



GT REILLY  
& COMPANY

CPAs and Advisors

Audited Financial Statements

**Associates for Human Services, Inc.**

June 30, 2016

# Associates for Human Services, Inc.

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## Audited Financial Statements

June 30, 2016

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## **Independent Auditors' Report**

Board of Directors  
Associates for Human Services, Inc.

We have audited the accompanying financial statements of Associates for Human Services, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standard applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

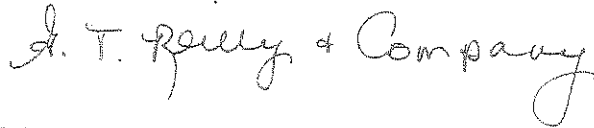
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associates for Human Services, Inc. as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued a report dated September 13, 2016 on our consideration of Associates for Human Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Associates for Human Services, Inc.'s internal control over financial reporting and compliance.

***Other Matter-2015 Financial Statements***

The accompanying financial statements of Associates for Human Services, Inc. as of and for the year ended June 30, 2015 were audited by other auditors whose report, dated August 27, 2015, expressed an unmodified opinion on those statements.



G.T. Reilly & Company

Milton, Massachusetts  
September 13, 2016

# Associates For Human Services, Inc.

## Statements of Financial Position

June 30

<u>Assets</u>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 836,422	\$ 1,042,046
Contracts and other receivables	1,108,503	705,171
Investments	671,963	672,645
Prepaid expenses	26,926	32,632
<b>TOTAL CURRENT ASSETS</b>	<u>2,643,814</u>	<u>2,452,494</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	439,900	439,900
Buildings and improvements	2,458,925	2,374,321
Equipment and fixtures	303,285	326,964
	<u>3,202,110</u>	<u>3,141,185</u>
Less: accumulated depreciation	1,083,542	1,060,996
	<u>2,118,568</u>	<u>2,080,189</u>
DEFERRED LOAN COSTS, net of accumulated amortization of \$9,092 and \$7,753 at June 30, 2016 and 2015, respectively	10,017	11,356
<b>TOTAL ASSETS</b>	<u>\$ 4,772,399</u>	<u>\$ 4,544,039</u>
 <b><u>Liabilities and Net Assets</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 220,411	\$ 143,194
Accrued payroll	301,102	349,990
Accrued vacation	139,196	119,080
Accrued unemployment	9,810	14,000
Accrued expenses and withholdings	35,764	27,201
Deferred revenue	187,461	51,999
Mortgage notes payable, due within one year	82,180	72,560
<b>TOTAL CURRENT LIABILITIES</b>	<u>975,924</u>	<u>778,024</u>
MORTGAGE NOTES PAYABLE, due after one year	<u>1,422,154</u>	<u>1,507,503</u>
UNRESTRICTED NET ASSETS	<u>2,374,321</u>	<u>2,258,512</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,772,399</u>	<u>\$ 4,544,039</u>

Associates For Human Services, Inc.

Statements of Activities and Changes in Net Assets

Years Ended June 30

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>OPERATING REVENUE AND SUPPORT</b>				
Mass. Department of Developmental Services	\$ 148,394	\$ -	\$ 163,968	\$ -
Mass. Department of Public Health	799,753	-	749,632	-
Mass. Department of Public Welfare	1,785,549	-	1,660,582	-
Early Head Start	511,655	-	997,236	-
Early Head Start Partnership	1,203,898	-	-	-
Taunton Area School to Career	116,700	-	-	-
Department of Education	30,314	-	72,421	-
In-kind contributions	203,768	-	212,298	-
Third party billings and other revenue	2,725,709	-	2,532,268	-
Donations, grants and fundraising	50,467	-	43,450	-
Rental income	53,893	-	65,227	-
Interest income	2,285	-	2,189	-
Net assets released from restrictions	7,632,385	-	6,499,271	(17,155)
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>7,632,385</b>	<b>-</b>	<b>6,516,426</b>	<b>(17,155)</b>
<b>EXPENSES</b>				
Program services	6,780,157	-	5,551,953	-
General and administrative	736,998	-	696,182	-
Rental expenses	22,838	-	57,857	-
<b>TOTAL OPERATING EXPENSES</b>	<b>7,539,993</b>	<b>-</b>	<b>6,305,992</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>92,392</b>	<b>-</b>	<b>210,434</b>	<b>(17,155)</b>
<b>NON-OPERATING ACTIVITIES</b>				
Net (loss) gain on investments	(2,530)	-	1,797	-
Net loss on disposal of property	-	-	(78,056)	-
Other income	-	-	42,000	-
<b>INCREASE (DECREASE) IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<b>(2,530)</b>	<b>-</b>	<b>(34,259)</b>	<b>(34,259)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>89,862</b>	<b>-</b>	<b>176,175</b>	<b>(17,155)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,258,512</b>	<b>-</b>	<b>2,082,337</b>	<b>17,155</b>
Increase in net assets from merger of TASC	25,947	-	-	-
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,374,321</b>	<b>\$ -</b>	<b>\$ 2,258,512</b>	<b>\$ -</b>
				<b>\$ 2,258,512</b>

# Associates For Human Services, Inc.

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Early Intervention	Individual Services For Elders	Taunton Area School To Career	Literacy	Early Head Start Expansion	Partnership	Total Program Services	General & Administrative Services	Rental Activities	Total
Salaries and wages	\$ 2,545,283	\$ 429,521	\$ 142,550	\$ 914	\$ 464,141	\$ 485,140	\$ 4,067,549	\$ 418,021	\$ -	\$ 4,485,570
Fringe benefits	538,954	93,283	27,835	-	70,641	97,960	828,673	87,786	-	916,459
Consultants	501,789	2,852	228	-	21,199	153,090	679,158	6,720	-	685,878
Staff training	7,490	491	75	-	15,081	104,659	127,796	4,098	-	131,894
Occupancy costs	60,892	67,377	5,200	-	14,033	20,661	168,163	81,702	15,795	265,660
Vehicle expenses	-	60,904	4,877	-	4,065	-	69,846	-	-	69,846
Postage	-	-	-	-	169	214	383	4,643	-	5,026
Printing	11,284	1,718	1,171	-	1,485	1,974	17,632	5,333	-	22,965
Office supplies & expense	1,247	-	1,308	-	-	12,245	14,800	7,851	-	22,651
Audit fees	-	-	-	-	3,000	3,000	6,000	16,000	-	22,000
Insurance	5,741	6,348	(1,547)	-	1,747	2,457	14,746	6,349	2,152	23,247
Telephone	18,943	3,542	2,245	-	3,040	3,289	31,059	3,924	-	34,983
Meals	279	46,019	5,394	-	253	69	52,014	-	-	52,014
Repairs and maintenance	5,425	6,365	1,225	-	5,363	219,706	238,084	4,409	4,891	247,384
Travel	151,552	8	2,010	-	21,690	11,101	186,361	1,083	-	187,444
Advertising	761	3,656	620	-	850	4,656	10,543	2,807	-	13,350
License and fees	2,337	1,900	170	-	1,125	1,882	7,414	2,763	-	10,177
Student Work Activity	-	1,851	3,428	-	2,308	666	8,253	-	-	8,253
Donations expense	-	-	1,580	-	-	-	1,580	27,554	-	29,134
Program supplies & equipment	41,914	10,768	10,027	9,086	33,370	80,499	185,664	11,700	-	197,364
Other direct expenses	6,906	1,963	3,076	-	183	52,311	64,439	44,255	-	108,694
	<u>\$ 3,900,797</u>	<u>\$ 738,566</u>	<u>\$ 211,472</u>	<u>\$ 10,000</u>	<u>\$ 663,743</u>	<u>\$ 1,255,579</u>	<u>\$ 6,780,157</u>	<u>\$ 736,998</u>	<u>\$ 22,838</u>	<u>\$ 7,539,993</u>



# Associates For Human Services, Inc.

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

	Early Intervention	Individual Services For Elders	Parent Child Home Program	Early Head Start		Partnership	Total Program Services	General & Administrative Services	Rental Activities	Total
				Delegate	Expansion					
Salaries and wages	\$ 2,148,416	\$ 408,660	\$ 36,566	\$ 419,296	\$ 380,926	\$ 62,034	\$ 3,455,898	\$ 383,922	\$ -	\$ 3,839,820
Fringe benefits	469,230	95,792	8,729	72,143	68,992	13,137	728,023	91,100	-	819,123
Consultants	625,971	1,268	-	5,773	12,348	1,220	646,580	29,251	-	675,831
Staff training	11,984	741	387	15,872	16,274	9,293	54,551	2,579	-	57,130
Occupancy costs	56,956	67,504	3,164	15,235	32,116	642	175,617	64,740	45,254	285,611
Vehicle expenses	-	69,153	-	5,120	2,282	-	76,555	-	-	76,555
Postage	-	-	-	216	164	1	381	11,961	-	12,342
Office supplies & expense	11,338	578	669	335	280	4,480	17,680	7,324	-	25,004
Audit fees	-	-	-	3,600	2,600	-	6,200	25,900	-	32,100
Insurance	7,762	6,445	353	1,877	2,219	-	18,656	4,970	2,072	25,698
Telephone	18,477	4,012	1,533	3,906	3,897	328	32,153	4,083	-	36,236
Repairs and maintenance	4,628	5,564	562	2,956	3,788	904	18,402	4,239	10,531	33,172
Travel	130,921	157	346	4,958	14,907	649	151,938	2,082	-	154,020
Advertising	1,354	1,681	1,265	2,297	2,546	400	9,543	791	-	10,334
Other supplies	-	-	-	-	-	-	-	12,224	-	12,224
Donations expense	-	-	-	-	-	-	-	20,415	-	20,415
License and fees	2,064	2,124	199	1,210	1,409	-	7,006	2,038	-	9,044
Program supplies & equipment	35,427	61,695	4,819	9,869	21,733	6,149	139,692	-	-	139,692
Other direct expenses	7,278	1,831	-	2,720	1,249	-	13,078	-	-	13,078
	<u>\$ 3,531,806</u>	<u>\$ 727,205</u>	<u>\$ 58,592</u>	<u>\$ 567,383</u>	<u>\$ 567,730</u>	<u>\$ 99,237</u>	<u>\$ 5,551,953</u>	<u>\$ 696,182</u>	<u>\$ 57,857</u>	<u>\$ 6,305,992</u>

# Associates For Human Services, Inc.

## Consolidated Statements of Cash Flows

Years Ended June 30

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 89,862	\$ 159,020
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,339	76,815
Loss on disposal of property	-	78,056
Changes in operating assets and liabilities:		
Contracts and other receivables	(377,642)	(102,084)
Prepaid expenses	7,256	43,247
Other assets	-	3,282
Accounts payable	77,217	8,207
Accrued expenses and withholdings	54,563	50,235
Deposits	-	(2,250)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(147,405)</u>	<u>314,528</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(109,441)	-
Cash received from merger of TASC	55,207	-
Proceeds from disposal of property	-	242,633
Net change in investments	<u>682</u>	<u>(3,614)</u>
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(53,552)</u>	<u>239,019</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of debt upon sale of property	-	(192,220)
Principal payments on mortgage note	<u>(75,729)</u>	<u>(75,997)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(75,729)</u>	<u>(268,217)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(276,686)</u>	<u>285,330</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,042,046</u>	<u>756,716</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 765,360</u>	<u>\$ 1,042,046</u>

### Supplemental Disclosure of Cash Flow Information

Interest paid	<u>\$ 78,348</u>	<u>\$ 86,195</u>
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Notes to Financial Statements

June 30, 2016

Note 1 – Summary of Significant Accounting Policies

Nature of Activities – Associates for Human Services, Inc. (“AHS”) is a non-profit human service organization that delivers early childhood (Early Intervention and Early Head Start Programs), and adult day health care services in the Taunton, Massachusetts area and surrounding towns. AHS’ primary sources of revenue are contracts with the Commonwealth of Massachusetts Department of Developmental Services (DDS) and Department of Public Health (DPH), and the Federal Government.

Merger – Effective December 31, 2015 AHS merged in the net assets and operations of another nonprofit organization, Taunton Area School To Career, Inc. (TASC). AHS obtained approximately \$26,000 of net assets, inclusive of \$55,200 in cash. For the six-month period beginning with the date of the merger and ending on June 30, 2016, AHS recognized approximately \$117,000 in revenue and support from TASC’s operations. TASC is a partnership of employers and school systems in the Taunton area that are committed to exposing students to high-quality learning experiences that will prepare them for careers of tomorrow.

Financial Statement Presentation – AHS reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are included in unrestricted net assets.

Unrestricted Net Assets – Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by AHS. Unrestricted contributions are recorded as support when received or unconditionally committed.

Temporarily Restricted Net Assets – Restricted grants and contributions are recorded as temporarily restricted support and net assets when received or committed. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets. AHS has no temporarily restricted net assets at June 30, 2016 or 2015.

Permanently Restricted Net Assets – Contributions established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, are classified as permanently restricted support and net assets. Income derived from the investment of permanently restricted funds is reported as unrestricted revenue or as restrictive revenue depending on the terms of the donor instrument. Unrealized gains or losses on permanently restricted fund investments are reported as increases or decreases in temporarily unrestricted net assets unless the donor explicitly states otherwise. AHS has no permanently restricted net assets at June 30, 2016 or 2015.

Revenue Recognition – Contract revenue is recorded in the period services are provided and costs are incurred. Grants and other revenue are recorded when earned. Non-contribution revenue received in advance of being earned is recorded as deferred revenue. All other revenue is recorded when earned.

Third-party insurance and Medicaid revenue are recorded as services are provided and reflect the amounts to be collected after provisions for contractual allowances and free care.

Expense Allocation – Expenses related directly to a program are charged to that program while other expenses are allocated based upon management’s estimate of the percentage attributable to each program.

## Note 1 – Summary of Significant Accounting Policies (Cont.)

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of 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 and assumptions. Significant management estimates in the financial statements include useful lives of depreciable assets, allocation of common expenses to program functions, and satisfaction of program restrictions for the release of restricted net assets.

Cash and Cash Equivalents – AHS considers cash on hand, demand deposits, and highly-liquid investments with original maturity dates of three months or less to be cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents held by investment managers are considered part of investments.

Contracts Receivable – Accounts receivable from contracts are stated at the contracted amounts. Accounts receivable from third parties and DPH are stated at the amount which management expects to collect from the outstanding balance. When considered necessary by management, accounts receivable are stated net of an allowance for doubtful accounts, which would be reported on the face of AHS' statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts and on current economic conditions. Accounts are charged against the allowance when management believes that the collectability of the specific account is unlikely. The accompanying statements of financial position at June 30, 2016 and 2015 do not include an allowance for doubtful accounts as one was not considered necessary by management.

Fair Value Measurements – AHS follows Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures", for assets and liabilities that are measured and recorded at fair value on a recurring basis, principally its investments (see below). This standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements.

Investments – Investments are recorded at fair value with the corresponding realized and unrealized gains and losses included in the statements of activities and changes in net assets (see Note 2).

Property and Equipment – Property and equipment are recorded at cost if purchased or at fair market value at the time of donation. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	27.5 – 39 years
Leasehold and building improvements	27.5 – 39 years
Furniture and equipment	5 – 10 years
Vehicles	3 years

Equipment purchased with funds from Federal or State contracts are capitalized as assets and depreciated over their estimated useful lives. The Federal government or the Commonwealth of Massachusetts retain reversionary interests in these assets. These assets and related accumulated depreciation are reported as furniture and equipment in the statement of financial position at a cost of \$137,248 with related accumulated depreciation of \$137,248 at June 30, 2016.

## Note 1 – Summary of Significant Accounting Policies (Cont.)

Deferred Loan Costs – Deferred loan costs associated with AHS' mortgage loans (Note 4) are being amortized over the life of the notes, 25 and 20 years, respectively. Amortization expense for each of the years ended June 30, 2016 and 2015 was \$1,339 and \$3,282, respectively.

Advertising Expense – AHS charges the cost of advertising to expense as incurred.

Income Taxes - AHS is exempt from federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. AHS is also exempt from Massachusetts state income taxes, and therefore has made no provision for federal or state income taxes in the accompanying financial statements.

Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving AHS for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2016 up to September 13, 2016, the date the financial statements were authorized to be issued.

## Note 2 – Investments

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions that are significant to the fair measurement.

The following is a schedule of investments at fair value by level within the fair value hierarchy at:

	Level 1	Level 2	Level 3	Total
June 30, 2016:				
Mutual funds	\$ 60,523	\$ -	\$ -	\$ 60,523
Certificates of deposits	202,854	-	-	202,854
Money market funds	408,586	-	-	408,586
	<u>\$ 671,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,963</u>
June 30, 2015:				
Mutual funds	\$ 63,004	\$ -	\$ -	\$ 63,004
Certificates of deposits	202,582	-	-	202,582
Money market funds	407,059	-	-	407,059
	<u>\$ 672,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,645</u>

## Note 2 – Investments (Cont.)

The level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for investments measured at fair value, including the general description of such instruments pursuant to the valuation hierarchy.

Mutual Funds – These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market.

Certificates of Deposit – The carrying value of the bank certificates of deposit approximates its fair values due to the relatively short term maturity of the certificates of deposit, six months or less.

Money Market Funds – These investments are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Investments securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

## Note 3 – Line of Credit

AHS has a \$500,000 line of credit agreement with its principal bank. The interest rate under the agreement is the bank's base lending rate plus 1% and borrowings are collateralized by accounts receivable and a first position UCC filing on all business assets of AHS. AHS did not utilize the line of credit during 2016 or 2015, and there was no balance outstanding as of June 30, 2016 or 2015. The line of credit expires on November 30, 2016.

## Note 4 – Long-Term Debt

Long-term debt consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
5.25% mortgage note payable to its principal bank, payable in monthly principal and interest payments of \$11,578 through September 18, 2029, collateralized by a first mortgage on property at Allison Drive, Taunton, MA and property owned by AHS on Pat Ree Drive, Taunton, MA.	\$ 1,323,059	\$ 1,390,354
3.75% mortgage note payable to its principal bank payable in monthly principal and interest payments of \$1,262 through May 29, 2032, collateralized by a first mortgage on property at Ralph Road, Raynham, MA.	181,275	189,709
	<u>1,504,334</u>	<u>1,580,063</u>
Less amounts due within one year	<u>82,180</u>	<u>72,560</u>
Amounts due after one year	<u>\$ 1,422,154</u>	<u>\$ 1,507,503</u>

#### Note 4 – Long-Term Debt (Cont.)

Annual principal maturities on long-term debt approximate the following at June 30, 2016:

Year Ending June 30	
2017	\$ 82,180
2018	83,960
2019	88,338
2020	92,947
2021	97,797
Thereafter	1,059,112
	<u>\$ 1,504,334</u>

#### Note 5 – Other Income

In a previous year AHS provided for the potential repayment of funds (\$84,000) that it had received from Medicare for a program which was discontinued by AHS several years ago. In 2014, management made its own determination that no repayment of these funds will be required, and it elected to remove the recorded liability and report the amount as income in 2014 and 2015 in the amount of \$42,000 per year.

#### Note 6 – In-Kind Contributions

AHS operates an Early Head Start program and also previously operated an Early Head Start program as a delegate of Triumph, Inc. The delegate program ceased operation in June of 2015. AHS is required to provide matching funds or in-kind donations of 20% of the total program expenditures. AHS did meet its matching and in-kind contribution requirement for the years ended June 30, 2016 and 2015.

#### Note 7 – Financial Instruments, Credit Risk and Concentrations of Credit Risk

AHS' financial instruments that may be subject to concentrations of credit risk consist primarily of cash, cash equivalents, investments and contracts receivable.

AHS maintains its cash and cash equivalents in several high-quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At June 30, 2016, based on bank balances, AHS has deposits in excess of the federal insured limits of approximately \$1,024,000. AHS has investments in several mutual funds, certificates of deposits and money market funds as detailed in Note 2.

Several of AHS' Programs are partially or fully funded by several departments of the Commonwealth of Massachusetts. In fiscal 2016 and 2015 the Early Intervention program received \$799,753 (11%) and \$749,632 (12%), respectively, of total operating revenue from the Commonwealth of Massachusetts Department of Public Health (DPH). In addition, AHS received \$1,785,549 in fiscal 2016 and \$1,660,582 in fiscal 2015 from the Commonwealth of Massachusetts Department of Public Welfare, which represents approximately 24% and 26% in of total operating revenue in fiscal 2016 and 2015, respectively. As of June 30, 2016, the following amounts represented significant concentrations of contracts receivable: \$247,000 owed from DPH (22% of accounts receivable) and \$281,000 due from the Commonwealth of Massachusetts, Department of Health and Human Services (25% of accounts receivable).

## Note 8 – Occupancy Cost and Rental Income

Occupancy costs includes interest on the real estate mortgages, depreciation expense on buildings, building improvements, and furniture and fixtures as well as the amortization expenses of the deferred loan costs.

A schedule of the above noted costs included in occupancy costs for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Depreciation	\$ 71,062	\$ 75,655
Mortgage interest	78,348	86,195
Amortization	1,339	3,282
	<u>\$ 150,749</u>	<u>\$ 165,132</u>

AHS rents its two residential homes to various agencies under tenant at will arrangements. Rental income received by AHS for the years ended June 30, 2016 and 2015 approximated \$53,900 and \$65,200, respectively.

## Note 9 – Related Party Transactions

A member of the Board of Directors is also an officer of AHS' principal Bank in which AHS maintains substantially all of its cash accounts. In addition, the Bank has provided several financing agreements to AHS as detailed in Notes 3 and 4.

## Note 10 – Retirement Plan

Effective March 1, 2007, AHS established a 403(b) retirement plan for the benefit of its employees. AHS contributes 200% of employee deferrals up to a maximum contribution of 4% of eligible employee compensation. For the years ended June 30, 2016 and 2015, AHS made contributions to the plan of \$102,545 and \$87,524, respectively.

## Note 11 – Surplus Revenue

Under the Commonwealth of Massachusetts, Division of Purchased Services' accounting and reporting policy relative to its regulations concerning "Not-for-Profit Surplus Revenue Retention", not-for-profit providers, such as AHS, are permitted to retain a "surplus" of up to 5% of revenues attributable to agreements with the Commonwealth of Massachusetts for the provision of social services, and to utilize such surplus for its established charitable purpose. The regulations also limit the cumulative total of such retained surplus to an amount equal to 20% of the prior year's related gross revenue from Commonwealth of Massachusetts purchasing agencies.

Excess surplus revenues may be recouped by the Commonwealth via price reductions in future agreements, by the return of such funds to the Commonwealth, or by the Commonwealth stipulating the use of such funds.

Under the policy, surplus revenue retention within the allowable limits is to be reported or disclosed as a component of unrestricted net assets. Any surplus revenue retained in excess of the aforementioned limits is to be reported as a liability. AHS has no "surplus revenue" that would be required to be reported as a liability at June 30, 2016.



Note 11 – Surplus Revenue (Cont.)

The amount of surplus revenue retention included as a component of AHS' unrestricted net assets is as follows at June 30:

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets:		
Unrestricted	\$ 2,299,196	\$ 2,183,892
Surplus revenue retention	<u>75,125</u>	<u>74,620</u>
	<u>\$ 2,374,321</u>	<u>\$ 2,258,512</u>