



Audited Financial Statements

Associates for Human Services, Inc.

June 30, 2022

Associates for Human Services, Inc.

Audited Financial Statements

June 30, 2022

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



GT REILLY
& COMPANY
CPAs and Advisors

424 Adams Street, Milton, MA 02186-4358

T. 617.696.8900 / F. 617.698.1803

www.gtreilly.com

Independent Auditors' Report

Board of Directors
Associates for Human Services, Inc.

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Associates for Human Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Associates for Human Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

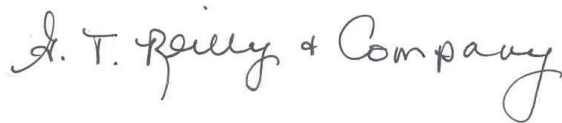


An independent member
of Moore North America, Inc.,
which is associated with the
Moore Global Network Limited

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Associates for Human Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Associates for Human Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 28, 2022

Associates For Human Services, Inc.

Statements of Financial Position

June 30

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and equivalents	\$ 2,118,208	\$ 2,111,736
Accounts receivable - grants	980,655	388,698
Accounts receivable - fee for service, net of an allowance for doubtful accounts of \$64,000 in 2022 and 2021	203,805	335,848
Investments	725,836	729,547
Prepaid expenses	18,471	19,337
TOTAL CURRENT ASSETS	<u>4,046,975</u>	<u>3,585,166</u>
PROPERTY AND EQUIPMENT		
Land	439,900	439,900
Buildings and improvements	4,005,003	3,974,680
Equipment and fixtures	393,347	393,347
	<u>4,838,250</u>	<u>4,807,927</u>
Less: accumulated depreciation	<u>1,708,639</u>	<u>1,590,286</u>
	<u>3,129,611</u>	<u>3,217,641</u>
TOTAL ASSETS	<u>\$ 7,176,586</u>	<u>\$ 6,802,807</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 281,454	\$ 225,181
Accrued payroll	174,007	123,754
Accrued vacation	182,237	184,315
Accrued unemployment	22,991	22,991
Accrued expenses and withholdings	176,543	155,341
Deferred revenue	31,489	43,400
Mortgage notes payable, due within one year, net	103,693	100,008
TOTAL CURRENT LIABILITIES	<u>972,414</u>	<u>854,990</u>
MORTGAGE NOTES PAYABLE, due after one year, net	<u>1,855,526</u>	<u>1,959,213</u>
NET ASSETS		
Without donor restrictions	4,051,608	3,988,604
With donor restrictions	297,038	-
TOTAL NET ASSETS	<u>4,348,646</u>	<u>3,988,604</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,176,586</u>	<u>\$ 6,802,807</u>

Associates For Human Services, Inc.

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Grants and other support			
U.S Department of Health and Human Services:			
Early Head Start	\$ 1,593,394	\$ -	\$ 1,593,394
Early Head Start Partnership	1,790,822	-	1,790,822
COVID-19 Relief Funds	14,891	-	14,891
In-kind contributions - Early Head Start	728,861	-	728,861
Taunton Area School to Career	399,605	-	399,605
Mass. Department of Public Health COVID-19 Relief Funds	269,137	277,038	546,175
U.S. Department of Education	24,615	-	24,615
Donations, fundraising and other grants	119,111	20,000	139,111
Total grants and other support	<u>4,940,436</u>	<u>297,038</u>	<u>5,237,474</u>
Fee for service revenue			
Mass. Department of Public Health	754,796	-	754,796
Mass. Department of Public Welfare	1,694,780	-	1,694,780
Other third party billings	1,865,189	-	1,865,189
Total fee for service revenue	<u>4,314,765</u>	<u>-</u>	<u>4,314,765</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>9,255,201</u>	<u>297,038</u>	<u>9,552,239</u>
EXPENSES			
Program services	8,572,795	-	8,572,795
General and administrative	634,163	-	634,163
Rental property expenses (Note 7)	36,875	-	36,875
TOTAL OPERATING EXPENSES	<u>9,243,833</u>	<u>-</u>	<u>9,243,833</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>11,368</u>	<u>297,038</u>	<u>308,406</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES			
Net loss on investments	(4,770)	-	(4,770)
Rental income	54,152	-	54,152
Interest income	2,254	-	2,254
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>51,636</u>	<u>-</u>	<u>51,636</u>
CHANGE IN NET ASSETS	63,004	297,038	360,042
NET ASSETS AT BEGINNING OF YEAR	<u>3,988,604</u>	<u>-</u>	<u>3,988,604</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,051,608</u>	<u>\$ 297,038</u>	<u>\$ 4,348,646</u>

Associates For Human Services, Inc.

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Grants and other support			
U.S Department of Health and Human Services:			
Early Head Start	\$ 686,868	\$ -	\$ 686,868
Early Head Start Partnership	1,479,777	-	1,479,777
COVID-19 Relief Funds	256,099	-	256,099
In-kind contributions - Early Head Start	616,479	-	616,479
Taunton Area School to Career	197,953	-	197,953
Mass. Department of Public Health COVID-19 Relief Funds	250,727	-	250,727
U.S. Department of Education	285	-	285
Income from debt forgiveness on SBA PPP loan	1,057,100	-	1,057,100
Donations, fundraising and other grants	107,811	-	107,811
Total grants and other support	<u>4,653,099</u>	<u>-</u>	<u>4,653,099</u>
Fee for service revenue			
Mass. Department of Public Health	627,050	-	627,050
Mass. Department of Public Welfare	1,287,876	-	1,287,876
Other third party billings	2,088,675	-	2,088,675
Total fee for service revenue	<u>4,003,601</u>	<u>-</u>	<u>4,003,601</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>8,656,700</u>	<u>-</u>	<u>8,656,700</u>
EXPENSES			
Program services	6,911,165	-	6,911,165
General and administrative	643,041	-	643,041
Rental property expenses (Note 7)	37,752	-	37,752
TOTAL OPERATING EXPENSES	<u>7,591,958</u>	<u>-</u>	<u>7,591,958</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,064,742</u>	<u>-</u>	<u>1,064,742</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES			
Net gain loss on investments	32,123	-	32,123
Rental income	54,174	-	54,174
Interest income	2,512	-	2,512
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>88,809</u>	<u>-</u>	<u>88,809</u>
CHANGE IN NET ASSETS	1,153,551	-	1,153,551
NET ASSETS AT BEGINNING OF YEAR	<u>2,835,053</u>	<u>-</u>	<u>2,835,053</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,988,604</u>	<u>\$ -</u>	<u>\$ 3,988,604</u>

Associates For Human Services, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022

	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	\$ 2,514,102	\$ 470,689	\$ 175,965	\$ -	\$ 830,874	\$1,224,849	\$5,216,479	\$ 357,503	\$ -	\$5,573,982
Fringe benefits	469,668	86,541	36,220	-	132,365	139,575	864,369	70,182	-	934,551
Consultants	138,195	400	100	-	133,775	579,732	852,202	390	-	852,592
Staff training	981	428	458	-	39,850	78,511	120,228	2,428	-	122,656
Occupancy costs	85,989	74,553	21,840	-	18,796	24,528	225,706	106,776	16,575	349,057
Vehicle expenses	-	65,306	-	-	-	-	65,306	-	-	65,306
Postage	-	-	-	-	447	611	1,058	7,196	-	8,254
Printing	7,786	372	344	-	8,276	9,030	25,808	9,316	-	35,124
Office supplies & expense	896	-	-	-	-	-	896	1,808	-	2,704
Audit fees	-	-	-	-	3,073	5,800	8,873	24,242	-	33,115
Insurance	14,922	11,223	3,631	-	3,843	5,487	39,106	2,555	3,346	45,007
Telephone	33,114	2,878	1,528	-	3,701	4,007	45,228	4,782	-	50,010
Meals	-	31,460	-	-	-	-	31,460	-	-	31,460
Repairs and maintenance	14,372	3,665	1,774	-	297,725	18,588	336,124	2,567	6,032	344,723
Travel	76,991	21	769	-	16,381	4,844	99,006	425	-	99,431
Advertising	5,495	2,313	2,752	-	2,059	2,662	15,281	691	-	15,972
License and fees	2,135	2,695	383	-	1,132	1,937	8,282	3,210	-	11,492
Student work activity	-	1,150	-	-	216	205	1,571	-	-	1,571
Donations expense	1,019	-	4,585	1,939	-	-	7,543	-	-	7,543
Program supplies & equipment	26,482	5,478	21,325	6,997	238,320	121,283	419,885	5,555	1,699	427,139
Bad debt expense	1,204	-	-	-	-	-	1,204	-	-	1,204
Other direct expenses	16,720	3,462	3,762	-	48,078	115,158	187,180	34,537	9,223	230,940
	<u>\$ 3,410,071</u>	<u>\$ 762,634</u>	<u>\$ 275,436</u>	<u>\$ 8,936</u>	<u>\$ 1,778,911</u>	<u>\$ 2,336,807</u>	<u>\$ 8,572,795</u>	<u>\$ 634,163</u>	<u>\$ 36,875</u>	<u>\$ 9,243,833</u>

Associates For Human Services, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

	Early	Individual	Taunton	Literacy	Early Head Start		Total	General &	Rental	Total
	Intervention	Services For Elders	Area School To Career		Expansion	Partnership	Program Services	Administrative Services	Activities	
Salaries and wages	\$2,396,971	\$ 96,802	\$141,251	\$ 500	\$ 581,997	949,288	\$4,166,809	\$ 379,970	\$ -	\$4,546,779
Fringe benefits	657,496	23,039	39,879	-	101,009	157,140	978,563	102,523	-	1,081,086
Consultants	422,144	-	-	-	34,571	476,413	933,128	919	-	934,047
Staff training	215	-	-	-	35,135	18,597	53,947	680	-	54,627
Occupancy costs	86,476	74,649	16,555	-	15,072	18,272	211,024	75,228	17,147	303,399
Vehicle expenses	-	18,017	295	-	4,832	-	23,144	-	-	23,144
Postage	-	-	-	-	640	552	1,192	4,392	-	5,584
Printing	8,741	203	-	-	371	614	9,929	5,997	-	15,926
Office supplies & expense	1,067	-	127	-	1,739	1,958	4,891	1,916	-	6,807
Audit fees	-	-	-	-	6,700	4,200	10,900	22,739	-	33,639
Insurance	14,796	11,097	2,404	-	2,732	3,063	34,092	3,646	3,346	41,084
Telephone	28,461	2,638	1,021	-	2,446	3,853	38,419	4,559	-	42,978
Meals	-	1,769	-	-	-	-	1,769	-	-	1,769
Repairs and maintenance	13,022	1,747	704	-	19,660	3,797	38,930	3,368	14,965	57,263
Travel	450	-	-	-	944	2,854	4,248	35	-	4,283
Advertising	1,000	442	761	-	1,217	1,075	4,495	398	-	4,893
Licenses and fees	2,070	1,825	-	-	2,029	3,264	9,188	1,293	-	10,481
Student work activity	-	-	-	-	297	200	497	-	-	497
Donations expense	6,501	-	1,856	13,603	-	-	21,960	21,864	-	43,824
Program supplies & equipment	13,884	1,711	3,533	5,760	54,448	85,074	164,410	4,829	-	169,239
Other direct expenses	5,859	1,340	24	-	55,920	136,487	199,630	8,685	2,294	210,609
	<u>\$3,659,153</u>	<u>\$ 235,279</u>	<u>\$ 208,410</u>	<u>\$ 19,863</u>	<u>\$ 921,759</u>	<u>\$ 1,866,701</u>	<u>\$6,911,165</u>	<u>\$ 643,041</u>	<u>\$ 37,752</u>	<u>\$7,591,958</u>

Associates For Human Services, Inc.

Statements of Cash Flows

Years Ended June 30

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 360,042	\$ 1,153,551
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	117,930	117,309
Loss (Gain) on investments	4,770	(32,123)
SBA Payroll Protection Program Loan Forgiveness	-	(1,057,100)
Changes in operating assets and liabilities:		
Accounts receivable - grants	(591,957)	(104,786)
Accounts receivable - fees for services	132,043	214
Prepaid expenses	866	894
Accounts payable	56,273	47,964
Accrued expenses and withholdings	69,377	10,221
Deferred revenue	(11,911)	15,400
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>137,433</u>	<u>151,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(29,900)	-
Change in investments, net	-	(49)
NET CASH USED IN INVESTING ACTIVITIES	<u>(29,900)</u>	<u>(49)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Principal payments on mortgage note	(100,002)	(96,449)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,531	55,046
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,635,992</u>	<u>2,580,946</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,643,523</u>	<u>\$ 2,635,992</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Interest paid and expensed	<u>\$ 73,013</u>	<u>\$ 76,573</u>

Associates for Human Services, Inc.

Notes to Financial Statements

June 30, 2022

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 and support are fees for services contracts with the Commonwealth of Massachusetts Department of Public Welfare (DPW) and Department of Public Health (DPH), and individual fees for services paid by third party payers, as well as grants from the U.S. Department of Health and Human Services, the Massachusetts DPH and others.

Financial Statement Presentation – AHS presents in its statement of financial position and statement of activities and changes in net assets two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Directors may designate from net assets without donor restrictions amounts to be used for specific purposes.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time, the occurrence of certain events, or by the use of the funds as specified by the donor. Other donor-imposed restrictions may be perpetual in nature where the donor stipulates that the funds be maintained in perpetuity.

At June 30, 2022 all restricted net assets relate to additional funding received to support increased salaries, benefits and related hiring costs for program service staff which are expected to be fully utilized during the year ending June 30, 2023 based on the terms of the funding agreements. At June 30, 2021, AHS had no net assets with donor restrictions.

Contributions – AHS recognizes contributions in accordance with Accounting Standards Update (ASU) 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The ASU assists entities in evaluating whether transactions should be accounted for, and reported as, contributions or as exchange transactions, and in determining whether a contribution is conditional or unconditional.

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as a foundation, government agency, corporation, or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is considered a contribution for accounting purposes.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction.

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

Donor-Restricted Contributions – Donor-restricted support and gains are recorded as “net assets with donor restrictions” when received or pledged. When a temporary donor-imposed restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, related amounts of “net assets with donor restrictions” are reclassified to “net assets without donor restrictions” and reported in the statement of activities as “net assets released from restrictions”. Contributions are recorded as increases in “net assets without donor restrictions” if the restrictions are met in the year that the contribution is made.

Conditional Grants and Support – Contributions, grants or other support that are conditional are not recognized in the statement of activities until they become unconditional, that is, at the time when the donor or grantor-imposed conditions on which they depend are substantially met or barriers are overcome. Certain government grants are recognized as support in the statement of activities only when allowable qualified costs are incurred (cost-reimbursement), on the basis of the number of qualified participants served, or when other performance requirements are met. Accounts receivable are recorded for any unreimbursed costs and a liability for refundable advances is recorded for any unused or forfeited funds that may have been received in advance, prior to performance.

Revenue Recognition from Contracts with Customers – AHS recognizes revenues in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) Topic 606, “Revenue from Contracts with Customers”. The standard is based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the standard, among other things, revenue is recognized at a point in time (when), or over time (as), a performance obligation is satisfied.

Under Topic 606: revenue recognition is determined through the following steps:

1. Identification of the contract
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract where applicable
5. Recognition of revenue at a point in time (when), or over time (as), a performance obligation is satisfied.

AHS’ revenues from contracts with customers are exchange transactions consisting of services that are provided to individuals. Such fees for services are recognized as revenues at the point in time that the services are provided and reflect the amounts expected to be collected after provisions for contractual allowances with third party payors and free care. Third party payors consist of the Massachusetts Departments of Public Health and Public Welfare as well as insurance companies such as Blue Cross Blue Shield of Massachusetts. Funds received in advance before the recognition of revenue are recorded as deferred revenue, a contract liability.

A disaggregation of revenues from contracts with customers by payor is presented in the “fee for service revenue” section of the accompanying statement of activities and changes in net assets

Functional Allocation of Expenses – The costs of providing various programs, services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses related directly to a program or supporting function are charged directly to that program or function, while other expenses are allocated based upon square footage, time reports and management’s estimate of the percentage of such cost attributable to each program or supporting function. Allocated expenses consist principally of salaries, wages and related fringe benefits as well as occupancy costs.

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

Accounting Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) 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 made in the preparation of the accompanying financial statements include the useful lives of depreciable property and equipment, the allocation of common expenses to programs and/or supporting functions, and the allowance for doubtful accounts receivable.

Statement of Cash Flows – For the purpose of the statement of cash flows, AHS considers cash to be cash in banks and money market funds. The following schedule provides a reconciliation of cash and cash equivalents reported in the statements of cash flows to the amounts shown in the statements of financial position:

	<u>2022</u>	<u>2021</u>
Statement of Financial Position:		
Cash and equivalents	\$ 2,118,208	\$ 2,111,736
Included with investments:		
Money market funds (Note 2)	525,315	524,256
Statement of cash flows	<u>\$ 2,643,523</u>	<u>\$ 2,635,992</u>

Accounts Receivable – Accounts receivable under government grants are stated at the contracted amounts and in accordance with AHS’ policies for recording fee for service revenues and support from conditional and unconditional grants. Accounts receivable for services are stated at contractual amounts with third party payers which management expects to collect from the outstanding balance. Accounts receivable for service billings are stated net of an allowance for doubtful accounts, which is 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.

Fair Value Measurements – AHS follows 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 reported in the statements of financial position 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:

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

<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. Such assets have been fully depreciated and 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, 2022 and 2021.

Deferred Finance Costs – Costs associated with procuring AHS' mortgage loan were deferred from recognition as expense and are being amortized over the term of the financing agreement, 26 years. If the related loan is repaid or refinanced before maturity, any unamortized deferred costs are written off by a charge to operations. AHS presents unamortized deferred financing costs as a direct reduction to the carrying amount of the related mortgage liability in its statements of financial position (see Note 4). In addition, amortization of deferred financing costs is charged to interest expense in the statements of activities and changes in net assets.

Advertising Expense – AHS charges the cost of advertising to expense as incurred. Advertising expense is presented in the statement of functional expenses and it is not a significant amount.

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 – 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, 2022 up to September 28, 2022, the date the accompanying 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 for 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2022</u>				
Mutual funds	\$ 100,521	\$ -	\$ -	\$ 100,521
Certificates of deposits	100,000	-	-	100,000
Money market funds	525,315	-	-	525,315
	<u>\$ 725,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,836</u>
<u>2021</u>				
Mutual funds	\$ 105,291	\$ -	\$ -	\$ 105,291
Certificates of deposits	100,000	-	-	100,000
Money market funds	524,256	-	-	524,256
	<u>\$ 729,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,547</u>

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.

Investment 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 statement of financial position.

The net gain (loss) on investments as reported in the statements of activities of \$(4,770) and \$32,123 for the years ended June 30, 2022 and 2021, respectively, are comprised entirely of unrealized net gains/losses as there were no sales of investments during 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 2022 or 2021, and there was no balance outstanding as of June 30, 2022 or 2021. The line of credit expires on October 31, 2022.

Note 4 – Long-Term Debt

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

	<u>2022</u>	<u>2021</u>
In 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 were allowed for the twelve months ending September 9, 2017, during which AHS was required to make interest-only payments. Required monthly principal and interest payments of \$14,597 commenced on October 9, 2017. 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 current interest rate is 3.5%. The bond is collateralized by a first mortgage on the property at Allison Drive, Taunton, MA.	\$ 1,959,219	\$ 2,059,221
Less amounts due within one year	<u>103,693</u>	<u>100,008</u>
Amounts due after one year	<u>\$ 1,855,526</u>	<u>\$ 1,959,213</u>

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

Year Ending June 30	Principal Maturities	Unamortized Finance Costs	Net
2023	\$ 105,833	\$ (2,140)	\$ 103,693
2024	109,471	(2,140)	107,331
2025	113,598	(2,140)	111,458
2026	117,696	(2,140)	115,556
2027	121,491	(2,140)	119,351
Thereafter	<u>1,433,933</u>	<u>(32,103)</u>	<u>1,401,830</u>
	<u>\$ 2,002,022</u>	<u>\$ (42,803)</u>	<u>\$ 1,959,219</u>

Note 5 – In-Kind Contributions

AHS operates an Early Head Start program whereby AHS is required to provide matching funds and/or in-kind donations of 20% of the total program expenditures, which AHS has met for the years ended June 30, 2022 and 2021.

Note 6 – Financial Instruments, Credit Risk and Other Concentrations

AHS' financial instruments that may be subject to concentrations of credit risk consist primarily of cash, cash equivalents, investments, accounts receivable under grants and fees billed for services, and debt instruments. A summary of financial instrument and other concentrations is as follows.

Cash - AHS maintains its cash and cash equivalents in a high-quality financial institution that participates in the Depositors Insurance Fund ("DIF"), a private industry sponsored insurance fund. The DIF insures depositor cash accounts that are in excess of the FDIC limits. At June 30, 2022, based on bank balances, AHS has no deposits in excess of the federal insured limits.

Note 6 – Financial Instruments, Credit Risk and Other Concentrations (Cont.)

Investments - AHS has investments in several mutual funds, certificates of deposits and money market funds as disclosed in Note 2.

Revenue, Support and Accounts Receivable - Several of AHS' programs are partially or fully funded by several departments of the Commonwealth of Massachusetts. In fiscal 2022 and 2021, the Early Intervention program received \$1,300,971 and \$877,777, respectively, of revenue and support from the Commonwealth of Massachusetts Department of Public Health (DPH), representing 14% and 12% of total operating revenue and support for 2022 and 2021, respectively. In addition, AHS received \$1,694,780 in fiscal 2022 and \$1,287,876 in fiscal 2021 from the Commonwealth of Massachusetts Department of Public Welfare, which represents approximately 18% and 15% of total operating revenue and support for 2022 and 2021, respectively. As of June 30, 2022, the following amounts represented significant concentrations of total accounts receivable: \$365,000 from DPH (29%) and \$742,000 from the United States Department of Health and Human Services (59%).

Debt - AHS's financial borrowings, approximately \$2 million at June 30, 2022, are through its principal financial institution (see Notes 3 and 4).

Note 7 – Occupancy Costs and Rental Income

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

	<u>2022</u>	<u>2021</u>
Depreciation	\$ 117,930	\$ 117,309
Mortgage interest	<u>73,013</u>	<u>76,573</u>
	<u>\$ 190,943</u>	<u>\$ 193,882</u>

AHS rents its two residential homes to various agencies under tenant at will arrangements. Rental income received by AHS approximated \$54,000 for each of the years ended June 30, 2022 and 2021 respectively.

Note 8 – Related Party Transactions

A member of the Board of Directors is also an officer of AHS' principal financial institution in which AHS maintains all of its cash accounts. In addition, the bank has provided all of the 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 whereby it contributes 200% of employee deferrals up to a maximum contribution of 4% of eligible employee compensation. For the years ended June 30, 2022 and 2021 AHS made contributions to the plan of \$127,596 and \$134,292, respectively.

Note 10 – Liquidity and Availability of Resources

AHS' financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and equivalents	\$ 2,118,208	\$2,111,736
Accounts receivable - grants	980,655	388,698
Accounts receivable - fees for services, net	203,805	335,848
Investments	725,836	729,547
	<u>4,028,504</u>	<u>3,565,829</u>
Less amounts restricted by donors	<u>(297,038)</u>	<u>-</u>
Total financial assets available within one year	3,731,466	3,565,829
Liquidity resources:		
Bank line of credit	<u>500,000</u>	<u>500,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 4,231,466</u>	<u>\$4,065,829</u>

Note 11 – Effects of Coronavirus Pandemic and CARES Act Funding

Effects and Response in 2021 - During fiscal 2021 AHS operated under the state mandated restrictions in Massachusetts in response to the Covid-19 pandemic, which resulted in an estimated loss of program revenues of approximately \$1.52 Million. These lost revenues were almost entirely funded through a PPP loan and COVID relief funding received by AHS during the year (see below).

SBA Paycheck Protection Program Loan and Forgiveness — In April of 2020, AHS obtained a loan from its primary lender in the amount of \$1,057,100 under the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the note agreement dated April 8, 2020, the loan’s repayment was guaranteed by the Small Business Administration (“SBA”), it accrued interest at 1%, and it was forgivable and payable by the SBA if AHS incurred and paid eligible expenses such as payroll and other specified costs as defined in the CARES Act. AHS applied for the loan’s forgiveness under the terms of the agreement and on January 11, 2021 AHS was notified by the SBA that the loan and accrued interest was repaid and the debt has been forgiven in full. As a result of the forgiveness, the loan amount was removed as a liability via a credit to support in the statement of activities and changes in net assets for the year ended June 30, 2021 as “Income from debt forgiveness on SBA PPP Loan” in the amount of \$1,057,100.

Other CARES Funding – During fiscal 2022 and 2021 AHS received approximately \$15,000 and \$256,000, respectively, from the Federal Department of Health and Human Services under the Provider Relief Funds Program to reimburse for health care related expenses or to fund lost revenues attributed to COVID-19. In addition, during fiscal year 2022 and 2021 AHS received approximately \$546,000 and \$251,000, respectively, of sustainability funding from the Massachusetts Department of Public Health under the early intervention program, to support the program, increase staffing wages & benefits and hiring efforts. This funding has been included with grants and other support in the statements of activities. Amounts which have been spent under the terms of the programs are presented in the “without donor restrictions” column of the statement while those funds which have not yet been spent are presented in the “with donor restrictions” column.