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Single Audit Reporting Package

**Associates for Human Services, Inc.**

June 30, 2017

# Associates for Human Services, Inc.

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## Audited Financial Statements

June 30, 2017

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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 from 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

An independent firm associated with  
Moore Stephens International Limited

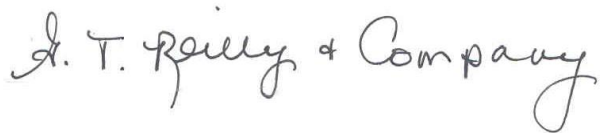
**MOORE STEPHENS**

***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, 2017 and 2016, and the changes in its net assets and cash flows for the years 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 8, 2017 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.

A handwritten signature in cursive script that reads "G. T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G.T. Reilly & Company

Milton, Massachusetts  
September 8, 2017

# Associates For Human Services, Inc.

## Statements of Financial Position

June 30

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
CURRENT ASSETS		
Cash and equivalents	\$ 1,123,706	\$ 836,422
Contracts and other receivables	936,977	1,108,503
Investments	684,928	671,963
Prepaid expenses	17,368	26,926
TOTAL CURRENT ASSETS	<u>2,762,979</u>	<u>2,643,814</u>
PROPERTY AND EQUIPMENT		
Land	439,900	439,900
Buildings and improvements	3,857,116	2,458,925
Equipment and fixtures	303,285	303,285
	<u>4,600,301</u>	<u>3,202,110</u>
Less: accumulated depreciation	<u>1,141,071</u>	<u>1,083,542</u>
	<u>3,459,230</u>	<u>2,118,568</u>
TOTAL ASSETS	<u>\$ 6,222,209</u>	<u>\$ 4,762,382</u>
<b><u>Liabilities and Net Assets</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 313,940	\$ 220,411
Accounts payable - construction	221,487	-
Accrued payroll	357,041	301,102
Accrued vacation	156,746	139,196
Accrued unemployment	13,810	9,810
Accrued expenses and withholdings	168,904	133,162
Deferred revenue	15,841	90,063
Mortgage notes payable, due within one year, net	54,735	81,372
TOTAL CURRENT LIABILITIES	<u>1,302,504</u>	<u>975,116</u>
MORTGAGE NOTES PAYABLE, due after one year, net	<u>2,236,208</u>	<u>1,412,945</u>
UNRESTRICTED NET ASSETS	<u>2,683,497</u>	<u>2,374,321</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,222,209</u>	<u>\$ 4,762,382</u>

# Associates For Human Services, Inc.

## Statements of Activities and Changes in Net Assets

For the Year Ended June 30

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE AND SUPPORT		
Mass. Department of Developmental Services	\$ 148,394	\$ 148,394
Mass. Department of Public Health	748,566	799,753
Mass. Department of Public Welfare	2,213,424	1,785,549
Early Head Start	473,771	511,655
Early Head Start Partnership	1,726,430	1,203,898
Taunton Area School to Career	257,117	116,700
Department of Education	29,835	30,314
In-kind contributions	623,454	203,768
Third party billings and other revenue	2,951,199	2,725,709
Donations, grants and fundraising	106,127	50,467
Rental income	55,973	53,893
Interest income	2,224	2,285
	<u>9,336,514</u>	<u>7,632,385</u>
TOTAL OPERATING REVENUE AND SUPPORT		
EXPENSES		
Program services	8,196,378	6,780,157
General and administrative	819,300	736,998
Rental expenses	22,894	22,838
	<u>9,038,572</u>	<u>7,539,993</u>
TOTAL OPERATING EXPENSES		
INCREASE IN NET ASSETS FROM OPERATIONS	297,942	92,392
NON-OPERATING ACTIVITIES		
Net gain (loss) on investments	11,234	(2,530)
	<u>309,176</u>	<u>89,862</u>
INCREASE IN NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	2,374,321	2,258,512
Increase in net assets from merger of TASC	-	25,947
	<u>\$ 2,683,497</u>	<u>\$ 2,374,321</u>
NET ASSETS AT END OF YEAR		

## Associates For Human Services, Inc.

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Early Intervention	Individual Services For Elders	Taunton Area School To Career	Literacy	Early Head Start		Total Program Services	General & Administrative Services	Rental Activities	Total
					Expansion	Partnership				
Salaries and wages	\$ 2,903,927	\$ 474,438	\$ 212,356	\$ 917	\$ 414,530	\$ 978,022	\$ 4,984,190	\$ 466,118	\$ -	\$ 5,450,308
Fringe benefits	586,007	92,473	45,209	-	65,240	98,400	887,329	92,437	-	979,766
Consultants	385,505	844	0	-	32,543	407,739	826,631	7,763	-	834,394
Staff training	11,738	812	340	-	6,871	80,562	100,323	1,053	-	101,376
Occupancy costs	87,367	83,010	14,757	-	16,142	23,645	224,921	93,959	15,021	333,901
Vehicle expenses	-	58,438	1,743	-	6,073	-	66,254	-	-	66,254
Postage	-	-	-	-	139	165	304	11,510	-	11,814
Printing	9,435	804	1,159	-	144	201	11,743	5,322	-	17,065
Office supplies & expense	39,484	-	504	-	-	1,331	41,319	3,668	-	44,987
Audit fees	-	-	-	-	3,000	5,000	8,000	21,044	-	29,044
Insurance	6,377	6,672	258	-	1,723	3,215	18,245	7,410	2,152	27,807
Telephone	20,886	3,238	4,360	-	2,901	2,981	34,366	4,270	-	38,636
Meals	0	50,343	978	-	171	66	51,558	-	-	51,558
Repairs and maintenance	8,957	2,880	1,876	-	690	417,791	432,194	9,216	4,351	445,761
Travel	169,104	288	3,075	-	23,945	13,258	209,670	866	-	210,536
Advertising	250	1,308	1,784	-	1,521	143	5,006	2,231	-	7,237
License and fees	2,312	1,970	393	-	749	1,103	6,527	4,017	-	10,544
Student Work Activity	-	1,293	693	-	1,069	1,192	4,247	-	-	4,247
Donations expense	-	-	8,863	-	-	-	8,863	29,270	-	38,133
Program supplies & equipment	29,978	9,514	2,935	10,186	6,241	63,742	122,596	14,229	1,370	138,195
Other direct expenses	9,144	1,381	159	-	878	140,530	152,092	44,917	-	197,009
	<u>\$ 4,270,471</u>	<u>\$ 789,706</u>	<u>\$ 301,442</u>	<u>\$ 11,103</u>	<u>\$ 584,570</u>	<u>\$ 2,239,086</u>	<u>\$ 8,196,378</u>	<u>\$ 819,300</u>	<u>\$ 22,894</u>	<u>\$ 9,038,572</u>

# 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		Total Program Services	General & Administrative Services	Rental Activities	Total
					Expansion	Partnership				
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
Licenses 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 Statements of Cash Flows

### Years Ended June 30

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 309,176	\$ 89,862
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,085	72,401
Changes in operating assets and liabilities:		
Contracts and other receivables	171,526	(377,642)
Prepaid expenses	9,558	7,256
Accounts payable	93,529	77,217
Accrued expenses and withholdings	113,231	16,499
Deferred revenue	<u>(74,222)</u>	<u>38,064</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>692,883</u>	<u>(76,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,189,260)	(109,441)
Cash received from merger of TASC	-	55,207
Net change in investments	<u>(12,965)</u>	<u>682</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,202,225)</u>	<u>(53,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns on tax exempt bond	2,220,946	-
Prepayment of mortgage note	(1,214,521)	-
Principal payments on mortgage note	<u>(209,799)</u>	<u>(75,729)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>796,626</u>	<u>(75,729)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>287,284</u>	<u>(205,624)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>836,422</u>	<u>1,042,046</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,123,706</u>	<u>\$ 836,422</u>
 <b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Interest paid and expensed	<u>\$ 51,426</u>	<u>\$ 78,348</u>
Interest paid and capitalized	<u>\$ 20,454</u>	<u>\$ -</u>
 <b><u>Noncash Investing Activities</u></b>		
Accounts payable for property additions	<u>\$ 221,487</u>	<u>\$ -</u>

# Associates for Human Services, Inc.

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## Notes to Financial Statements

June 30, 2017

### 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 – Unrestricted net assets are those net resources that bear no external restrictions, and are available for general 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, 2017 or 2016.

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 restricted 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 unrestricted net assets unless the donor explicitly states otherwise. AHS has no permanently restricted net assets at June 30, 2017 or 2016.

At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are included in unrestricted net assets.

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.

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, 2017 and 2016 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. AHS capitalizes interest incurred on borrowings during the active construction period of assets. Capitalized interest is added to the cost of the assets and depreciated over the estimated useful lives of the assets. 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
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 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, 2017 and 2016.

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

During the year ended June 30, 2017, AHS completed a 7,200 square foot expansion of its main facility located on Allison Avenue in Taunton, MA. The expansion provided AHS with additional classrooms, offices and meeting spaces. The project was funded from the proceeds of \$2.90 million bond from its principal financial institution (see Note 4).

Deferred Finance Costs and Reclassification – Costs associated with procuring AHS' mortgage loans (Note 4) are deferred from recognition and amortized over the terms of the financing agreements, 26 and 20 years, respectively.

During 2017, AHS retrospectively adopted the provisions of Accounting Standards Updated (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which was issued by the Financial Accounting Standards Board in April of 2015. Accordingly, AHS now presents unamortized deferred financing costs as a direct reduction to the carrying amount of the related debt liability on the statement of financial position (see Note 4). In addition, amortization of the deferred financing costs is now charged to interest expense on the statements of activities and changes in net assets. Prior to the adoption of this ASU, unamortized deferred financing costs were presented as an "other asset" on the statement of financial position. The prior year's financial statements have been reclassified to reflect this change. This change in presentation did not impact the financial position of AHS as of June 30, 2017 and 2016, nor the results of operations for either of the years then ended.

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.

Other Reclassification – Certain amounts within deferred revenue on the 2016 statement of financial position have been retrospectively reclassified to conform to 2017 classifications. This reclassification had the effect of decreasing deferred revenue as previously reported at June 30, 2016 by \$97,398, and increasing accrued expenses by a corresponding amount.

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, 2017 up to September 8, 2017, the date the financial statements were authorized to be issued.

## **Note 2 – Investments**

Valuation techniques used to measure the fair values of investments 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 value measurement.

## Note 2 – Investments (Cont.)

The following is a schedule of investments at fair value by level within the fair value hierarchy at June 30:

	Level 1	Level 2	Level 3	Total
<b>2017</b>				
<b>Mutual funds</b>	\$ 71,805	\$ -	\$ -	\$ 71,805
<b>Certificates of deposits</b>	203,122	-	-	203,122
<b>Money market funds</b>	410,001	-	-	410,001
	<b>\$ 684,928</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 684,928</b>
<b>2016</b>				
Mutual funds	\$ 60,523	\$ -	\$ -	\$ 60,523
Certificates of deposits	202,854	-	-	202,854
Money market funds	408,586	-	-	408,586
	<b>\$ 671,963</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 671,963</b>

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 values of the bank certificates of deposit approximate their 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 it is 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 accompanying statements of net assets.

The net gain (loss) on investments as reported on the statements of activities of \$11,234 and (\$2,530) for the years ended June 30, 2017 and June 30, 2016, respectively, are comprised entirely of unrealized gains (losses) as there were no realized gains (losses) for either fiscal year.

## 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 2017 or 2016, and there was no balance outstanding as of June 30, 2017 or 2016. The line of credit expires on November 30, 2017.

## Note 4 – Long-Term Debt

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

	<u>2017</u>	<u>2016</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 properties owned by AHS on Allison Drive, Taunton, MA and on Pat Ree Drive, Taunton, MA. The note was prepaid in full with proceeds of a bond, see below.	\$ -	\$ 1,315,815
On September 9, 2016 AHS obtained a \$2,900,000 tax-exempt draw-down revenue bond to fund the expansion of the Allison Drive property. Under the terms of the bond agreement advances are allowed for the twelve months ending September 9, 2017 and AHS is required to make interest-only payments. Commencing on October 9, 2017 the bond agreement requires 180 monthly principal and interest payments. On October 9, 2032 the interest rate will be adjusted as detailed in the agreement for next the 120 monthly payments of principal and interest. The bond matures on September 9, 2042 and the initial interest rate is 3.5%. The bond is collateralized by a first mortgage on the property at Allison Drive, Taunton, MA.	<b>2,118,114</b>	-
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.	<u>172,829</u>	<u>178,502</u>
	<b>2,290,943</b>	1,494,317
Less amounts due within one year	<u>54,735</u>	<u>81,372</u>
Amounts due after one year	<u><b>\$ 2,236,208</b></u>	<u>\$ 1,412,945</u>

A summary of the annual principal maturities of long-term debt, net of unamortized deferred financing costs is as follows:

<u>Year Ending June 30</u>	<u>Principal Maturities</u>	<u>Unamortized Finance Costs</u>	<u>Net</u>
2018	\$ 56,875	\$ (2,140)	\$ 54,735
2019	75,223	(2,140)	73,083
2020	77,924	(2,140)	75,784
2021	80,719	(2,140)	78,579
2022	83,615	(2,140)	81,475
Thereafter	<u>1,970,177</u>	<u>(42,890)</u>	<u>1,927,287</u>
	<u><b>\$ 2,344,533</b></u>	<u><b>\$ (53,590)</b></u>	<u><b>\$ 2,290,943</b></u>

## Note 5 – In-Kind Contributions

AHS operates an Early Head Start program. 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, 2017 and 2016.

## Note 6 – 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, 2017, based on bank balances, AHS has deposits in excess of the federal insured limits of approximately \$39,000. AHS has investments in several mutual funds, certificates of deposits and money market funds.

Several of AHS' Programs are partially or fully funded by several departments of the Commonwealth of Massachusetts. In fiscal 2017 and 2016, the Early Intervention program received \$748,566 and \$799,753, respectively, of revenue from the Commonwealth of Massachusetts Department of Public Health (DPH), representing 8% and 11% of total operating revenue and support for 2017 and 2016, respectively. In addition, AHS received \$2,213,424 in fiscal 2017 and \$1,785,549 in fiscal 2016 from the Commonwealth of Massachusetts Department of Public Welfare, which represents approximately 24% of AHS' total operating revenue and support for fiscal 2017 and 2016. As of June 30, 2017, the following amounts represented significant concentrations of contracts and other amounts receivable: \$170,000 from DPH (18% of accounts receivable), and \$215,000 from the Commonwealth of Massachusetts, Department of Health and Human Services (23% of accounts receivable).

## Note 7 – Occupancy Costs and Rental Income

Occupancy costs include interest on the real estate mortgages, depreciation expense on buildings, building improvements, and furniture and fixtures, as well as the amortization expense on deferred financing costs as follows:

	<u>2017</u>	<u>2016</u>
Depreciation	\$ 70,085	\$ 71,062
Mortgage interest	<u>53,209</u>	<u>79,687</u>
	<u>\$ 123,294</u>	<u>\$ 150,749</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, 2017 and 2016 approximated \$56,000 and \$53,900, respectively.

## Note 8 – 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 arrangements to AHS as detailed in Notes 3 and 4.

## Note 9 – Retirement Plan

AHS maintains 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, 2017 and 2016, AHS made contributions to the plan of \$107,415 and \$102,545, respectively.

## Note 10 – 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, 2017 and 2016.

Unrestricted net assets consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets:		
Unrestricted	\$ 2,600,605	\$ 2,299,196
Surplus revenue retention	<u>82,892</u>	<u>75,125</u>
	<u>\$ 2,683,497</u>	<u>\$ 2,374,321</u>



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



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## **Independent Auditors' Report on Schedule of Expenditures of Federal Awards**

Board of Directors  
Associates for Human Services, Inc.

Our report on our audit of the financial statements of Associates for Human Services, Inc. appears on Page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

G.T Reilly & Company

Milton, Massachusetts  
September 8, 2017

# Associates for Human Services, Inc.

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S Dept. of Health of and Human Services				
Early Head Start	93.600	N/A	\$ -	\$ 1,726,430 473,771 <u>2,200,201</u>
U.S Dept. of Education				
Comm. of MA Department of Education				
Child and Adult Food	10.558	7053-2117	-	27,676
Comm. of MA Department of Public Health				
Infants and Families	84.181	4513-9021	-	<u>10,567</u>
				<u>38,243</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,238,444</u>

### **Note to Schedule of Expenditures of Federal Awards**

#### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Associates for Human Services, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Associates for Human Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Associates for Human Services, Inc.

#### Note 2 – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A0122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3 – Indirect Cost Rate

Associates for Human Services, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards***

Board of Directors  
Associates for Human Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Associates for Human Services, Inc., which comprise the statement of financial position as of June 30 2017, 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, and have issued our report thereon dated September 8, 2017.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Associates for Human Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Associates for Human Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Associates for Human Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

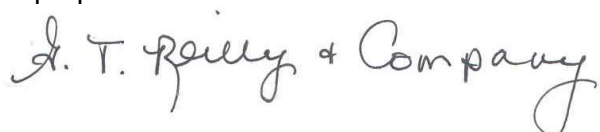
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Associates for Human Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Associates for Human Services, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "G. T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the company.

G.T. Reilly & Company

Milton, Massachusetts  
September 8, 2017



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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Associates for Human Services, Inc.

### ***Report on Compliance for Each Major Federal Program***

We have audited Associates for Human Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Associates for Human Services, Inc.'s major federal programs for the year ended June 30, 2017. Associates for Human Services, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of Associates for Human Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Associates for Human Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Associates for Human Services, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Associates for Human Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

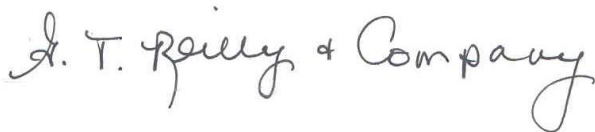
### **Report on Internal Control over Compliance**

Management of Associates for Human Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Associates for Human Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Associates for Human Services, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



G.T. Reilly & Company

Milton, Massachusetts

September 8, 2017

# Associates for Human Services, Inc.

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## Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

### (A) Summary of Audit Results

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Associates for Human Services, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Associates for Human Services, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for Associates for Human Services, Inc. expresses an unmodified opinion.
6. The audit did not disclose any findings relative to the major federal award programs for Associates for Human Services, Inc. that are required to be reported in accordance with 2 CFR section 200.516 (a) (major federal awards program), Part C of this schedule.
7. The program tested as a major program is as follows:  

U.S Department of Health and Human Services:	
Early Head Start	93.600
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Associates for Human Services, Inc. qualifies as a low-risk auditee.

### (B) FINDINGS – FINANCIAL STATEMENTS AUDIT

None

Questioned  
Costs

### (C) FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



# Associates for Human Services, Inc.

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## Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

There were no prior year audit findings.