

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017



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ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017



Mission Statement

To provide shelter and affordable housing, as well as advocacy and support services, to homeless, battered and low-income women, with or without children. Abby's House empowers the women we serve to lead self-directed lives filled with dignity and hope.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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**Smith  Sullivan
& Brown PC**
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Abby Kelley Foster House, Inc. (a Massachusetts nonprofit organization) and Affiliates (collectively "the Organizations"), which comprise the Consolidated Statements of Financial Position as of December 31, 2018 and 2017, and the related Consolidated Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. For the year ended December 31, 2018, we did not audit the financial statements of AKFH Renovations LLC which statements reflect total assets of \$13,584,964 as of December 31, 2018. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those Affiliates, is based solely on the report of the other auditors. 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Abby Kelley Foster House, Inc. and Affiliates as of December 31, 2018 and 2017 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 31-38 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 8, 2019

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 1,405,481	\$ 1,506,040
Accounts and Other Receivables	12,940	7,304
Grants Receivable	12,000	89,500
Capital Campaign Pledges Receivable	102,512	157,761
Inventories and Other Current Assets	93,132	34,366
Total Current Assets	<u>1,626,065</u>	<u>1,794,971</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>11,355,708</u>	<u>3,886,300</u>
<u>NON-CURRENT ASSETS:</u>		
Bond Proceeds Reserve	2,510,232	7,400,040
Board Designated Operating, Building and Capital Asset Reserves	627,094	380,257
Capital Campaign Proceeds	760,724	852,540
Capital Campaign Pledges Receivable	51,166	126,534
Pledge for Pro Bono Construction Costs	40,000	40,000
Grants Receivable	12,000	24,000
Beneficial Interest in Agency Fund	647,218	683,281
Deferred Pre-Development Costs	90,024	89,524
Total Non-Current Assets	<u>4,738,458</u>	<u>9,596,176</u>
<u>TOTAL ASSETS</u>	<u>\$ 17,720,231</u>	<u>\$ 15,277,447</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 70,173	\$ 20,329
Accrued Payroll and Related Costs	58,003	47,066
Deferred Revenue	340	1,020
Total Current Liabilities	<u>128,516</u>	<u>68,415</u>
<u>LONG-TERM LIABILITIES:</u>		
Accounts Payable, Construction	1,111,094	178,070
Construction and Renovation Financing	10,194,203	9,315,894
Deferred Forgivable Debt	287,300	287,300
Total Long-Term Liabilities	<u>11,592,597</u>	<u>9,781,264</u>
<u>TOTAL LIABILITIES</u>	<u>11,721,113</u>	<u>9,849,679</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	3,586,942	3,116,654
Net Assets With Donor Restrictions	1,713,506	1,906,234
Total AKFH Net Assets	5,300,448	5,022,888
Non-Controlling Interest (MHIC)	698,670	404,880
Total Net Assets	<u>5,999,118</u>	<u>5,427,768</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 17,720,231</u>	<u>\$ 15,277,447</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(With Summarized Comparative Totals for 2017)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>CAPITAL</u> <u>CAMPAIGN</u>	<u>SUBTOTAL</u>	<u>TOTAL ACTIVITIES</u> <u>2018</u>	<u>2017</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 699,549	\$ 63,455	\$ 476,935	\$ 540,390	\$ 1,239,939	\$ 1,893,858
Rental Income	317,427	-	-	-	317,427	431,380
Thrift Shop Donations	196,214	-	-	-	196,214	219,560
Donated Goods and Services	134,124	-	-	-	134,124	138,992
Special Fund Raising Event Proceeds	98,218	-	-	-	98,218	80,370
Less: Cost of Direct Benefits to Donors	(2,482)	-	-	-	(2,482)	(3,279)
Change in Beneficial Interest in Agency Fund	-	(41,154)	-	(41,154)	(41,154)	41,877
Interest Income	37,300	-	-	-	37,300	242
Other Income	21,145	-	-	-	21,145	11,324
Total Support and Revenues	<u>1,501,495</u>	<u>22,301</u>	<u>476,935</u>	<u>499,236</u>	<u>2,000,731</u>	<u>2,814,324</u>
<i>Reclassifications of Net Assets:</i>						
Net Assets Released to Operating Activities	155,483	(134,280)	(21,203)	(155,483)	-	-
Net Assets Released to Capital Projects	536,481	-	(536,481)	(536,481)	-	-
Total Reclassifications of Net Assets	<u>691,964</u>	<u>(134,280)</u>	<u>(557,684)</u>	<u>(691,964)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>2,193,459</u>	<u>(111,979)</u>	<u>(80,749)</u>	<u>(192,728)</u>	<u>2,000,731</u>	<u>2,814,324</u>
<u>EXPENSES:</u>						
Program Services	1,423,066	-	-	-	1,423,066	1,304,402
Administrative	154,575	-	-	-	154,575	118,414
Fund Raising - Operations	87,537	-	-	-	87,537	64,331
Fund Raising - Capital Campaign	37,644	-	-	-	37,644	67,307
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u> <u>AND OTHER CHANGES</u>	<u>1,702,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,702,822</u>	<u>1,554,454</u>
<u>CHANGE IN NET ASSETS BEFORE</u> <u>DEPRECIATION AND OTHER CHANGES</u>						
Depreciation Expense	(64,400)	-	-	-	(64,400)	(108,180)
Capital Contribution from Equity Investor (MHIC)	337,841	-	-	-	337,841	404,880
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>764,078</u>	<u>(111,979)</u>	<u>(80,749)</u>	<u>(192,728)</u>	<u>571,350</u>	<u>1,556,570</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,521,534</u>	<u>811,127</u>	<u>1,095,107</u>	<u>1,906,234</u>	<u>5,427,768</u>	<u>3,871,198</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 4,285,612</u>	<u>\$ 699,148</u>	<u>\$ 1,014,358</u>	<u>\$ 1,713,506</u>	<u>\$ 5,999,118</u>	<u>\$ 5,427,768</u>

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements....Page 4

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

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

	<u>WITHOUT</u>	<u>WITH DONOR RESTRICTIONS</u>			<u>TOTAL</u>
	<u>DONOR</u>	<u>OPERATIONS</u>	<u>CAPITAL</u>	<u>SUBTOTAL</u>	
	<u>RESTRICTIONS</u>		<u>CAMPAIGN</u>		<u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>					
<i>Support and Revenues:</i>					
Gifts, Grants and Contributions	\$ 969,469	\$ 131,526	\$ 792,863	\$ 924,389	\$ 1,893,858
Rental Income	431,380	-	-	-	431,380
Thrift Shop Donations	219,560	-	-	-	219,560
Donated Goods and Services	138,992	-	-	-	138,992
Special Fund Raising Event Proceeds	80,370	-	-	-	80,370
Less: Cost of Direct Benefits to Donors	(3,279)	-	-	-	(3,279)
Change in Beneficial Interest in Agency Fund	-	41,877	-	41,877	41,877
Other Income	11,324	-	-	-	11,324
Interest Income	242	-	-	-	242
Total Support and Revenues	<u>1,848,058</u>	<u>173,403</u>	<u>792,863</u>	<u>966,266</u>	<u>2,814,324</u>
<i>Reclassifications of Net Assets:</i>					
Transfer of Agency Funds	(355,000)	355,000	-	355,000	-
Net Assets Released to Operating Activities	115,028	(71,872)	(43,156)	(115,028)	-
Net Assets Released to Capital Projects	125,989	-	(125,989)	(125,989)	-
Total Reclassifications of Net Assets	<u>(113,983)</u>	<u>283,128</u>	<u>(169,145)</u>	<u>113,983</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,734,075</u>	<u>456,531</u>	<u>623,718</u>	<u>1,080,249</u>	<u>2,814,324</u>
<u>EXPENSES:</u>					
Program Services	1,304,402	-	-	-	1,304,402
Administrative	118,414	-	-	-	118,414
Fund Raising - Operations	64,331	-	-	-	64,331
Fund Raising - Capital Campaign	67,307	-	-	-	67,307
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>					
<u>AND OTHER CHANGES</u>	<u>1,554,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554,454</u>
<u>CHANGE IN NET ASSETS BEFORE</u>					
<u>DEPRECIATION AND OTHER CHANGES</u>	<u>179,621</u>	<u>456,531</u>	<u>623,718</u>	<u>1,080,249</u>	<u>1,259,870</u>
Depreciation Expense	(108,180)	-	-	-	(108,180)
Capital Contribution from Equity Investor (MHIC)	404,880	-	-	-	404,880
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>476,321</u>	<u>456,531</u>	<u>623,718</u>	<u>1,080,249</u>	<u>1,556,570</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,045,213</u>	<u>354,596</u>	<u>471,389</u>	<u>825,985</u>	<u>3,871,198</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 3,521,534</u>	<u>\$ 811,127</u>	<u>\$ 1,095,107</u>	<u>\$ 1,906,234</u>	<u>\$ 5,427,768</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Summarized Comparative Totals for 2017)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND RAISING</u>		<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>OPERATIONS</u>	<u>CAPITAL</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>CAMPAIGN</u>	<u>2018</u>	<u>2017</u>
Salaries and Wages	\$ 687,785	\$ 69,045	\$ 45,318	\$ 14,074	\$ 816,222	\$ 692,259
Payroll Taxes	65,625	6,528	4,284	1,331	77,768	58,924
Employee Benefits	50,084	5,574	3,760	1,035	60,453	77,894
Volunteer Services <i>(Note 10)</i>	117,344	-	-	-	117,344	116,081
Direct Client Assistance - Rental and Thrift Shop Subsidies	62,556	-	-	-	62,556	131,185
Program Supplies and Expenses <i>(Note 10)</i>	27,867	-	-	-	27,867	28,291
Fund Raising Event Costs	-	-	10,112	-	10,112	9,532
Repairs and Maintenance	117,109	-	2,057	-	119,166	81,159
Utilities	103,961	735	637	-	105,333	107,775
Insurance	32,495	2,743	896	-	36,134	38,331
Accounting and Legal Expense	28,360	46,652	-	-	75,012	32,606
Professional Fees and Consultants	40,123	8,626	14,519	-	63,268	70,652
Capital Campaign Consultant	-	-	-	19,144	19,144	39,085
Small Equipment and Furnishings	14,513	550	473	-	15,536	8,861
Office Supplies and Expenses	6,811	758	652	-	8,221	7,135
Printing and Postage	21,285	326	1,628	2,060	25,299	32,308
Bank and Payroll Fees	-	9,022	-	-	9,022	6,567
Staff Training and Workshops	3,281	301	398	-	3,980	3,150
Staff Travel and Related Expenses	14,645	1,630	1,402	-	17,677	-
Dues, Fees and Subscriptions	18,119	2,085	1,401	-	21,605	8,584
Interest Expense	235	-	-	-	235	2,483
Bad Debts	-	-	-	-	-	1,592
Real Estate Taxes	10,868	-	-	-	10,868	-
Total Expenses Before Depreciation and Direct Event Costs	1,423,066	154,575	87,537	37,644	1,702,822	1,554,454
Depreciation Expense	63,191	648	561	-	64,400	108,180
Cost of Direct Benefits to Donors	-	-	2,482	-	2,482	3,279
Total Functional Expenses	\$ 1,486,257	\$ 155,223	\$ 90,580	\$ 37,644	\$ 1,769,704	\$ 1,665,913

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

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

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 571,350	\$ 1,556,570
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Capital Campaign Pledges	(476,935)	(792,863)
Capital Contribution from Equity Investor	(337,841)	(404,880)
Depreciation Expense	64,400	108,180
Change in Fair Value of Beneficial Interest	41,154	(41,877)
Donated Goods and Other Non-Cash Contributions	(5,976)	-
<i>(Increase) Decrease in Current Assets:</i>		
Accounts and Other Receivables	(5,992)	(397)
Grants Receivable	77,500	(77,500)
Inventories and Other Current Assets	(58,767)	(7,082)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	23,627	15,788
Accrued Payroll and Related Costs	10,937	23,739
Deferred Revenue	(188,180)	187,995
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable	12,000	12,000
Net Adjustment	(844,073)	(976,897)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(272,723)</u>	<u>579,673</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Pre-Development/Renovation Expenditures	(6,314,537)	(1,103,540)
Contribution to Beneficial Interest in Agency Fund	(5,090)	(355,000)
Acquisition of Property and Equipment	(72,674)	(9,908)
Net Cash Flows from Investing Activities	<u>(6,392,301)</u>	<u>(1,468,448)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal Reduction on Long-Term Debt	-	(51,814)
Capital Contributions from Equity Investor	337,841	404,880
Proceeds from Bond Issuance	-	8,200,000
Proceeds from (Repayment of) Pre-Development Loans	(55,894)	100,000
Proceeds from Construction Loans	934,203	652,858
Proceeds from Capital Campaign Pledges and Grants	613,528	677,064
Net Cash Flows from Financing Activities	<u>1,829,678</u>	<u>9,982,988</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(4,835,346)</u>	<u>9,094,213</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>10,138,877</u>	<u>1,044,664</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 5,303,531</u>	<u>\$ 10,138,877</u>
<i>Supplemental Disclosures :</i>		
Interest Paid (Including Capitalized Interest of \$302,607)	<u>\$ 308,736</u>	<u>\$ 2,483</u>
<i>Non-Cash Investing and Financing :</i>		
Accounts Payable, Construction	<u>\$ 1,111,094</u>	<u>\$ 178,070</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 ORGANIZATION

Abby Kelley Foster House, Inc.:

Abby Kelley Foster House, Inc. (“Abby’s House” or “the Organization”) was incorporated in 1976 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Abby Kelley Foster House, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

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

AKFH Renovations MM LLC:

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

AKFH Renovations LLC:

On March 24, 2017, the Managing Member established AKFH Renovations LLC (“the LLC”) also organized as a Massachusetts Limited Liability Company pursuant to Chapter 156C of the Massachusetts General Laws. The Managing Member served as the sole member of the LLC until December 28, 2017, at which time the First Amended and Restated Operating Agreement was executed, and the Managing Member admitted Massachusetts Housing Equity Fund XXIII LLC (“MHIC”) as the Investor Member. On that date, MHIC acquired a 99.99% interest in the LLC with a capital contribution as further detailed in Note 7. The term of the LLC shall continue until December 31, 2067 unless sooner dissolved or terminated in accordance with the provisions of the operating agreement.

NOTE 2 PROGRAM SERVICES

Overview

Abby’s House has been effectively responding to one of the most basic and fundamental human needs - a safe place to stay - since 1976. Abby’s House provides a warm, welcoming and safe place for women who are homeless due to lack of safe, affordable housing, domestic violence, economic instability, or unemployment.

Abby’s House annually serves hundreds of women, providing them with shelter, housing and advocacy. We are able to welcome women from all circumstances without the restrictions from government funding for programs. Our immediate goal is to “to answer the door, one knock at a time” for women, with and without children, who are in need of safe or stable housing.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 2 *(Continued)*

Our long-term goal is to provide a supportive and safe environment in which women can rebuild and reclaim their lives. We provide women with tangible skills, access to services, and emotional support in order to actively mitigate the issues which led to her homelessness and to prevent future homelessness.

Our advocacy lays the foundation for her to make independent choices for herself and lead a self-directed life filled with dignity and hope.

Programs

Our shelter, housing and advocacy programs operate year-round, seven days per week/24 hours per day. We have an on-call crisis response team to address any issues that may arise during non-traditional office hours.

Overnight Shelter:

Staffed by a Shelter Manager, a Shelter Facilitator, and more than 30 regular volunteers, our nine-bed overnight shelter provides women, with and without children, with safe shelter and focuses on helping her put together a plan to address her immediate needs. We assist her in finding and securing long-term, stable housing either in Abby's House supportive housing or elsewhere, or help her to access residential programs, like inpatient substance abuse treatment programs, when further stabilization is required in transitioning towards permanent housing.

Supportive Housing:

With seven two-bedroom apartments and 70 single room occupancy housing units in three buildings in Worcester, Abby's House is Worcester's largest provider of affordable housing specifically designed to meet the needs of women and children. We meet the needs of working women who cannot afford market-rate rent or allow those who are on SSI or SSDI to live safely and comfortably.

In 2018, Abby's House started a \$16.2 million renovation of 52 High Street, a nearly century-old building and our largest property of supportive housing. The renovation will add two units of housing, bringing the total count to 56; update HVAC, electrical, plumbing, and security systems, and increase accessibility with a reconfigured entrance, an elevator, and accessible kitchens and bedrooms. The renovation will preserve this critically needed housing for decades to come.

Advocacy:

Advocates help women to identify realistic goals and provide the tools needed to achieve them. Individualized services allow us to work with each woman, given her own specific set of circumstances and needs. Advocates help our shelter guests and residents access wraparound services they need to survive and thrive. In order to meet the needs of the women served, we work with more than 75 other social services and government agencies and departments. Our focus is to effectively create a system of seamless service provision and assist women with the sometimes daunting task of matching needs with existing resources and assisting them with accessing those services.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 2 *(Continued)*

Referral Services:

We receive a minimum of 15 - 20 calls or in-person visits per week from women seeking help. Developing and maintaining positive working relationships with local professionals and organizations in other areas of human services is vital for effective referrals.

Women's Center:

Each and every current and past resident and guest is invited to be involved in the Abby's House Women's Center. Women's Center activities include weekly meals, holiday celebrations, a food pantry, financial literacy sessions, computer access and computer training, and other educational and social activities based on women's interests and volunteer availability. The comradery that is built through the Women's Center provides a sense of community and stability in women's lives.

Thrift Shop:

Abby's House Thrift Shop offers gently used clothing and household items to women in need. Each week we receive donated items from dedicated supporters. Volunteers and staff sort items and provide a safe, affordable and comfortable place for our residents and shelter guests to shop. In addition to providing clothing vouchers to the women who reside at Abby's House, we are also able to offer clothing vouchers to women from over 25 agencies who work with women in need. All proceeds from the Thrift Shop support the mission of Abby's House.

Annette Rafferty Survive to Thrive (ARST) Fund:

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organizations' consolidated financial statements are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in Management's opinion, resulted in reliable and consistent financial reporting by the Organizations.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

Basis of Accounting:

The Organizations' policy is to maintain their books and prepare their consolidated financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Principles of Consolidation:

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

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

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

The interest owned by the unaffiliated members or limited partners is referred to in the accompanying consolidated financial statements as the *Non-Controlling Interest* and represents the Investor Member's proportionate share of equity and net results from operations. For the years presented, MHIC and Women's Institute Realty, Inc. represent the *Non-Controlling Interest*.

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

Fair Value of Financial Instruments:

The Organizations reports their fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are defined as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 *(Continued)*

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

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

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organizations report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as defined below:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organizations that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organizations. Resources of this nature originate from gifts, grants or bequests and may include investment income earned on restricted funds. Net assets within this classification may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organizations to expend part or all of the income derived from the donated assets.

Cash, Cash Equivalents and Reserves:

Cash and cash equivalents include short-term, interest-bearing, highly liquid investments with original maturities of three months or less. Cash held for long-term purposes or for investment into the capital renovation project is classified as non-current within the Consolidated Statements of Financial Position. Cash set aside or designated as reserve funds are classified in accordance with the underlying intentions and purposes. For the years presented, such amounts consisted of the following balances:

<u>Cash Composition</u>	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$1,405,481	\$ 1,506,040
Board Designated Operating, Building and Capital Asset Reserves	627,094	380,257
Bond Proceeds Reserve	2,510,232	7,400,040
Capital Campaign Proceeds	<u>760,724</u>	<u>852,540</u>
Total	<u>\$5,303,531</u>	<u>\$10,138,877</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

Receivables:

Accounts and Other Receivables primarily represent amounts due from tenants for rent along with other small balances due from events. These amounts are considered fully collectible; accordingly, these financial statements do not contain a provision for uncollectible receivables. If amounts owed become uncollectible, a provision will be recognized at that time.

Grants Receivable reflects the balance due on a five-year grant commitment which is intended to support general operations. The portion of grants receivable which is scheduled for payment in the coming fiscal year is classified as current, while commitments that exceed one year are classified as non-current. As of December 31, 2018 and 2017, all noncurrent grants receivable were due within two and three years, respectively.

Capital Campaign Pledges Receivable represent amounts due from individual donors and foundations which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of December 31, 2018 and 2017, all non-current pledges were due within three and four years, respectively.

Pledge for Pro Bono Construction Costs represents a commitment from one contractor to provide electrical engineering work valued at \$40,000 for the renovation project at 52 High Street. The commitment has been recorded within the capital campaign revenue for 2016 with a corresponding pledge to provide the related services.

Management considers these commitments to be fully collectible and therefore, has not established a reserve for uncollectible grants and pledges. If grants or pledges are determined uncollectible, an allowance will be provided for when that determination is made. For the years presented, the Organizations did not report any losses on unpaid grant or pledge commitments.

Inventories:

Inventories consist of donated clothing and goods available for sale in the Thrift Shop and for distribution to residents and low-income women in the community, and novelty items purchased for resale. Inventory of clothing and goods is valued at \$19,925 and \$20,925 as of December 31, 2018 and 2017, respectively, based upon Management's estimate of the thrift shop value at year end, while inventory of items purchased for resale is valued at lower of cost or market as determined on a first-in, first-out basis. As of December 31, 2018 and 2017, inventories also includes donated gift cards valued at \$13,128 and \$12,457, respectively.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$5,000 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenues over the estimated useful lives of the assets, as expressed in terms of years.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 *(Continued)*

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

Beneficial Interest in Assets Held By Others:

As required by the *FASB Accounting Standards Codification*TM, the Organizations' beneficial interest in an agency endowment fund held by the Greater Worcester Community Foundation ("GWCF") is recognized as an asset in the accompanying Consolidated Statements of Financial Position. As of December 31, 2018 and 2017, the beneficial interest in the fund is classified as a Level 3 financial instrument within the fair value hierarchy and has been measured at fair value on a recurring basis. The fair value of the Organizations' beneficial interest in the agency endowment is based on a percentage interest in the endowment fund's fair value as represented by the fund's management. Changes in the fair value of the beneficial interest in the agency endowment fund are recognized in the Organizations' Consolidated Statement of Activities. Distributions received from the fund are recorded as decreases in the beneficial interest (*See Note 5*).

Pre-Development Costs:

As further discussed in Note 12, Abby's House has been raising funds for a capital campaign to renovate the Organizations' main facility in Worcester. Through December 28, 2017, the Organizations were in the Pre-Development Phase of this project. During this phase of the project, the costs were carried as *Pre-Development Costs* in the Consolidated Statements of Financial Position. Effective December 28, 2017, after a construction and finance closing, *Pre-Development Costs* totaling \$1,444,214 were reclassified to *Construction in Progress* and upon completion in 2019, the costs will be reclassified to their proper asset category and depreciated over an appropriate useful life. As of December 31, 2018 and 2017, *Deferred Pre-Development Costs* represents supplemental unbudgeted construction costs which may ultimately become part of the capitalized project or recovered through capital campaign proceeds.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organizations are required to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 *(Continued)*

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time these amounts are reclassified to net assets without donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Revenue Recognition:

The Organizations' primary program revenue sources are rental income and income from its thrift shop sales. *Rental Income* consists of funds received from tenants and external subsidies and is recognized when earned based upon occupancy dates. The Organizations' rental rates are considered below-market rental rates. The difference between the market rates that could be charged for the square-footage and the actual rates charged is recognized as a subsidy and reported within *Direct Client Assistance - Rental and Thrift Shop Subsidies* in the accompanying Consolidated Statements of Functional Expenses. *Thrift Shop Donations* results from the sale of donated clothing and goods. The revenue recognized is considered to represent the fair value of the donated goods, and is considered to be contributed revenue.

Abby's House entered into a Development Services Agreement with the LLC and Women's Institute Realty, Inc. The development agreement provides for a total developer fee and developer overhead reimbursement totaling \$1,350,000, of which amount \$877,000 will be paid to Abby's House, and the balance to Women's Institute Realty, Inc. The capitalized portion of the developer fee and corresponding revenue that is allocated to Abby's House will be eliminated in the consolidated financial statements. For the year ended December 31, 2018, revenue recognized by Abby's House and capitalized developer fees by the LLC that were eliminated amounted to \$435,000.

In-Kind Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organizations maintain a policy whereby the value of the donated goods and services which create or enhance nonfinancial assets; require a specialized skill; and/or which would have otherwise been purchased by the Organizations are recognized as revenue on the Consolidated Statement of Activities and are either listed as expenses on the Consolidated Statement of Functional Expense or capitalized assets on the Consolidated Statements of Financial Position.

Functional Expenses:

The Organizations allocate their expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated according to time and space usage. In the accompanying Consolidated Statements of Functional Expenses, *Salaries and Wages*, *Payroll Taxes* and *Employee Benefits* have been allocated based upon management's estimates of time usage by functional category, while the costs associated with facilities (*Repairs and Maintenance*, *Utilities*, *Insurance*, *Depreciation Expense*, and *Real Estate Taxes*) are allocated based upon square footage formulas as derived from the usage of the underlying assets. The primary purpose of the LLC is to operate a residential housing program, and therefore, with the exception of *Accounting and Legal Expense*, all costs of the LLC have been classified as program costs. Supporting services are those related to operating and managing Abby Kelley Foster House, Inc. (and affiliates) and its programs on a day-to-day basis.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 *(Continued)*

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Abby Kelley Foster House, Inc. and its affiliates' internal management and accounting for program services.

Fund Raising - Operations - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for Abby Kelley Foster House, Inc. and its affiliates' programs. Fund raising expenses also includes the costs of special fund raising events.

Capital Campaign - As further discussed in Note 12, Abby's House has been fund raising for a Capital Campaign which will provide funding to expand and renovate its main facility. Costs associated with raising funds to support the renovation project have been classified as *Capital Campaign* in the accompanying consolidated financial statements.

Total fundraising expenses for the years ended December 31, 2018 and 2017 amounted to \$128,224 and \$136,453, respectively, which includes the following costs:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Fund Raising for Programs	\$ 77,986	\$ 56,335
Capital Campaign	37,644	67,307
Costs of Fund Raising Events	<u>12,594</u>	<u>12,811</u>
Total	<u>\$128,224</u>	<u>\$136,453</u>

Tax Position:

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

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

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

Recent Accounting Guidance:

Recently Implemented Standards

In August 2016, the Financial Accounting Standards Board (“FASB”) issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. This ASU modified the current guidance over several criteria, of which the following affected the Organizations’ financial statements:

- The Organizations’ net assets are segregated into two categories, “with donor restrictions” and “without donor restrictions” as opposed to the previous requirement of three classes of net assets.
- The Organizations provided qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.
- The Organizations provided a more in depth explanation of the methods used to allocate costs among program and supporting functions.

In accordance with this ASU, the Organizations have applied a modified retrospective application of the above standard, and as a result, is not presenting a liquidity and availability disclosure for the year ended December 31, 2017. The adoption of this ASU did not have a material effect on the Organizations’ financial position or change in net assets.

Recently Issued Standards

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

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2019. The adoption of this ASU is not expected to have a material effect on the Organizations’ financial position or change in net assets.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 *(Continued)*

In February 2016, the FASB issued ASC Update No. 2016-02, (Topic 842) *Leases* which establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2020. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The adoption of this ASU is not expected to have a material effect on the Organizations' financial position or change in net assets.

Reclassifications:

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

NOTE 4 PROPERTY AND EQUIPMENT

Property and Equipment consists of land and land improvements, buildings and associated improvements, furnishings, fixtures, appliances, and equipment. The following is a summary of property and equipment as of December 31, 2018 and 2017:

<u>Asset Category</u>	<u>2018</u>	<u>2017</u>
Land	\$ 547,036	\$ 547,036
Buildings and Improvements	3,012,393	2,992,248
Construction in Progress	8,905,847	1,444,214
Furnishings, Fixtures, and Equipment	<u>73,191</u>	<u>40,195</u>
Subtotal	12,538,467	5,023,693
Less Accumulated Depreciation	<u>(1,182,759)</u>	<u>(1,137,393)</u>
Property and Equipment	<u>\$11,355,708</u>	<u>\$3,886,300</u>

During 2018, Abby's House disposed of fully depreciated furniture, fixtures and equipment with an aggregate original cost of \$19,034. As these assets were fully depreciated, there was no gain or loss recognized and these disposals had no impact on the change in net assets.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 4 *(Continued)*

As part of the capital renovation project at 52 High Street, as was required to facilitate various tax credit and investor equity transactions, Abby's House sold the land and building to AKFH Renovations, LLC for \$2,000,000. The sale of the real estate resulted in a gain of \$96,941 for Abby's House, and pursuant to the sale, Abby's House holds a mortgage note receivable and AKFH Renovations LLC carries a corresponding debt in the amount of \$1,200,000. The note bears interest at the annual rate of 2.64%, compounded annually. As part of its capital campaign, Abby's House raised funds which were transferred to the LLC and used for construction. These payments, totaling \$662,470 and \$125,989, as of December 31, 2018 and 2017, respectively, have been structured as a Sponsor Loan. The loan bears interest at the annual rate of 2%, compounded annually, the combined interest expense and accrued interest on these notes amounted to \$48,765 as of and for the year ended December 31, 2018. Both of these notes are secured by a shared third priority mortgage on the property and are payable to the extent of available "Net Cash Flow" as defined in the First Amended and Restated Operating Agreement. At present, Abby's House does not expect that the project will generate excess cash flows in the future; however, interest will be accrued annually for the 40-year term of the notes, maturing December 28, 2057. While these transactions are recognized in each respective entity, they are eliminated in the accompanying consolidated financial statements.

NOTE 5 BENEFICIAL INTEREST

The estimated value of funds held by GWCF on behalf of Abby's House was \$647,218 and \$683,282 as of December 31, 2018 and 2017, respectively. Abby's House contributes to this fund which may be used for future programs or capital needs. In addition, it is the hope of Abby's House that other individuals will contribute to the fund. The nature of the agency endowment fund agreement grants variance power, or control, to GWCF, which gives GWCF the ultimate authority over the fund and the income derived therefrom. Abby's House retains a beneficial interest in the endowment fund held by the GWCF, the assets of which are not in the possession of Abby's House; however, Abby's House has legally enforceable rights and claims to the earnings on such assets. Upon request by Abby's House, and subject to the approval of the GWCF, income from the fund is distributed to Abby's House. Abby's House may also request distributions of the principal, subject to an application and approval process. Based upon the agreement with GWCF, the funds are reported as net assets with donor restrictions in the accompanying consolidated financial statements.

During 2018 and 2017, Abby's House contributed \$5,090 and \$355,000, respectively, to the fund. Abby's House received no distributions from the fund in either year presented.

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

	<u>2018</u>	<u>2017</u>
Beneficial Interest - Beginning of Year	\$683,282	\$286,405
Contributions to the Fund	5,090	355,000
Investment Gains (Losses)	(40,634)	45,795
Interest and Dividends	9,860	866
Investment Management Fees	<u>(10,380)</u>	<u>(4,784)</u>
Beneficial Interest - End of Year	<u>\$647,218</u>	<u>\$683,282</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 6 DEBT

77 Chatham Street, Worcester:

People's United Bank:

On October 20, 1995, Abby's House entered into a mortgage agreement with People's United Bank in the amount of \$110,000, which was secured by the property at 77 Chatham Street. On July 24, 2015, Abby's House refinanced the outstanding principal balance of \$59,030 with People's United Bank. Per the terms of the refinancing agreement, the amount was payable over 123 months with interest payable at the annual rate of 4.55%. On February 28, 2017, the outstanding balance on the mortgage note of \$50,999 was paid in full.

Community Economic Development Assistance Corporation ("CEDAC"):

On January 25, 1996, the Organization received a mortgage in the amount of \$147,300 under the Housing Innovations Fund II program, as funded by the Massachusetts Department of Housing and Community Development and administered by CEDAC. The original terms of the note provided that simple interest would accrue at the annual rate of 5% for a 20-year period, while the note has a 30-year term, and is due on January 25, 2026. The note was amended to a 0% interest rate, retroactive to the initial loan date. The note is secured by the above property.

CEDAC has the option to extend the note for additional 10-year terms, provided that the project remains in compliance with the affordable housing regulations. If at any time before the loan maturity date the project's annual cash flow exceeds 1.05 of the annual cash expenses, including debt coverage requirements, the excess cash flow would be due and payable to CEDAC within 45 days of the end of each calendar year.

City and State HOME Funds:

On November 14, 1995, the City of Worcester, through its Office of Planning and Community Development, loaned \$70,000 for the acquisition and renovation of the property located at 77 Chatham Street. The Commonwealth of Massachusetts, through its Executive Office of Communities and Development, provided matching funds with an additional loan of \$70,000 to the project.

The total loan amount of \$140,000 is funded by the U.S. Department of Housing and Urban Development ("HUD") under the HOME Program which requires a deed restriction for the affordable housing regulations. The debt is structured as an interest-free loan with no payments due for 40 years, maturing on November 14, 2035, at which time the balance is due in full. The note would also become payable in full upon the sale or complete refinancing of the property. The note is secured by a mortgage and security agreement on the property and is subordinate to the mortgage held by CEDAC.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 6 *(Continued)*

52 High Street, Worcester:

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

Eastern Bank:

Eastern Bank purchased a Multifamily Housing Revenue Bond (AKFH Renovations Issue, Series 2017) in the amount of \$8,200,000 issued by Massachusetts Development Finance Agency ("MDFA"), dated December 28, 2017. On that same day, Eastern Bank, acting as Trustee under a Disbursement Agreement, deposited the bond proceeds into a Bond Reserve Account with an initial deposit of \$7,400,000 and \$800,000 was deposited into a Disbursement Reserve Account held at Eastern Bank in the name of AKFH Renovations LLC. Interest payments on the Revenue Bond are fixed at 3.62%, payable monthly in arrears, commencing on January 28, 2018. As of December 31, 2018 and 2017, the outstanding obligation on the Revenue Bond was \$8,200,000. As of and for the year ended December 31, 2018, interest totaling \$305,086 had been incurred and capitalized as Construction in Progress.

Eastern Bank has agreed to provide AKFH Renovations LLC with bridge loan financing not to exceed \$675,000, subject to interest at the rate of 4.53% per annum, payable monthly in arrears. As of December 31, 2017, there were no outstanding borrowings on the Bridge Loan. As of December 31, 2018, the outstanding principal balance on the bridge loan was \$218,427, for which \$1,644 of interest was incurred and capitalized as Construction in Progress.

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

The Bond Reserve account is held for future funding requisitions for the renovation of the building to be used as an affordable residential rental housing facility comprising 56 residential rental housing units and functionally related and subordinate facilities, and commercial space which will be owned, operated or managed by AKFH Renovations LLC.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 6 *(Continued)*

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

Community Economic Development Assistance Corporation (“CEDAC”):

Abby’s House was approved for feasibility and pre-development financing from CEDAC, a public-private community development finance institution, with a maximum potential borrowing limit of \$400,000, as approved by the lender. The note accrued interest at the rate of 7%, which has been capitalized as construction period interest, and the full principal balance and accrued interest was due upon construction closing and financing. On December 28, 2017, AKFH Renovations, LLC assumed the outstanding balance of the pre-development loan and accrued interest totaling \$407,142, which was converted to permanent financing as part of the Housing Innovations Fund loan as further explained below.

MassDocs:

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

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

The promissory notes are non-interest bearing and have maturity dates of February 28, 2049 and 2059. Each of the above loans are secured by a shared second priority mortgage lien on the property. As of December 31, 2018 and 2017, \$1,775,776 and \$1,060,000, respectively, was outstanding on a promissory note to CEDAC under a Housing Innovations Fund loan with a maximum borrowing limit of \$2,000,000.

Neighborhood of Affordable Housing, Inc. (“NOAH”):

AKFH Renovations LLC has agreed to receive two loans from NOAH, an unrelated charitable organization, in the aggregate amount of \$4,000,625 which will be sourced from the proceeds of the sale of the state low-income housing tax credits and the state historic tax credits. The loans are secured by a shared fourth priority mortgage lien, accrue interest at the applicable federal rate (2.64%), payable to the extent of available cash flow, and mature on December 31, 2057. As of December 31, 2018 and 2017, there had been no funds advanced in connection with these loans (*See Note 7*).

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 6 (Continued)

Housing Ministries of New England, Inc. ("Housing Ministries"):

Abby's House secured a pre-development loan in June 2015 with proceeds of \$50,000 from Housing Ministries in connection with the renovation project at 52 High Street, Worcester. The loan was subject to interest at the rate of 4.5% per annum. As of December 31, 2017, the balance due on the loan was \$50,000 plus accrued interest in the amount of \$5,894, which was paid in full in January 2018.

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

The Organizations have determined that all renovation financing shall be presented as non-current debt, regardless of the maturity date. This position is based upon the assumption that the payables will be funded with loans, tax credit equity and bond proceeds that will be converted to long-term permanent financing and equity.

As of December 31, 2018 and 2017, *Construction and Renovation Financing* consists of the following obligations:

<u>Debt Obligation</u>	<u>2018</u>	<u>2017</u>
Eastern Bank Bond	\$ 8,200,000	\$8,200,000
Eastern Bank Bridge Loan	218,427	-
CEDAC Permanent Loan	1,775,776	1,060,000
Housing Ministries	-	55,894
Total	<u>\$10,194,203</u>	<u>\$9,315,894</u>

NOTE 7 RESTRICTED AND DESIGNATED NET ASSETS

Net Assets With Donor Restrictions:

Net assets with donor restrictions consists of unexpended donor designated grants and contributions with the following restrictions as of December 31, 2018 and 2017:

<u>Nature of Restriction</u>	<u>2018</u>	<u>2017</u>
Capital Campaign	\$1,014,358	\$1,095,107
Beneficial Interest in Agency Fund	647,218	683,281
Thrift Shop	11,409	75,000
ARST Fund	15,546	15,443
Time Restricted	24,000	36,000
Board Development	975	975
Housing and Shelter Program	-	428
Total	<u>\$1,713,506</u>	<u>\$1,906,234</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 7 *(Continued)*

Net assets released from donor restrictions by incurring expenses which satisfied the restricted purposes or by occurrence of events specified by the donors were as follows:

<u>Nature of Restriction</u>	<u>2018</u>	<u>2017</u>
Capital Campaign	\$557,684	\$169,145
Thrift Shop	63,591	-
Housing and Shelter Program	36,611	32,234
Lapse of Time Restrictions	12,000	12,000
ARST Fund	8,446	11,792
Staff Salaries	13,632	-
Other	-	15,846
Total	<u>\$691,964</u>	<u>\$241,017</u>

Board Designated Net Assets:

The Board of Directors established an *Operating Reserve Fund* and a *Building and Capital Asset Reserves Fund*. The *Operating Reserve Fund*, having a target minimum of to cover 3-6 months of operating expenses, is intended to provide an internal source of funds for special and unique situations such as unanticipated costs, loss of funding or uninsured loss. The *Building and Capital Asset Reserves* is intended to provide a ready source of funds for repair or acquisition of buildings, leaseholds, furniture, fixtures and equipment necessary for the effective operation of the Organization and programs. The target amount of the *Building and Capital Asset Reserves* will be, at a minimum, one year of the average annual provision for depreciation.

Equity Transactions:

State Historic and Low-Income Tax Credits

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 7 *(Continued)*

Federal Historic and Low-Income Tax Credits

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

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

<u>Projected Timeline</u>	<u>Amount</u>
December 28, 2017*	\$ 404,880
November 2018*	337,400
June 2019	4,318,722
November 2019	1,677,001
Early 2020	<u>10,000</u>
Total	<u>\$6,748,003</u>

*Paid

NOTE 8 RENTAL INCOME

Abby’s House operates 77 units of affordable housing serving low income women and children. The following table summarizes the components of rental income for the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Rental Income	\$317,427	\$431,380
Less: Rental Subsidies	<u>(52,000)</u>	<u>(122,801)</u>
Actual Rent Received	<u>\$265,427</u>	<u>\$308,579</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 9 SPECIAL FUND RAISING EVENTS

The Organizations sponsor special fund raising events to generate contributions as well as gain public awareness for its programs and charitable purposes. During 2018, these events included *Abby's House 5K* and *Springtacular*. During 2017, these events included *Abby's House 5K*, *Springtacular* and a fashion show. The results of the fund raising events are summarized below:

	<u>2018</u>	<u>2017</u>
Contributions and Sponsorships	\$68,164	\$51,091
Gross Event Ticket Sales	21,499	23,774
Auction Proceeds	<u>8,555</u>	<u>5,505</u>
Total Proceeds	98,218	80,370
Less: Direct Costs of Special Events	<u>(2,482)</u>	<u>(3,279)</u>
Event Proceeds Net of Direct Costs	95,736	77,091
Less: Indirect Event Costs	<u>(10,112)</u>	<u>(9,532)</u>
Net Special Event Proceeds	<u>\$85,624</u>	<u>\$67,559</u>

NOTE 10 DONATED GOODS AND SERVICES

For the years presented, the Organizations recognized the following in-kind contributions in the accompanying consolidated financial statements:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Volunteer Services	\$117,344	\$116,081
Gift Cards	8,659	9,615
Professional Fees and Consultants	1,200	1,050
Program Supplies and Expenses	<u>6,921</u>	<u>12,246</u>
Total	<u>\$134,124</u>	<u>\$138,992</u>

In addition, Abby's House accepts contributions of personal items and clothing which are sold in the Thrift Shop and presented as contribution revenue arising from thrift shop sales.

NOTE 11 RETIREMENT PLAN

Abby Kelley Foster House, Inc. maintains a 403(b) retirement savings plan covering all eligible employees. The plan allows eligible employees of the Organization to defer a percentage of their earnings from current taxation by investing in mutual funds. The Organization may vote to make discretionary contributions to the participating employee accounts. The Organization did not make any employer contributions to the plan for the years presented.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 12 CAPITAL CAMPAIGN: OPENING DOORS, TRANSFORMING LIVES - BUILDING THE FUTURE OF ABBY'S HOUSE

In 2018, Abby's House successfully reached its capital campaign goal with an overwhelmingly positive response from the community. In 2016, the Abby's House Board of Directors had approved the undertaking of a three-year, \$2 million capital campaign to renovate 52 High Street and to support the long-term sustainability of the Organization. One hundred percent of the Board members made a pledge to the capital campaign during the campaign period, and many individuals, local businesses, and foundations made generous pledges as well, thus enabling Abby's House to raise a total of \$476,935 in 2018 and \$792,863 in 2017.

The expected cost of the renovation is \$16,191,098, which will be funded with a combination of capital campaign proceeds, historic tax credits, low-income housing tax credits, federal HOME funds, and funding from the Massachusetts Department of Housing and Community Development. As of December 31, 2017, Abby's House had secured financing as further detailed in Note 6. Construction commenced in February 2018 with an expected completion date of June 2019.

NOTE 13 CONCENTRATIONS AND RELATED PARTY TRANSACTIONS

Construction Contract:

The LLC entered into a construction contract for the renovation of 52 High Street with a maximum cost of \$9,048,567. As of December 31, 2018, the amount incurred for completed construction amounted to \$6,209,184 and balance due to the contractor was \$859,589, representing approximately 70% of *Construction in Progress* and 77% of *Accounts Payable, Construction*, respectively.

Cash Balances:

The Organizations are subject to concentrations in credit risk relating primarily to cash balances. Cash deposits are insured by the Federal Deposit Insurance Corporation under the applicable limits. The Organizations had \$1,969,384 and \$938,164 in excess of federally insured and other limits as of December 31, 2018 and 2017, respectively, however, Management has not experienced any losses with respect to its bank balances in excess of FDIC insurance limits and considers concentration risk in cash balances to be low.

NOTE 14 CONTINGENCIES

Deed Restrictions:

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 14 *(Continued)*

Regulatory Compliance:

The property located at 52 High Street, owned by the LLC, has qualified for and been allocated low-income housing credits pursuant to IRC Section 42, which regulates the use of the property as to occupant eligibility and unit gross rent, among other requirements. The property must meet the provisions of these regulations during each of the 15 consecutive years following completion in order to remain qualified to receive the tax credits. In addition, the LLC will execute an Extended Use Agreement which extends the compliance period to 30 years. The LLC's failure to maintain compliance with these regulations could result in a recapture of previously taken tax credits plus interest and reduced capital investment by the Investor Member of the LLC.

Guaranty:

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

NOTE 15 LIQUIDITY AND AVAILABILITY

The Organizations' working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts of contributions and a concentration of contributions received near calendar year end. To manage liquidity, the Organizations maintain various sources of liquidity at its disposal, including cash and cash equivalents, cash reserves and escrow accounts. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is funded primarily through donations and rents received throughout the year.

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, such as beneficial interests, or because the governing board has set aside the funds for a specific contingency reserve or other long-term purposes. Additionally, Abby's House has Board-Designated reserve funds that, while the Organization does not intend to spend these for purposes within the next year, these amounts could be made available for current operations, if necessary (*See Note 7*).

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 15 *(Continued)*

Financial Assets:	
Cash and cash equivalents	\$5,303,531
Beneficial Interest in Agency Fund	647,218
Accounts Receivable	12,940
Gifts and Grants Receivable	<u>177,678</u>
Total Financial Assets as of December 31, 2018	6,141,367
Less Amounts Not Available to be Used Within One Year:	
Bond Proceeds Held for Construction	(2,510,232)
Beneficial Interest in Agency Fund	(620,218)
Capital Campaign Proceeds	(760,724)
Board Designated Reserve Funds	(627,094)
Capital Campaign Pledges Receivable	(153,678)
Grants Receivable After One Year	<u>(12,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$1,457,421</u>

NOTE 16 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through May 8, 2019, the date which the consolidated financial statements were available for issue, and noted the following event which met the disclosure criteria.

Renovation Project:

Abby's House received a Certificate of Occupancy for 47 newly renovated SRO units, residential kitchens, bathrooms, residential lounges, laundries, the foyer, the Annette Rafferty Women's Empowerment Center, a commercial kitchen, the Abby's House Thrift Shop and half of the staff offices. The newly installed elevator was also inspected and approved for use. The requirement to lease up tax credit units through this period has been met. The construction is 95% complete, and the remainder of construction will be complete by the end of June.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

	<u>ABBY'S</u> <u>HOUSE</u>	<u>AKFH</u> <u>LLC</u>	<u>AKFH</u> <u>MM LLC</u>	<u>ELIMIN-</u> <u>ATIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash and Cash Equivalents	\$ 1,285,931	\$ 119,550	\$ -	\$ -	\$ 1,405,481
Accounts and Other Receivables	2,497	10,443	-	-	12,940
Due From Affiliates	264,007	456	-	(264,463)	-
Grants Receivable	12,000	-	-	-	12,000
Capital Campaign Pledges Receivable	102,512	-	-	-	102,512
Inventories and Other Current Assets	<u>36,065</u>	<u>57,067</u>	<u>-</u>	<u>-</u>	<u>93,132</u>
Total Current Assets	<u>1,703,012</u>	<u>187,516</u>	<u>-</u>	<u>(264,463)</u>	<u>1,626,065</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>568,036</u>	<u>11,532,235</u>	<u>-</u>	<u>(744,563)</u>	<u>11,355,708</u>
<u>NON-CURRENT ASSETS:</u>					
Bond Proceeds Reserve	-	2,510,232	-	-	2,510,232
Board Designated Reserves	627,094	-	-	-	627,094
Notes Receivable from Affiliate	1,911,235	-	-	(1,911,235)	-
Capital Campaign Proceeds	660,724	100,000	-	-	760,724
Capital Campaign Pledges Receivable	51,166	-	-	-	51,166
Pledge for Pro Bono Construction Costs	40,000	-	-	-	40,000
Grants Receivable	12,000	-	-	-	12,000
Beneficial Interest in Agency Fund	647,218	-	-	-	647,218
Investment in Subsidiary	-	-	100	(100)	-
Deferred Pre-Development Costs	<u>90,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,024</u>
Total Non-Current Assets	<u>4,039,461</u>	<u>2,610,232</u>	<u>100</u>	<u>(1,911,335)</u>	<u>4,738,458</u>
<u>TOTAL ASSETS</u>	<u>\$ 6,310,509</u>	<u>\$ 14,329,983</u>	<u>\$ 100</u>	<u>\$ (2,920,361)</u>	<u>\$ 17,720,231</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 40,685	\$ 29,488	\$ -	\$ -	\$ 70,173
Accrued Payroll and Related Costs	58,003	-	-	-	58,003
Due to Affiliates	-	241,507	456	(241,963)	-
Deferred Revenue	<u>-</u>	<u>340</u>	<u>-</u>	<u>-</u>	<u>340</u>
Total Current Liabilities	<u>98,688</u>	<u>271,335</u>	<u>456</u>	<u>(241,963)</u>	<u>128,516</u>
<u>LONG-TERM LIABILITIES:</u>					
Mortgage Note Payable	-	1,200,000	-	(1,200,000)	-
Construction and Renovation Financing	-	10,905,438	-	(711,235)	10,194,203
Accounts Payable, Construction	-	1,288,826	-	(177,732)	1,111,094
Deferred Forgivable Debt	<u>287,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,300</u>
Total Long-Term Liabilities	<u>287,300</u>	<u>13,394,264</u>	<u>-</u>	<u>(2,088,967)</u>	<u>11,592,597</u>
<u>TOTAL LIABILITIES</u>	<u>385,988</u>	<u>13,665,599</u>	<u>456</u>	<u>(2,330,930)</u>	<u>11,721,113</u>
<u>NET ASSETS:</u>					
Net Assets Without Donor Restrictions	4,211,015	92	(356)	(623,809)	3,586,942
Net Assets With Donor Restrictions	<u>1,713,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,713,506</u>
Total AKFH Net Assets	<u>5,924,521</u>	<u>92</u>	<u>(356)</u>	<u>(623,809)</u>	<u>5,300,448</u>
Non-Controlling Interest (MHIC)	<u>-</u>	<u>664,292</u>	<u>-</u>	<u>34,378</u>	<u>698,670</u>
Total Net Assets	<u>5,924,521</u>	<u>664,384</u>	<u>(356)</u>	<u>(589,431)</u>	<u>5,999,118</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,310,509</u>	<u>\$ 14,329,983</u>	<u>\$ 100</u>	<u>\$ (2,920,361)</u>	<u>\$ 17,720,231</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017

	<u>ABBY'S</u> <u>HOUSE</u>	<u>AKFH</u> <u>LLC</u>	<u>AKFH</u> <u>MM LLC</u>	<u>ELIMIN-</u> <u>ATIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash and Cash Equivalents	\$ 327,323	\$ 1,178,717	\$ -	\$ -	\$ 1,506,040
Accounts and Other Receivables	7,304	-	-	-	7,304
Due From Affiliates	1,042,939	-	100	(1,043,039)	-
Grants Receivable	89,500	-	-	-	89,500
Capital Campaign Pledges Receivable	157,761	-	-	-	157,761
Inventories and Other Current Assets	34,366	-	-	-	34,366
Total Current Assets	<u>1,659,193</u>	<u>1,178,717</u>	<u>100</u>	<u>(1,043,039)</u>	<u>1,794,971</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>539,027</u>	<u>3,662,839</u>	<u>-</u>	<u>(315,566)</u>	<u>3,886,300</u>
<u>NON-CURRENT ASSETS:</u>					
Bond Proceeds Reserve	-	7,400,040	-	-	7,400,040
Board Designated Reserves	380,257	-	-	-	380,257
Notes Receivable from Affiliate	1,325,989	-	-	(1,325,989)	-
Capital Campaign Proceeds	852,540	-	-	-	852,540
Capital Campaign Pledges Receivable	126,534	-	-	-	126,534
Pledge for Pro Bono Construction Costs	40,000	-	-	-	40,000
Grants Receivable	24,000	-	-	-	24,000
Beneficial Interest in Agency Fund	683,281	-	-	-	683,281
Investment in Subsidiary	-	100	-	(100)	-
Deferred Pre-Development Costs	89,524	-	-	-	89,524
Total Non-Current Assets	<u>3,522,125</u>	<u>7,400,140</u>	<u>-</u>	<u>(1,326,089)</u>	<u>9,596,176</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,720,345</u>	<u>\$ 12,241,696</u>	<u>\$ 100</u>	<u>\$ (2,684,694)</u>	<u>\$ 15,277,447</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 20,329	\$ -	\$ -	\$ -	\$ 20,329
Accrued Payroll and Related Costs	47,066	-	-	-	47,066
Due to Affiliates	-	1,043,039	-	(1,043,039)	-
Deferred Revenue	188,520	-	-	(187,500)	1,020
Total Current Liabilities	<u>255,915</u>	<u>1,043,039</u>	<u>-</u>	<u>(1,230,539)</u>	<u>68,415</u>
<u>LONG-TERM LIABILITIES:</u>					
Mortgage Note, Net of Current Portion	-	1,200,000	-	(1,200,000)	-
Construction and Renovation Financing	-	9,441,883	-	(125,989)	9,315,894
Accounts Payable, Construction	25,835	152,235	-	-	178,070
Deferred Forgivable Debt	287,300	-	-	-	287,300
Total Long-Term Liabilities	<u>313,135</u>	<u>10,794,118</u>	<u>-</u>	<u>(1,325,989)</u>	<u>9,781,264</u>
<u>TOTAL LIABILITIES</u>	<u>569,050</u>	<u>11,837,157</u>	<u>-</u>	<u>(2,556,528)</u>	<u>9,849,679</u>
<u>NET ASSETS:</u>					
Net Assets Without Donor Restrictions	3,245,061	(341)	100	(128,166)	3,116,654
Net Assets With Donor Restrictions	1,906,234	-	-	-	1,906,234
Total AKFH Net Assets	5,151,295	(341)	100	(128,166)	5,022,888
Non-Controlling Interest (MHIC)	-	404,880	-	-	404,880
Total Net Assets	<u>5,151,295</u>	<u>404,539</u>	<u>100</u>	<u>(128,166)</u>	<u>5,427,768</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 5,720,345</u>	<u>\$ 12,241,696</u>	<u>\$ 100</u>	<u>\$ (2,684,694)</u>	<u>\$ 15,277,447</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>ABBY'S</u> <u>HOUSE</u>	<u>AKFH</u> <u>LLC</u>	<u>AKFH</u> <u>MM LLC</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<u>SUPPORT AND REVENUES:</u>					
Gifts, Grants and Contributions	\$ 1,239,939	\$ -	\$ -	\$ -	\$ 1,239,939
Developer Overhead Fee	435,000	-	-	(435,000)	-
Rental Income	172,564	144,863	-	-	317,427
Thrift Shop Donations	196,214	-	-	-	196,214
Donated Goods and Services	134,124	-	-	-	134,124
Special Fund Raising Event Proceeds	98,218	-	-	-	98,218
Less: Cost of Direct Benefits to Donors	(2,482)	-	-	-	(2,482)
Change in Beneficial Interest in Agency Fund	(41,154)	-	-	-	(41,154)
Interest Income	57,193	28,872	-	(48,765)	37,300
Other Income	15,028	18,095	-	(11,978)	21,145
<u>TOTAL SUPPORT AND REVENUES</u>	<u>2,304,644</u>	<u>191,830</u>	<u>-</u>	<u>(495,743)</u>	<u>2,000,731</u>
<u>EXPENSES:</u>					
Program Services	1,268,134	228,989	-	(34,478)	1,462,645
Administrative	137,542	40,837	456	-	178,835
Fund Raising - Operations	88,098	-	-	-	88,098
Fund Raising - Capital Campaign	37,644	-	-	-	37,644
<u>TOTAL EXPENSES</u>	<u>1,531,418</u>	<u>269,826</u>	<u>456</u>	<u>(34,478)</u>	<u>1,767,222</u>
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>773,226</u>	<u>(77,996)</u>	<u>(456)</u>	<u>(461,265)</u>	<u>233,509</u>
<u>OTHER CHANGES IN NET ASSETS:</u>					
Capital Contribution from Investor (MHIC)	-	337,841	-	-	337,841
Total Other Changes in Net Assets	-	337,841	-	-	337,841
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>773,226</u>	<u>259,845</u>	<u>(456)</u>	<u>(461,265)</u>	<u>571,350</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>5,151,295</u>	<u>404,539</u>	<u>100</u>	<u>(128,166)</u>	<u>5,427,768</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 5,924,521</u>	<u>\$ 664,384</u>	<u>\$ (356)</u>	<u>\$ (589,431)</u>	<u>\$ 5,999,118</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

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

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	ABBY KELLEY FOSTER HOUSE				AKFH LLC	ELIMIN- ATIONS	CONSOLIDATED FUNCTIONAL EXPENSES
	PROGRAM SERVICES	ADMINI- STRATIVE	FUND RAISING		TOTAL AKFH LLC		
			OPERATIONS	CAPITAL CAMPAIGN			
Salaries and Wages	\$ 620,413	\$ 69,045	\$ 45,318	\$ 14,074	\$ 67,372	\$ -	\$ 816,222
Payroll Taxes	58,655	6,528	4,284	1,331	6,970	-	77,768
Employee Benefits	50,084	5,574	3,760	1,035	-	-	60,453
Volunteer Services	117,344	-	-	-	-	-	117,344
Direct Client Assistance - Rental and Thrift Shop Subsidies	62,556	-	-	-	-	-	62,556
Program Supplies and Expenses	26,490	-	-	-	1,377	-	27,867
Indirect Costs of Fund Raising Events	-	-	10,112	-	-	-	10,112
Repairs and Maintenance	83,832	-	2,057	-	33,277	-	119,166
Utilities	59,332	735	637	-	44,629	-	105,333
Insurance	23,946	2,743	896	-	8,549	-	36,134
Accounting and Legal Expense	4,748	29,427	-	-	40,837	-	75,012
Professional Fees and Consultants	40,123	8,626	14,519	-	11,978	(11,978)	63,268
Capital Campaign Consultant	-	-	-	19,144	-	-	19,144
Small Equipment and Furnishings	14,513	550	473	-	-	-	15,536
Office Supplies and Expenses	6,811	758	652	-	-	-	8,221
Printing and Postage	21,285	326	1,628	2,060	-	-	25,299
Bank and Payroll Fees	-	9,022	-	-	-	-	9,022
Staff Training and Workshops	3,281	301	398	-	-	-	3,980
Staff Travel and Related Expenses	14,645	1,630	1,402	-	-	-	17,677
Dues, Fees and Subscriptions	18,119	1,629	1,401	-	456	-	21,605
Interest Expense	-	-	-	-	20,869	(20,634)	235
Bad Debts	-	-	-	-	-	-	-
Real Estate Taxes	-	-	-	-	10,868	-	10,868
Total Expenses Before Depreciation and Direct Event Costs	1,226,177	136,894	87,537	37,644	247,182	(32,612)	1,702,822
Depreciation Expense	41,957	648	561	-	23,100	(1,866)	64,400
Direct Costs of Fund Raising Events	-	-	2,482	-	-	-	2,482
Total Functional Expenses	\$ 1,268,134	\$ 137,542	\$ 90,580	\$ 37,644	\$ 270,282	\$ (34,478)	\$ 1,769,704

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

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

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

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>ABBY'S</u> <u>HOUSE</u>	<u>AKFH</u> <u>LLC</u>	<u>AKFH</u> <u>MM LLC</u>	<u>ELIMIN-</u> <u>ATIONS</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Change in Net Assets	\$ 773,226	\$ 259,845	\$ (456)	\$ (461,265)	\$ 571,350
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>					
Capital Campaign Pledges	(476,935)	-	-	-	(476,935)
Capital Contribution from Equity Investor	-	(337,841)	-	-	(337,841)
Depreciation Expense	43,166	23,100	-	(1,866)	64,400
Change in Fair Value of Beneficial Interest	41,154	-	-	-	41,154
Donated Goods and Other Non-Cash Contributions	(5,976)	-	-	-	(5,976)
<i>(Increase) Decrease in Current Assets:</i>					
Accounts and Other Receivables	4,807	(10,799)	-	-	(5,992)
Grants Receivable	77,500	-	-	-	77,500
Inventories and Other Current Assets	(1,700)	(57,067)	-	-	(58,767)
<i>Increase (Decrease) in Current Liabilities:</i>					
Accounts Payable and Accrued Expenses	(5,480)	77,872	-	(48,765)	23,627
Accrued Payroll and Related Costs	10,937	-	-	-	10,937
Deferred Revenue	(188,520)	340	-	-	(188,180)
<i>(Increase) Decrease in Non-Current Assets:</i>					
Grants Receivable	12,000	-	-	-	12,000
Net Adjustment	(489,047)	(304,395)	-	(50,631)	(844,073)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>284,179</u>	<u>(44,550)</u>	<u>(456)</u>	<u>(511,896)</u>	<u>(272,723)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Capital Renovation Expenditures	-	(6,755,980)	-	441,443	(6,314,537)
Contribution to Beneficial Interest in Agency Fund	(5,090)	-	-	-	(5,090)
Acquisition of Property and Equipment	(72,674)	-	-	-	(72,674)
Net Cash Flows from Investing Activities	<u>(77,764)</u>	<u>(6,755,980)</u>	<u>-</u>	<u>441,443</u>	<u>(6,392,301)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>					
Capital Contribution from Equity Investor (MHIC)	-	337,841	-	-	337,841
Advances to/from Affiliates	193,686	(801,076)	456	606,934	-
Repayment of Pre-Development Loan	-	(55,894)	-	-	(55,894)
Proceeds from Construction Loans	-	1,470,684	-	(536,481)	934,203
Proceeds from Capital Campaign Pledges and Grants	613,528	-	-	-	613,528
Net Cash Flows from Financing Activities	<u>807,214</u>	<u>951,555</u>	<u>456</u>	<u>70,453</u>	<u>1,829,678</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>1,013,629</u>	<u>(5,848,975)</u>	<u>-</u>	<u>-</u>	<u>(4,835,346)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,560,120</u>	<u>8,578,757</u>	<u>-</u>	<u>-</u>	<u>10,138,877</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 2,573,749</u>	<u>\$ 2,729,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,303,531</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

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

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