment fund agreement grants variance power, or control, to GWCF, which gives GWCF the ultimate authority over the fund and the income derived there from. Abby's House retains a beneficial interest in the endowment fund held by the GWCF, the assets of which are not in Abby's House possession. Abby's House has legally enforceable rights and claims to the earnings on such assets. Upon request by Abby's House, and subject to the approval of the GWCF, income from the fund is distributed to Abby's House. Abby's House 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 2017 and 2016, Abby's House contributed \$355,000 and \$30,000, respectively, to the fund. Abby's House received no distributions from the fund in either year presented.

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

	<u>2017</u>	<u>2016</u>
Beneficial Interest - Beginning of Year	\$286,405	\$244,090
Contributions to the Fund	355,000	30,000
Investment Gains	45,795	14,024
Interest and Dividends	866	2,136
Investment Management Fees	<u>(4,784)</u>	<u>(3,845)</u>
Beneficial Interest - End of Year	<u>\$683,282</u>	<u>\$286,405</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 6 DEBT

77 Chatham Street, Worcester:

People's United Bank:

On October 20, 1995, Abby's House 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, Abby's House refinanced the outstanding principal balance of \$59,030 with People's United Bank. Per the terms of the refinancing agreement, the amount was 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 and on February 28, 2017 the mortgage note was paid in full.

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 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 mortgage and security agreement on the property and is subordinate to the mortgage held by CEDAC.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 6 *(Continued)*

52 High Street, Worcester:

As detailed in Note 12, Abby's House is undergoing a major renovation project on a residential and program/office facility. Through December 28, 2017, the Organization had expended approximately \$1.3 million in pre-development costs, which were funded through a combination of pre-development loans and capital campaign contributions. On December 28, 2017, Abby's House had a finance and construction closing which provided funding from long-term deferred debt, bond proceeds and proceeds from federal historic tax credit equity in the form of a capital contribution to AKFH Renovations LLC. The renovation costs are currently projected to be \$16 million. The construction phase will be funded by the bond proceeds, capital campaign contributions and additional permanent long-term deferred financing through the Commonwealth of Massachusetts and the City of Worcester. AKFH Renovations LLC is expected to receive \$10,748,628 in the aggregate in capital contributions from the equity investment in federal low-income housing tax credits and federal historic tax credits and as subordinate loans from the same of state low-income housing tax credits and state historic tax credits, which sources will be used to repay the bond and construction bridge loans from Eastern Bank. On December 28, 2017, CEDAC refinanced its pre-development loan and converted the balance into permanent financing. As of December 31, 2017, the following significant debt and related agreements had been executed in connection with this project.

Eastern Bank:

Eastern Bank purchased a Multifamily Housing Revenue Bond (AKFH Renovations Issue, Series 2017) in the amount of \$8,200,000 issued by Massachusetts Development Finance Agency ("MDFA"), dated December 28, 2017. On that same day, Eastern Bank, acting under a Disbursement Agreement, deposited the bond proceeds into a Bond Reserve Account with an initial deposit of \$7,400,000 and \$800,000 was deposited into a Disbursement Reserve Account held at Eastern Bank in the name of AKFH Renovations LLC. Interest payments on the Revenue Bond are fixed at 3.62%, payable monthly in arrears, commencing on January 28, 2018. As of December 31, 2017, the outstanding obligation on the Revenue Bond was \$8,200,000, and there was no unpaid interest at that date.

Eastern Bank has agreed to provide AKFH Renovations LLC with bridge loan financing not to exceed \$675,000, subject to interest at the rate of 4.53% per annum, payable monthly in arrears. As of December 31, 2017, there were no outstanding borrowings on the Bridge Loan.

Eastern Bank holds a first priority mortgage on the subject property, an assignment of leases and rents and a security interest in anticipated federal and state tax credit proceeds. AKFH Renovations, LLC has issued two promissory notes to Eastern Bank in connection with the above loans, which mature on December 28, 2020.

The Bond Reserve account is held for future funding requisitions for the renovation of the building to be used as an affordable residential rental housing facility comprising 54 residential rental housing units and functionally related and subordinate facilities, and commercial space which will be owned, operated or managed by AKFH Renovations LLC.

The Revenue Bond matures on December 28, 2020, as does the Bridge Loan, and periodic payments of principal are not required before then; however, AKFH Renovations, LLC is required to repay the Revenue Bond and the Bridge Loan upon construction completion and receipt of anticipated equity investments from tax credit proceeds as further detailed in Note 7.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 6 *(Continued)*

Community Economic Development Assistance Corporation (“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. The note accrued interest at the rate of 7%, which has been capitalized as construction period interest, and the full principal balance and accrued interest was due upon construction closing and financing. As of December 31, 2016, the outstanding principal balance was \$265,000 plus accrued interest of \$19,057. During 2017, Abby’s House borrowed an additional \$100,000, and the balance of \$365,000 plus accrued interest of \$42,142 was converted to permanent financing on December 28, 2017. On December 28, 2017, AKFH Renovations, LLC assumed the outstanding balance of the pre-development loan and accrued interest totaling \$407,142.

MassDocs:

MassDocs is an agency that coordinates the funding programs of four state agencies. AKFH Renovations LLC has entered into the following loan agreements which are administered by the Massachusetts Department of Housing and Community Development (“DHCD”) for itself and as agent for CEDAC and the City of Worcester.

<u>Funding Source</u>	<u>Amount</u>
CEDAC - Housing Innovations Fund	\$2,000,000
CEDAC - Facilities Consolidation Fund	500,000
City of Worcester - HOME Program	550,000
DHCD - Housing Trust Fund	<u>500,000</u>
Total	<u>\$3,550,000</u>

The promissory notes are non-interest bearing and have maturity dates of February 28, 2049 and 2059. As of December 31, 2017, \$1,060,000 was outstanding on a promissory note to CEDAC under a Housing Innovations Fund loan with a maximum borrowing limit of \$2,000,000.

Neighborhood of Affordable Housing, Inc.:

AKFH Renovations LLC has agreed to receive two loans from Neighborhood of Affordable Housing, Inc. in the aggregate amount of \$4,000,625 which will be sourced from the proceeds of the sale of the state low-income housing tax credits and the state historic tax credits. The notes accrue interest at the applicable federal rate (2.64%) payable to the extent of available cash flow, and maturing on December 31, 2057. As of December 31, 2017, there had been no funds advanced in connection with these loans.

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 bears interest at the rate of 4.5% per annum. As of December 31, 2017 and 2016, the balance due on the loan was \$50,000 plus accrued interest in the amount of \$5,894 and \$3,500, respectively. The full balance of the note and accrued interest was paid in January 2018.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 6 *(Continued)*

Each of the above obligations is secured by a mortgage on the property which stipulates that the property must comply with affordable housing regulations.

The Organizations have determined that all renovation 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, tax credit equity and bond proceeds that will be converted to long-term permanent financing and equity.

Line-of-Credit:

The Organization had a \$500,000 revolving line-of-credit with United Bank. Principal was due on demand and was secured by the Organization's assets. Borrowings on the line-of-credit bore interest at the Wall Street Journal Prime Rate, which was 3.75% as of December 31, 2016. The line carried a zero balance as of December 31, 2016 and was closed in 2017.

As of December 31, 2017 and 2016, *Construction and Renovation Financing* consists of the following obligations:

	<u>2017</u>	<u>2016</u>
Eastern Bank Bond	\$8,200,000	\$ -
CEDAC Pre-Development Loan	-	265,000
CEDAC Permanent Loan	1,060,000	-
Housing Ministries	50,000	50,000
Accrued Interest	<u>5,894</u>	<u>22,557</u>
Total	<u>\$9,315,894</u>	<u>\$337,557</u>

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, 2017 and 2016:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Capital Campaign	\$1,095,107	\$471,389
Beneficial Interest in Agency Fund	683,281	286,405
Thrift Shop	75,000	-
ARST Fund	15,443	14,616
Time Restricted	36,000	48,000
City Overflow Shelter Funds	-	3,105
Board Development	975	1,913
Housing and Shelter Program	<u>428</u>	<u>557</u>
Total	<u>\$1,906,234</u>	<u>\$825,985</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 7 *(Continued)*

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>2017</u>	<u>2016</u>
Capital Campaign	\$169,145	\$226,211
Opening the Door for Women Program	7,500	30,000
Housing and Shelter Program	32,234	28,276
Lapse of Time Restrictions	12,000	12,000
ARST Fund	11,792	11,280
Building Repairs/Capital Needs	7,408	20,027
Board Development	<u>938</u>	<u>3,088</u>
Total	<u>\$241,017</u>	<u>\$330,882</u>

Board Designated Net Assets:

The Board of Directors established an *Operating Reserve Fund* and a *Building and Capital Asset Reserves 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 Reserves* 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 Reserves* will be, at a minimum, one year of the average annual depreciation.

Equity Transactions:

State Historic and Low-Income Tax Credits

AKFH Renovations LLC received a binding commitment from the Massachusetts Department of Housing and Community Development (“DHCD”) for an allotment of its 2019 Massachusetts Low-Income Housing Tax Credits. In addition, the Massachusetts Historical Commission awarded Massachusetts Historic Rehabilitation tax credits. Management estimates that the sale of the State Low-Income Housing Tax Credits and the State Historic Tax Credits are expected to generate in the aggregate net sale proceeds of approximately \$4 million. In accordance with the provisions of the Amended and Restated Operating Agreement of AKFH Renovations LLC, AKFH Renovations LLC allocated 100% of the State Low-Income Housing Tax Credits and the State Historic Tax Credits to its managing member, AKFH Renovations MM LLC (the “Managing Member” or “Donor”). On December 28, 2017, the Managing Member, as the Donor, and Neighborhood of Affordable Housing, Inc., an unrelated Massachusetts nonprofit corporation, as Donee (the “Donee”) entered into the Charitable Donation and Transfer Agreements pursuant to which agreements, the Managing Member agreed to donate, and the Donee agreed to accept the donation of, the State Low-Income Housing Tax Credits and the State Historic Tax Credits. The Donee will sell the State Low-Income Housing Tax Credits and the State Historic Tax Credits to private buyers who have been identified in the Purchase and Transfer Agreements entered into as of December 28, 2017. As of December 31, 2017, these agreements had been executed; however, the timing of the tax credit proceeds will depend upon the completion of the construction and various certifications, currently projected for April 2019.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 7 *(Continued)*

Federal Historic and Low-Income Tax Credits

AKFH Renovations LLC received a determination from DHCD that the project qualifies for an allowable allocation of federal low-income housing tax credits in addition to federal historic tax credits. Together, these tax credits are projected to generate an equity investment in the aggregate amount of approximately \$6,748,003 before syndication costs and other transactional fees. Pursuant to the First Amended and Restated Operating Agreement of AKFH Renovations LLC, AKFH Renovations MM LLC as the Managing Member, admitted Massachusetts Housing Equity Fund XXIII LLC (“MHIC”) as the Investor Member for purposes of allocating the federal tax credits in exchange for capital contributions as outlined below. As of December 31, 2017, MHIC made the initial capital contribution of \$404,880 in exchange for an ownership interest of 99.99%, and the Managing Member invested \$100 in exchange for a 0.01% ownership interest.

The Investor Member has agreed to make capital contributions totaling \$6,748,003 which are subject to specific conditions related to the successful receipt of the tax credits, project milestones, project completion and presently expected on the following approximate timeline:

	<u>Amount</u>
December 28, 2017	\$ 404,880
August 1, 2018	337,400
March 1, 2019	4,318,722
July 1, 2019	1,677,001
Upon Issuance of Final Tax Credit Certification	<u>10,000</u>
Total	<u>\$6,748,003</u>

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 years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Rental Income	\$431,380	\$451,778
Less: Rental Subsidies	<u>(122,801)</u>	<u>(108,856)</u>
Actual Rent Received	<u>\$308,579</u>	<u>\$342,922</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(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. 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>2017</u>	<u>2016</u>
Contributions and Sponsorships	\$51,091	\$111,170
Gross Event Ticket Sales	23,774	42,572
Auction Proceeds	<u>5,505</u>	<u>17,675</u>
Total Proceeds	80,370	171,417
Less: Direct Costs of Special Events	<u>(3,279)</u>	<u>(34,173)</u>
Event Proceeds Net of Direct Costs	77,091	137,244
Less: Indirect Event Costs	<u>(9,532)</u>	<u>(16,516)</u>
Net Special Event Proceeds	<u>\$67,559</u>	<u>\$120,728</u>

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>2017</u>	<u>2016</u>
Volunteer Services	\$116,081	\$118,569
Gift Cards	9,615	13,116
Professional Fees and Consultants	1,050	3,991
Program Supplies and Expenses	<u>12,246</u>	<u>19,283</u>
Total	<u>\$138,992</u>	<u>\$154,959</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 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. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 12 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 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. In both 2017 and 2016, 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 Board members in 2017 and 2016 made a pledge to the campaign, and many individuals, local businesses, and foundations also made pledges, thus raising a total of \$792,863 in 2017 and \$697,600 in 2016.

Currently, the expected cost of the renovation is \$16,191,098, 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, 2017, Abby's House had secured financing as further detailed in Note 6. Construction commenced in February 2018 with an expected completion date of April 2019.

NOTE 13 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 \$938,164 and \$431,531 in excess of federally insured and other limits as of December 31, 2017 and 2016, 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. Two foundation gifts accounts for approximately 25% of total capital revenue for 2017. One foundation gift accounts for approximately 22% of total capital campaign revenue for 2016.

Grants Receivable:

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

NOTE 14 CONTINGENCIES

Deed Restrictions:

Each of the mortgage obligations disclosed in Note 6 imposes a deed restriction on the use of the residential facilities located in Worcester, Massachusetts. The purpose of the deed restrictions are to assure the government that the premises will be retained as affordable housing for occupancy by low and very low-income families. The deed restrictions apply to all owners of the property without regard to early repayment of debt.

Guaranty:

Together with Women's Institute Realty, Inc., Abby's House has unconditionally guaranteed to MHIC the construction performance, responsibility for renovation cost overages, payment of any Supplemental Operating Deficit Capital Contributions (as defined in the First Amended and Restated Operating Agreement), operating deficits, and other funding shortfalls as further detailed in a Sponsors' Guaranty and Agreement dated December 28, 2017.

NOTE 15 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 May 9, 2018, the date which the consolidated financial statements were available for issue, and noted the following event which met the disclosure criteria.

Construction:

After a construction and finance closing on December 28, 2017, Abby's House commenced construction on a major facility renovation project in February 2018 with an expected completion date of April 2019 *(See Note 12)*.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017

	<u>ABBY'S</u>	<u>AKFH</u>	<u>AKFH</u>	<u>ELIMIN-</u>	<u>CONSOLIDATED</u>
	<u>HOUSE</u>	<u>LLC</u>	<u>MM LLC</u>	<u>ATIONS</u>	<u>TOTAL</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash and Cash Equivalents	\$ 327,323	\$ 1,178,717	\$ -	\$ -	\$ 1,506,040
Accounts and Other Receivables	7,304	-	-	-	7,304
Due From Affiliates	1,042,939	-	100	(1,043,039)	-
Grants Receivable	89,500	-	-	-	89,500
Capital Campaign Pledges Receivable	157,761	-	-	-	157,761
Inventories and Other Current Assets	<u>34,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,366</u>
Total Current Assets	<u>1,659,193</u>	<u>1,178,717</u>	<u>100</u>	<u>(1,043,039)</u>	<u>1,794,971</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>539,027</u>	<u>3,662,839</u>	<u>-</u>	<u>(315,566)</u>	<u>3,886,300</u>
<u>NON-CURRENT ASSETS:</u>					
Bond Proceeds Reserve	-	7,400,040	-	-	7,400,040
Board Designated Reserves	380,257	-	-	-	380,257
Notes Receivable from Affiliate	1,325,989	-	-	(1,325,989)	-
Capital Campaign Proceeds	852,540	-	-	-	852,540
Capital Campaign Pledges Receivable	126,534	-	-	-	126,534
Pledge for Pro Bono Construction Costs	40,000	-	-	-	40,000
Grants Receivable	24,000	-	-	-	24,000
Beneficial Interest in Agency Fund	683,281	-	-	-	683,281
Investment in Subsidiary	-	100	-	(100)	-
Deferred Pre-Development Costs	<u>89,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,524</u>
Total Non-Current Assets	<u>3,522,125</u>	<u>7,400,140</u>	<u>-</u>	<u>(1,326,089)</u>	<u>9,596,176</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,720,345</u>	<u>\$ 12,241,696</u>	<u>\$ 100</u>	<u>\$ (2,684,694)</u>	<u>\$ 15,277,447</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 20,329	\$ -	\$ -	\$ -	\$ 20,329
Accrued Payroll and Related Costs	47,066	-	-	-	47,066
Due to Affiliates	-	1,043,039	-	(1,043,039)	-
Deferred Revenue	<u>188,520</u>	<u>-</u>	<u>-</u>	<u>(187,500)</u>	<u>1,020</u>
Total Current Liabilities	<u>255,915</u>	<u>1,043,039</u>	<u>-</u>	<u>(1,230,539)</u>	<u>68,415</u>
<u>LONG-TERM LIABILITIES:</u>					
Mortgage Note, Net of Current Portion	-	1,200,000	-	(1,200,000)	-
Construction and Renovation Financing	-	9,441,883	-	(125,989)	9,315,894
Accounts Payable, Construction	25,835	152,235	-	-	178,070
Deferred Forgivable Debt	<u>287,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,300</u>
Total Long-Term Liabilities	<u>313,135</u>	<u>10,794,118</u>	<u>-</u>	<u>(1,325,989)</u>	<u>9,781,264</u>
<u>TOTAL LIABILITIES</u>	<u>569,050</u>	<u>11,837,157</u>	<u>-</u>	<u>(2,556,528)</u>	<u>9,849,679</u>
<u>NET ASSETS:</u>					
Unrestricted Net Assets	3,245,061	(341)	100	(128,166)	3,116,654
Temporarily Restricted Net Assets	<u>1,906,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,906,234</u>
Total AKFH Net Assets	5,151,295	(341)	100	(128,166)	5,022,888
Non-Controlling Interest	<u>-</u>	<u>404,880</u>	<u>-</u>	<u>-</u>	<u>404,880</u>
Total Net Assets	<u>5,151,295</u>	<u>404,539</u>	<u>100</u>	<u>(128,166)</u>	<u>5,427,768</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 5,720,345</u>	<u>\$ 12,241,696</u>	<u>\$ 100</u>	<u>\$ (2,684,694)</u>	<u>\$ 15,277,447</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>ABBY'S</u> <u>HOUSE</u>	<u>AKFH</u> <u>LLC</u>	<u>AKFH</u> <u>MM LLC</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<u>SUPPORT AND REVENUES:</u>					
Gifts, Grants and Contributions	\$ 1,893,858	\$ -	\$ -	-	\$ 1,893,858
Rental Income	462,505	-	-	(31,125)	431,380
Thrift Shop Donations	219,560	-	-	-	219,560
Donated Goods and Services	138,992	-	-	-	138,992
Special Fund Raising Event Proceeds	80,370	-	-	-	80,370
Less: Cost of Direct Benefits to Donors	(3,279)	-	-	-	(3,279)
Change in Beneficial Interest in Agency Fund	41,877	-	-	-	41,877
Other Income	11,324	-	-	-	11,324
Interest Income	201	41	-	-	242
<u>TOTAL SUPPORT AND REVENUES</u>	<u>2,845,408</u>	<u>41</u>	<u>-</u>	<u>(31,125)</u>	<u>2,814,324</u>
<u>EXPENSES:</u>					
Program Services	1,409,272	-	-	-	1,409,272
Administrative	119,806	382	-	-	120,188
Fund Raising - Operations	65,867	-	-	-	65,867
Fund Raising - Capital Campaign	67,307	-	-	-	67,307
<u>TOTAL EXPENSES</u>	<u>1,662,252</u>	<u>382</u>	<u>-</u>	<u>-</u>	<u>1,662,634</u>
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>1,183,156</u>	<u>(341)</u>	<u>-</u>	<u>(31,125)</u>	<u>1,151,690</u>
<u>OTHER CHANGES IN NET ASSETS:</u>					
Gain on Sale of Real Estate	96,941	-	-	(96,941)	-
Capital Contribution from Investor	-	404,880	100	(100)	404,880
Total Other Changes in Net Assets	96,941	404,880	100	(97,041)	404,880
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>1,280,097</u>	<u>404,539</u>	<u>100</u>	<u>(128,166)</u>	<u>1,556,570</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,871,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,871,198</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 5,151,295</u>	<u>\$ 404,539</u>	<u>\$ 100</u>	<u>\$ (128,166)</u>	<u>\$ 5,427,768</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>ABBY KELLEY FOSTER HOUSE</u>				<u>AKFH LLC</u>	<u>CONSOLIDATED</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>OPERATIONS</u>	<u>FUND RAISING</u> <u>CAPITAL</u> <u>CAMPAIGN</u>	<u>ADMINI-</u> <u>STRATIVE</u>	
Salaries and Wages	\$ 569,634	\$ 62,333	\$ 40,126	\$ 20,166	\$ -	\$ 692,259
Payroll Taxes	48,486	5,306	3,415	1,717	-	58,924
Employee Benefits	64,096	7,014	4,515	2,269	-	77,894
Volunteer Services	116,081	-	-	-	-	116,081
Direct Client Assistance - Rental and Thrift Shop Subsidies	131,185	-	-	-	-	131,185
Program Supplies and Expenses	28,291	-	-	-	-	28,291
Indirect Costs of Fund Raising Events	-	-	9,532	-	-	9,532
Repairs and Maintenance	80,333	-	826	-	-	81,159
Utilities	105,144	1,410	1,221	-	-	107,775
Insurance	34,571	2,769	991	-	-	38,331
Accounting and Legal Expense	4,310	28,296	-	-	-	32,606
Professional Fees and Consultants	69,714	938	-	-	-	70,652
Capital Campaign Consultant	-	-	-	39,085	-	39,085
Small Equipment and Furnishings	7,857	510	494	-	-	8,861
Office Supplies and Expenses	5,557	608	588	-	382	7,135
Printing and Postage	26,046	284	1,908	4,070	-	32,308
Bank and Payroll Fees	-	6,567	-	-	-	6,567
Staff Training and Workshops	2,630	100	420	-	-	3,150
Dues, Fees and Subscriptions	7,984	305	295	-	-	8,584
Interest Expense	2,483	-	-	-	-	2,483
Bad Debts	-	1,592	-	-	-	1,592
Total Expenses Per the Consolidated Statement of Activities	1,304,402	118,032	64,331	67,307	382	1,554,454
Depreciation Expense	104,870	1,774	1,536	-	-	108,180
Direct Costs of Fund Raising Events	-	-	3,279	-	-	3,279
Total Functional Expenses	\$ 1,409,272	\$ 119,806	\$ 69,146	\$ 67,307	\$ 382	\$ 1,665,913

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>ABBY'S</u> <u>HOUSE</u>	<u>AKFH</u> <u>LLC</u>	<u>AKFH</u> <u>MM LLC</u>	<u>ELIMIN-</u> <u>ATIONS</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Change in Net Assets	\$ 1,280,097	\$ 404,539	\$ 100	\$ (128,166)	\$ 1,556,570
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>					
Capital Campaign Pledges	(792,863)	-	-	-	(792,863)
Capital Contribution from Equity Investor	-	(404,880)	-	-	(404,880)
Gain on Sale of Real Estate	(96,941)	-	-	96,941	-
Depreciation Expense	108,180	-	-	-	108,180
Change in Fair Value of Beneficial Interest	(41,877)	-	-	-	(41,877)
<i>(Increase) Decrease in Current Assets:</i>					
Accounts and Other Receivables	(31,522)	-	(100)	31,225	(397)
Grants Receivable	(77,500)	-	-	-	(77,500)
Inventories and Other Current Assets	(7,082)	-	-	-	(7,082)
<i>Increase (Decrease) in Current Liabilities:</i>					
Accounts Payable and Accrued Expenses	15,407	381	-	-	15,788
Accrued Payroll and Related Costs	23,739	-	-	-	23,739
Deferred Revenue	187,995	-	-	-	187,995
<i>(Increase) Decrease in Non-Current Assets:</i>					
Grants Receivable	12,000	-	-	-	12,000
Net Adjustment	(700,464)	(404,499)	(100)	128,166	(976,897)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>579,633</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>579,673</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Pre-Development/Renovation Expenditures	(424,519)	(679,021)	-	-	(1,103,540)
Contribution to Beneficial Interest in Agency Fund	(355,000)	-	-	-	(355,000)
Acquisition of Property and Equipment	(9,908)	-	-	-	(9,908)
Net Cash Flows from Investing Activities	(789,427)	(679,021)	-	-	(1,468,448)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>					
Principal Reduction on Long-Term Debt	(51,814)	-	-	-	(51,814)
Capital Contribution from Equity Investor	-	404,880	-	-	404,880
Proceeds from Bond Issuance	-	8,200,000	-	-	8,200,000
Proceeds from Pre-Development Loans	100,000	-	-	-	100,000
Proceeds from Construction Loans	-	652,858	-	-	652,858
Proceeds from Capital Campaign Pledges and Grants	677,064	-	-	-	677,064
Net Cash Flows from Financing Activities	725,250	9,257,738	-	-	9,982,988
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>515,456</u>	<u>8,578,757</u>	<u>-</u>	<u>-</u>	<u>9,094,213</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,044,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,044,664</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,560,120</u>	<u>\$ 8,578,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,138,877</u>