



**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

FAMILYAID BOSTON, INC.

Contents
June 30, 2018 and 2017

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 17



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Independent Auditor's Report

To the Board of Directors of
FamilyAid Boston, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of FamilyAid Boston, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's Responsibility

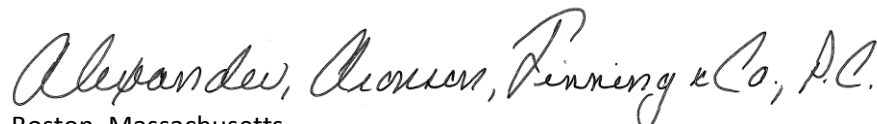
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FamilyAid Boston, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Boston, Massachusetts
October 25, 2018

FAMILYAID BOSTON, INC.Statements of Financial Position
June 30, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash	\$ 634,549	\$ 699,255
Accounts receivable, net of allowance for doubtful accounts of \$11,302 and \$6,609 as of June 30, 2018 and 2017, respectively	575,482	588,651
Prepaid expenses	40,591	55,862
Total current assets	<u>1,250,622</u>	<u>1,343,768</u>
Investments	<u>2,707,149</u>	<u>2,831,181</u>
Property and Equipment:		
Land	47,000	47,000
Building and building improvements	2,145,197	1,637,868
Furniture and fixtures	93,011	93,011
Office equipment	82,214	82,214
	<u>2,367,422</u>	<u>1,860,093</u>
Less - accumulated depreciation	424,668	365,415
Net property and equipment	<u>1,942,754</u>	<u>1,494,678</u>
Restricted Cash	<u>15,000</u>	<u>38,750</u>
Deposits	<u>70,693</u>	<u>24,088</u>
Total assets	<u>\$ 5,986,218</u>	<u>\$ 5,732,465</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	\$ 30,119	\$ 29,277
Accounts payable and accrued expenses	175,903	215,813
Funds held for others	124,819	132,447
Total current liabilities	<u>330,841</u>	<u>377,537</u>
Mortgage Notes Payable, net of current portion	1,274,056	1,306,653
Contingent Notes Payable	<u>382,153</u>	<u>11,825</u>
Total liabilities	<u>1,987,050</u>	<u>1,696,015</u>
Net Assets:		
Unrestricted:		
Operating	852,511	960,553
Designated by the Board of Directors (see Note 3)	2,419,041	2,448,689
Property and equipment	256,426	146,923
Total unrestricted	<u>3,527,978</u>	<u>3,556,165</u>
Temporarily restricted	460,190	469,285
Permanently restricted	11,000	11,000
Total net assets	<u>3,999,168</u>	<u>4,036,450</u>
Total liabilities and net assets	<u>\$ 5,986,218</u>	<u>\$ 5,732,465</u>

FAMILYAID BOSTON, INC.Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets:		
Operating revenues and public support:		
Operating revenues:		
Program grants and contracts - government	\$ 6,154,888	\$ 6,374,288
Rental and other income, net	218,683	141,089
Investment return designated for operations	149,890	14,538
Total operating revenues	<u>6,523,461</u>	<u>6,529,915</u>
Public support:		
Grants and contributions	787,773	642,715
Donated services	246,944	132,264
Special events, net	220,150	253,070
United Way	115,788	129,753
Net assets released from restrictions - program	65,174	24,600
Total public support	<u>1,435,829</u>	<u>1,182,402</u>
Total operating revenues and public support	<u>7,959,290</u>	<u>7,712,317</u>
Operating expenses:		
Shelter and housing programs	7,455,960	6,982,822
General and administrative	286,041	246,075
Fundraising	382,283	466,570
Total operating expenses	<u>8,124,284</u>	<u>7,695,467</u>
Changes in unrestricted net assets from operations	<u>(164,994)</u>	<u>16,850</u>
Other revenues (expenses):		
Investment income, net	88,229	55,639
Net unrealized and realized gain on investments	43,468	162,086
Forgiveness of contingent notes payable	2,500	4,675
Net assets released from restrictions - capital	152,500	140,000
Investment return designated for operations	(149,890)	(14,538)
Total other revenues (expenses)	<u>136,807</u>	<u>347,862</u>
Changes in unrestricted net assets	<u>(28,187)</u>	<u>364,712</u>
Changes in Temporarily Restricted Net Assets:		
Grants and contributions	193,579	159,043
Capital grants	15,000	247,500
Net assets released from restrictions	(217,674)	(164,600)
Changes in temporarily restricted net assets	<u>(9,095)</u>	<u>241,943</u>
Changes in net assets	<u>(37,282)</u>	<u>606,655</u>
Net Assets:		
Beginning of Year	<u>4,036,450</u>	<u>3,429,795</u>
End of year	<u>\$ 3,999,168</u>	<u>\$ 4,036,450</u>

The accompanying notes are an integral part of these statements.

Page 3

FAMILYAID BOSTON, INC.Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (37,282)	\$ 606,655
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	59,253	37,438
Capital grants	(15,000)	(247,500)
Net unrealized and realized gain on investments	(43,468)	(162,086)
Forgiveness of contingent notes payable	(2,500)	(4,675)
Bad debt	4,693	3,101
Changes in operating assets and liabilities:		
Accounts receivable	8,476	147,862
Prepaid expenses	15,271	(13,788)
Deposits	(46,605)	-
Accounts payable and accrued expenses	(39,910)	(24,480)
Funds held for others	(7,628)	(21,417)
Net cash provided by (used in) operating activities	<u>(104,700)</u>	<u>321,110</u>
Cash Flows from Investing Activities:		
Sales of investments	1,086,435	1,016,572
Decrease in restricted cash	23,750	556,250
Acquisition of property and equipment	(134,501)	(907,243)
Purchases of investments	(918,935)	(1,810,761)
Net cash provided by (used in) investing activities	<u>56,749</u>	<u>(1,145,182)</u>
Cash Flows from Financing Activities:		
Capital grants	15,000	247,500
Proceeds from mortgage notes payable	-	1,348,750
Payments on note payable to a bank	-	(13,242)
Principal payments of mortgage notes payable	(31,755)	(339,122)
Net cash provided by (used in) financing activities	<u>(16,755)</u>	<u>1,243,886</u>
Net Change in Cash	(64,706)	419,814
Cash:		
Beginning of year	<u>699,255</u>	<u>279,441</u>
End of year	<u>\$ 634,549</u>	<u>\$ 699,255</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 47,553</u>	<u>\$ 25,509</u>
Non-Cash Transactions:		
Property and equipment acquired through assumption of debt	<u>\$ 372,828</u>	<u>\$ -</u>
Unrealized gain on investments	<u>\$ 21,482</u>	<u>\$ 135,243</u>

FAMILYAID BOSTON, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(With Summarized Comparative Totals for the Year Ended June 30, 2017)

	2018			2017		
	Shelter and Housing Programs	General and Administrative	Fundraising	Total Support Services	Total Expenses	Total Expenses
Client Assistance	\$ 3,647,864	\$ -	\$ -	\$ -	\$ 3,647,864	\$ 3,344,851
Personnel and Related:						
Salaries	2,323,524	137,949	237,359	375,308	2,698,832	2,765,716
Employee benefits	267,159	8,932	22,899	31,831	298,990	286,289
Payroll taxes	206,618	12,159	20,975	33,134	239,752	241,726
Total personnel and related	2,797,301	159,040	281,233	440,273	3,237,574	3,293,731
Occupancy:						
Repairs and maintenance	309,928	2,520	1,861	4,381	314,309	230,501
Rent	238,141	15,337	23,998	39,335	277,476	258,196
Insurance	64,487	1,503	2,975	4,478	68,965	75,608
Utilities	52,484	1,280	2,029	3,309	55,793	37,093
Total occupancy	665,040	20,640	30,863	51,503	716,543	601,398
Other:						
Professional fees and temporary help	11,537	91,951	297	92,248	103,785	88,348
Small equipment	68,867	4,444	12,624	17,068	85,935	72,746
Miscellaneous	45,461	4,203	10,589	14,792	60,253	49,887
Depreciation	58,110	392	751	1,143	59,253	37,438
Travel	53,067	930	112	1,042	54,109	65,581
Interest	47,484	-	-	-	47,484	27,193
Office supplies	31,342	3,105	6,139	9,244	40,586	30,568
Marketing	-	-	35,992	35,992	35,992	49,004
Telephone	21,247	546	919	1,465	22,712	22,086
Printing and postage	3,947	290	2,764	3,054	7,001	7,035
Bad debt	4,693	-	-	-	4,693	3,101
Scholarships	-	500	-	500	500	2,500
Total other	345,755	106,361	70,187	176,548	522,303	455,487
Total expenses	\$ 7,455,960	\$ 286,041	\$ 382,283	\$ 668,324	\$ 8,124,284	\$ 7,695,467

FAMILYAID BOSTON, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2017

	Shelter and Housing Programs	Support Services			Total Expenses
		General and Adminis- trative	Fundraising	Total Support Services	
Client Assistance	\$ 3,344,851	\$ -	\$ -	\$ -	\$ 3,344,851
Personnel and Related:					
Salaries	2,335,872	139,192	290,652	429,844	2,765,716
Employee benefits	247,892	5,297	33,100	38,397	286,289
Payroll taxes	202,442	13,623	25,661	39,284	241,726
Total personnel and related	2,786,206	158,112	349,413	507,525	3,293,731
Occupancy:					
Repairs and maintenance	227,361	1,176	1,964	3,140	230,501
Rent	219,734	13,544	24,918	38,462	258,196
Insurance	71,672	1,358	2,578	3,936	75,608
Utilities	34,070	1,061	1,962	3,023	37,093
Total occupancy	552,837	17,139	31,422	48,561	601,398
Other:					
Professional fees and temporary help	36,079	48,994	3,275	52,269	88,348
Small equipment	58,357	1,423	12,966	14,389	72,746
Miscellaneous	29,759	10,166	9,962	20,128	49,887
Depreciation	36,860	303	275	578	37,438
Travel	62,947	2,516	118	2,634	65,581
Interest	27,193	-	-	-	27,193
Office supplies	19,267	4,127	7,174	11,301	30,568
Marketing	-	-	49,004	49,004	49,004
Telephone	20,635	412	1,039	1,451	22,086
Printing and postage	4,730	383	1,922	2,305	7,035
Bad debt	3,101	-	-	-	3,101
Scholarships	-	2,500	-	2,500	2,500
Total other	298,928	70,824	85,735	156,559	455,487
Total expenses	\$ 6,982,822	\$ 246,075	\$ 466,570	\$ 712,645	\$ 7,695,467

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

FamilyAid Boston, Inc. (FAB) was incorporated in 1920. The mission of FAB is to assist those without a home and to prevent and help end homelessness in Massachusetts. FAB's staff and volunteers work with and for vulnerable individuals and families to address their immediate and longer term housing and social support needs through direct service, preventive approaches, and advocacy.

FAB is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). FAB is also exempt from state income taxes. Donors may deduct contributions made to FAB within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

FAB prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

FAB follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that FAB would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

FAB uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of FAB. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues from program grants and contracts - government are recorded as the services are performed. Revenues from unrestricted grants and contributions and United Way are recorded when received or unconditionally committed. Rental and other income is recorded when earned. Special events revenues are recognized in the period in which the events occur.

FAB reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions received and satisfied in the same period are included in unrestricted net assets.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is based on management's best estimate of the amount of probable credit loss in accounts receivable.

Investments

Investments (see Note 4) consist of FAB's holdings of marketable securities held for purposes of financial returns. Investments are reported at fair value. Investment income includes interest, dividends and mutual fund distributions which are recorded when earned. Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains and losses are recognized based on fair value changes during the period. Investment income of all investment funds is available for operations and is therefore reflected in unrestricted net assets. Each year, the Board of Directors may budget a portion of total investment return for use in operations (see Note 3).

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and building improvements	40 years
Furniture and fixtures	5 years
Office equipment	3 - 5 years

FAB accounts for the carrying value of its property and equipment in accordance with the requirements of U.S. GAAP standards for the *Impairment or Disposal of Long-Lived Assets*. As of June 30, 2018 and 2017, FAB has not recognized any reduction in the carrying value of its property and equipment when considering this standard.

In fiscal year 2018, FAB entered into an agreement with Pine Street Inn, Inc. (PSI) to acquire a property held in Dorchester, Massachusetts (the Pleasant Street property). The building was acquired for a purchase price of \$66,773 plus the assumption of three contingent notes payable totaling \$372,828 (see Note 7) originally held by PSI.

Cash

Management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Such amounts included in investment portfolios and restricted cash are not considered to be cash for the purpose of the statements of cash flows.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash consists of amounts restricted by donors and the Board of Directors for the acquisition of property and equipment.

Funds Held for Others

Funds held for others represent funds held by FAB on behalf of its clients.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and public support and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as other revenues (expenses). Other revenues (expenses) include endowment, capital and investment activity.

Uncertainty in Income Taxes

FAB accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. FAB has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2018 and 2017. FAB's information returns are subject to examination by the Federal and state jurisdictions.

Special Events

Special events revenue is shown net of direct expenses of \$37,863 and \$48,995 in the accompanying statements of activities and changes in net assets for the years ended June 30, 2018 and 2017, respectively.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Donated Services

FAB receives donated goods and services in various aspects of its programs. The value of these goods and services is reflected in the accompanying financial statements based upon the value assigned by the donor or a reasonable estimate determined by management. Donated goods and services consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Professional services	\$ 154,335	\$ 17,363
Salary	66,658	94,901
Professional investment fees (see Note 4)	22,661	20,000
Donated goods	<u>3,290</u>	<u>-</u>
	<u>\$ 246,944</u>	<u>\$ 132,264</u>

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 25, 2018, which is the date the financial statements were available to be issued. No such events have been identified as of the report date.

3. NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by FAB. FAB has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of FAB.

Designated by the Board of Directors net assets represent funds that bear no external restrictions but have been designated by the Board of Directors for the following purposes:

	<u>2018</u>	<u>2017</u>
Funds functioning as endowment (see page 12)	\$ 1,937,609	\$ 1,958,521
Capital expenditures	<u>481,432</u>	<u>490,168</u>
	<u>\$ 2,419,041</u>	<u>\$ 2,448,689</u>

These funds may only be used with the approval of the Board of Directors. During fiscal year 2018, the Board of Directors voted to use \$8,736 of the capital expenditures fund for the acquisition of a property (see page 8) and other capital purchases. The capital expenditures fund is included in investments.

Property and equipment net assets reflect the net book value of FAB's property and equipment, net of related debt.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions received or pledged that have not yet been expensed for their designated purpose. Temporarily restricted net assets also include accumulated appreciation and investment income on permanently restricted net assets.

Temporarily restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Program grants	\$ 287,448	\$ 159,043
Capital grants	165,000	302,500
Accumulated unspent appreciation on permanently restricted net assets	<u>7,742</u>	<u>7,742</u>
	<u>\$ 460,190</u>	<u>\$ 469,285</u>

A portion of the program and capital grants are included in restricted cash and investments in the accompanying statements of financial position.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

3. NET ASSETS (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets represent those donor restricted funds that are restricted against expenditure of principal. Included in permanently restricted net assets are the following donor-restricted funds:

Estate of Hannah Kimball Permanent Endowment - Donor's permanent restrictions require that \$1,000 of principal be held as a permanent source of income.

Estate of Mary Converse Permanent Endowment - Donor's permanent restrictions require that \$5,000 of principal be held as a permanent source of income.

Estate of Frank M. Ferrin Permanent Endowment - Donor's permanent restrictions require that \$5,000 of principal be held as a permanent source of income.

Endowment Fund

FAB follows the Uniform Prudent Management of Institutional Funds Act. Subject to the intent of a donor, FAB may appropriate for expenditure or accumulate so much of an endowment fund as FAB determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.

FAB has adopted investment policies for endowment assets that aim to establish the investment objectives, policies, guidelines, and eligible securities relating to any investments owned by FAB and identify the criteria against which the investment performance is measured. The investment goal is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle. The investments are to be split between equity, fixed income, and money market funds to accomplish these goals. The benchmarks used in evaluating the performance of the funds will be the Standard and Poor's 500 Index.

FAB's Board of Directors has adopted an investment spending policy under which it may appropriate up to 5% of the average fair values of FAB's investment portfolio over the previous thirty-six months. The Board of Directors may approve additional spending if the amount to be withdrawn is greater than 5% under the policy. During fiscal years 2018 and 2017, the Board of Directors voted to use \$149,890 and \$14,538, respectively, of investments for operations, which is reflected as investment return designated for operations in the accompanying statements of activities and changes in net assets.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2018 and 2017**3. NET ASSETS (Continued)****Endowment Fund (Continued)**

Changes in endowment net assets by class are as follows for the years ended June 30:

	<u>Unrestricted</u> <u>Board-</u> <u>Designated</u>	<u>Donor Restricted</u>		<u>Total Donor</u> <u>Restricted</u>	<u>Total</u> <u>Endowment</u>
		<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>		
Endowment net assets, June 30, 2016	\$ 1,756,164	\$ 7,742	\$ 11,000	\$ 18,742	\$ 1,774,906
Investment returns:					
Investment income, net	55,639	-	-	-	55,639
Net realized gain	26,843	-	-	-	26,843
Net unrealized gain	<u>134,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,413</u>
Total investment returns	216,895	-	-	-	216,895
Investment return designated for operations	<u>(14,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,538)</u>
Net change in endowment	<u>202,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,538</u>
Endowment net assets, June 30, 2017	<u>1,958,521</u>	<u>7,742</u>	<u>11,000</u>	<u>18,742</u>	<u>1,977,263</u>
Investment returns:					
Investment income, net	84,620	-	-	-	84,620
Net realized gain	21,986	-	-	-	21,986
Net unrealized gain	<u>22,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,372</u>
Total investment returns	128,978	-	-	-	128,978
Investment return designated for operations	<u>(149,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(149,890)</u>
Net change in endowment	<u>(20,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,912)</u>
Endowment net assets, June 30, 2018	<u>\$ 1,937,609</u>	<u>\$ 7,742</u>	<u>\$ 11,000</u>	<u>\$ 18,742</u>	<u>\$ 1,956,351</u>

In accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations* standard and Massachusetts state law, appreciation on permanently restricted investments is included in temporarily restricted net assets. In fiscal years 2018 and 2017, the change in accumulated appreciation on permanently restricted investments was immaterial to the accompanying financial statements and, therefore, was recorded in unrestricted net assets.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

4. INVESTMENTS

The following is a summary of investments as of June 30:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 707,393	\$ 393,467
Equities - mutual funds	1,268,323	1,217,016
Fixed income:		
Corporate bonds and notes	538,867	1,023,249
Mutual funds	51,740	53,967
Other mutual funds	<u>140,826</u>	<u>143,482</u>
	<u>\$ 2,707,149</u>	<u>\$ 2,831,181</u>

Investment income consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Dividends	\$ 101,218	\$ 73,155
Interest	9,672	2,484
Donated services - investment fees (see Note 2)	<u>(22,661)</u>	<u>(20,000)</u>
	<u>\$ 88,229</u>	<u>\$ 55,639</u>

The investments that relate to the Board designated funds functioning as endowment (see Note 3) are collateral for the note payable to a bank (see below). Investments are not insured and are subject to ongoing market fluctuations. Investments are classified as a long-term asset in the accompanying statements of financial position based on management's intent to hold these investments for long-term purposes.

A Board member of FAB is associated with the brokerage firm that handles FAB's investment transactions. The Board member manages FAB's portfolio, subject to oversight by the Board of Directors. No fees are charged by the brokerage firm and FAB recognized \$22,661 and \$20,000 as donated services for the years ended June 30, 2018 and 2017, respectively.

5. NOTE PAYABLE TO A BANK

FAB has a revolving line of credit agreement with a bank that provides for borrowing up to \$1,000,000. Borrowings under the agreement are due on demand and interest is payable monthly at the London Interbank Offered Rate (LIBOR) Advantage Rate (2.09% and 1.23% at June 30, 2018 and 2017, respectively), plus 2.75%. The line of credit is secured by FAB's investments (see Note 4) as defined in the agreement. There was no outstanding balance as of June 30, 2018 or 2017. FAB must meet certain covenants as specified in the agreement. FAB was in compliance with these covenants as of June 30, 2018 and 2017. This note is renewable annually.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2018 and 2017**6. MORTGAGE NOTES PAYABLE**

FAB has entered into the following agreements to finance various properties:

	<u>2018</u>	<u>2017</u>
2.75% note payable to a bank in the original amount of \$267,750, due in monthly principal and interest installments of \$1,093, through January 1, 2047. This note is secured by shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus assignment of leases and rent.	\$ 258,949	\$ 265,342
3% note payable to a bank in the original amount of \$260,000, due in monthly principal and interest installments of \$1,096, through December 1, 2047. This note is secured by first priority interest in a property located at 134 Ellington Street, Dorchester, Massachusetts, plus assignment of leases and rent.	251,329	257,306
2.75% note payable to a bank in the original amount of \$252,250, due in monthly principal and interest installments of \$1,030, through January 1, 2047. This note is secured by shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus assignment of leases and rent.	243,959	249,981
3% note payable to a bank in the original amount of \$243,750, due in monthly principal and interest installments of \$1,028, through December 1, 2047. This note is secured by first priority interest in a property located at 132 Ellington Street, Dorchester, Massachusetts, plus assignment of leases and rent.	235,621	241,225
Note payable to a bank in the original amount of \$180,000 at 2.75% interest, due in monthly principal and interest installments of \$735, through January 1, 2047. This note is secured by shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus assignment of leases and rent.	174,083	178,380
Note payable to a bank in the original amount of \$145,000 at 2.75% interest, due in monthly principal and interest installments of \$592, through January 1, 2047. This note is secured by shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus assignment of leases and rent.	140,234	143,696
	<u>1,304,175</u>	<u>1,335,930</u>
Less - current portion	<u>30,119</u>	<u>29,277</u>
	<u>\$ 1,274,056</u>	<u>\$ 1,306,653</u>

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2018 and 2017**6. MORTGAGE NOTES PAYABLE (Continued)**

Future maturities of mortgage notes payable over the next five years are as follows:

2019	\$ 30,119
2020	\$ 30,987
2021	\$ 31,897
2022	\$ 32,796
2023	\$ 29,195

FAB must comply with certain covenants as defined in the note payable agreements. FAB was in compliance with these covenants as of June 30, 2018 and 2017.

7. CONTINGENT NOTES PAYABLE

Contingent notes payable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Non-interest bearing note payable to the Department of Housing and Community Development (DHCD) under the Housing Stabilization Fund (HSF) program. Outstanding principal is due on June 21, 2031. This note is secured by a shared mortgage on the Pleasant Street property.	\$ 150,000	\$ -
1% note payable to the City of Boston. Outstanding principal and accrued interest are due on demand, only in the event of a default, as defined in the agreement. This note is secured by a shared mortgage on the Pleasant Street property.	150,000	-
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC) under the Housing Innovations Fund (HIF) program. Annual payments of principal are subject to cash flow defined as gross receipts exceeding 105% of cash expenditures. There were no payments due under this note as of June 30, 2018. This note is secured by a mortgage on the Pleasant Street property.	72,828	-
5% promissory note due to a private trust in the original amount of \$50,000 that expired in March 2016, at which time principal and interest became due. FAB is not expected to make any payment to the private trust. The private trust has given a non-binding commitment to forgive the note's principal and interest. During fiscal years 2018 and 2017, the private trust forgave \$2,500 and \$4,675, respectively, of the note's principal and accrued interest. The note is secured by subordinated mortgages on the 680 Columbia Road and 21 Marion Street properties (see Note 6).	<u>9,325</u>	<u>11,825</u>
Total	<u>\$ 382,153</u>	<u>\$ 11,825</u>

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

8. RETIREMENT PLAN

FAB maintains an employee retirement plan that qualifies under IRC Section 403(b). FAB makes discretionary contributions to eligible employees' retirement funds based on two percent of employees' gross pay, plus an additional two percent for those eligible employees who contribute a minimum of two percent to their retirement fund. Employees are eligible when they reach twenty-one years of age and complete one year of service. Employees become vested after three years of participation. For the years ended June 30, 2018 and 2017, FAB contributed \$56,062 and \$56,046, respectively, to the retirement plan, which is included in employee benefits in the accompanying statements of functional expenses.

9. LEASE AGREEMENTS

Facility

FAB leases its office space under the terms of an agreement which runs through September 2019. Rent is payable in monthly installments of \$23,000, plus a proportionate share of increases in operating costs and real estate taxes.

In accordance with the *Accounting for Leases* standard, FAB recognizes rent expense on a straight-line basis over the term of the lease regardless of actual cash payments. As a result, FAB has recorded \$6,033 and \$10,557 as of June 30, 2018 and 2017, respectively, of deferred rent related to this agreement, which is included in accounts payable and accrued expenses in the accompanying statements of financial position. FAB has incurred \$277,476 and \$258,196 of rent expense under this agreement for the years ended June 30, 2018 and 2017, respectively.

Equipment

FAB leases equipment under operating lease agreements which expire at various dates through March 2020.

Remaining minimum cash payments under these agreements are as follows for the years ended June 30:

	<u>Equipment</u>	<u>Facility</u>
2019	\$ 4,335	\$ 276,000
2020	<u>2,695</u>	<u>69,000</u>
	<u>\$ 7,030</u>	<u>\$ 345,000</u>

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2018 and 2017

10. FUNDING

FAB received the following program grants and contracts - government to assist with program expenses and operating costs during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Department of Housing and Community Development:		
Scattered Site Family Emergency Shelter	\$ 5,141,812	\$ 5,171,451
MRVP Reserve Support Services	10,000	8,958
Emergency Solutions Grant	424	52,800
Toolbox Master Service	50	1,493
City of Boston:		
Home Advantage Collaborative	631,012	432,629
Emergency Shelter Grants	318,982	647,363
Chronic Homeless Housing	37,608	49,594
Other	<u>15,000</u>	<u>10,000</u>
	<u>\$ 6,154,888</u>	<u>\$ 6,374,288</u>

These grants and contracts have been expended according to their respective terms and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, no significant liability to FAB will result from any such audits.

Approximately 93% and 98% of accounts receivable, net at June 30, 2018 and 2017, respectively, are due from two government agencies.

11. CONCENTRATION OF CREDIT RISK

FAB maintains its cash balances in three banks in Massachusetts. The Federal Deposit Insurance Corporation insures balances at each bank up to certain amounts. At certain times during the year, the cash balances exceeded the insured amount. FAB has not experienced any losses in such accounts. FAB's management believes it is not exposed to any significant credit risk on its cash.

12. CONDITIONAL GRANT

During fiscal year 2018, FAB was awarded a conditional grant from an organization in the amount of \$56,000 for fiscal year 2019. Since this grant is conditional upon the organization having available funds and FAB's performance, the amount has not been reflected in the accompanying financial statements as of June 30, 2018.

13. RECLASSIFICATION

Certain amounts in the fiscal year 2017 financial statements have been reclassified to conform with the fiscal year 2018 presentation.