

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019



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ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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, 2020 AND 2019

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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, 2020 and 2019, 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. We did not audit the financial statements of AKFH Renovations LLC, which statements reflect total assets of \$14,819,790 and \$15,195,098 as of December 31, 2020 and 2019, respectively. 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, 2020 and 2019 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 28 - 35 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 12, 2021

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 2,068,642	\$ 902,905
Accounts and Other Receivables	25,143	35,369
Gifts, Grants and Pledges Receivable	42,000	106,006
Inventories and Other Current Assets	<u>90,508</u>	<u>92,856</u>
Total Current Assets	<u>2,226,293</u>	<u>1,137,136</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>14,553,404</u>	<u>14,973,081</u>
<u>NON-CURRENT ASSETS:</u>		
Board Designated Operating, Building and Capital Asset Reserves	1,341,460	769,342
Beneficial Interest in Agency Fund	1,775,183	1,616,023
Cash Held for Capital Projects	858,703	861,043
Reserve Funds Held in Escrow	456,255	-
Bond Proceeds Reserve	-	34,415
Gifts, Grants and Pledges Receivable	48,000	20,000
Deferred Costs, Net	<u>30,405</u>	<u>32,657</u>
Total Non-Current Assets	<u>4,510,006</u>	<u>3,333,480</u>
<u>TOTAL ASSETS</u>	<u>\$ 21,289,703</u>	<u>\$ 19,443,697</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 76,379	\$ 49,340
Accounts Payable, Construction	-	400,592
Accrued Payroll and Related Costs	56,220	80,990
Tenant Security Deposits	<u>10,237</u>	<u>9,246</u>
Total Current Liabilities	<u>142,836</u>	<u>540,168</u>
<u>LONG-TERM LIABILITIES:</u>		
Mortgage Notes Payable	8,011,040	8,030,609
Construction and Renovation Financing	-	590,237
Deferred Forgivable Debt	<u>287,300</u>	<u>287,300</u>
Total Long-Term Liabilities	<u>8,298,340</u>	<u>8,908,146</u>
<u>TOTAL LIABILITIES</u>	<u>8,441,176</u>	<u>9,448,314</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	4,236,501	2,898,748
Net Assets With Donor Restrictions	<u>2,757,196</u>	<u>2,637,529</u>
Total Net Assets - Abby's House	6,993,697	5,536,277
Non-Controlling Interest (MHIC)	<u>5,854,830</u>	<u>4,459,106</u>
Total Net Assets	<u>12,848,527</u>	<u>9,995,383</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 21,289,703</u>	<u>\$ 19,443,697</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL ACTIVITIES	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL ACTIVITIES
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 1,882,391	\$ 555,484	\$ 2,437,875	\$ 795,675	\$ 321,556	\$ 1,117,231
Rental Income	544,734	-	544,734	454,260	-	454,260
Thrift Shop Donations	137,960	-	137,960	222,962	-	222,962
Donated Goods and Services	95,482	-	95,482	141,647	-	141,647
Special Fund Raising Event Proceeds	177,200	-	177,200	128,040	-	128,040
Change in Beneficial Interest in Agency Fund	159,160	-	159,160	113,534	-	113,534
Interest Income	12,871	-	12,871	44,645	-	44,645
Other Income	47,203	-	47,203	30,260	-	30,260
Total Support and Revenues	3,057,001	555,484	3,612,485	1,931,023	321,556	2,252,579
<i>Reclassifications of Net Assets:</i>						
Transfer of Agency Funds	-	-	-	(882,271)	882,271	-
Net Assets Released to Operating Activities	435,817	(435,817)	-	279,804	(279,804)	-
Total Reclassifications of Net Assets	435,817	(435,817)	-	(602,467)	602,467	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	3,492,818	119,667	3,612,485	1,328,556	924,023	2,252,579
<u>FUNCTIONAL EXPENSES:</u>						
Program Services	2,327,055	-	2,327,055	2,193,351	-	2,193,351
Administrative	181,794	-	181,794	243,741	-	243,741
Fund Raising	151,857	-	151,857	137,944	-	137,944
<u>TOTAL FUNCTIONAL EXPENSES</u>	2,660,706	-	2,660,706	2,575,036	-	2,575,036
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	832,112	119,667	951,779	(1,246,480)	924,023	(322,457)
<u>OTHER CHANGES IN NET ASSETS:</u>						
Capital Contribution from Equity Investor (MHIC)	1,901,365	-	1,901,365	4,318,722	-	4,318,722
Total Other Changes in Net Assets	1,901,365	-	1,901,365	4,318,722	-	4,318,722
<u>TOTAL CHANGE IN NET ASSETS</u>	2,733,477	119,667	2,853,144	3,072,242	924,023	3,996,265
<u>NET ASSETS - BEGINNING OF YEAR</u>	7,357,854	2,637,529	9,995,383	4,285,612	1,713,506	5,999,118
<u>NET ASSETS - END OF YEAR</u>	\$ 10,091,331	\$ 2,757,196	\$ 12,848,527	\$ 7,357,854	\$ 2,637,529	\$ 9,995,383

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

(With Summarized Comparative Totals for 2019)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 808,804	\$ 106,591	\$ 65,875	\$ 981,270	\$ 869,285
Payroll Taxes	73,328	10,301	5,933	89,562	81,262
Employee Benefits	54,898	3,505	4,720	63,123	57,913
Volunteer Services <i>(Note 10)</i>	79,184	-	-	79,184	122,402
Direct Client Assistance - Rental and Thrift Shop Subsidies	57,264	-	-	57,264	51,590
Program Supplies and Expenses <i>(Note 10)</i>	46,367	-	-	46,367	41,803
Costs of Fund Raising Events	-	-	9,765	9,765	14,000
Repairs and Maintenance	177,554	1,916	-	179,470	129,487
Utilities	126,176	4,962	6,681	137,819	113,857
Real Estate Taxes	37,872	-	-	37,872	36,026
Insurance	68,528	2,434	805	71,767	51,195
Accounting and Legal Expense	1,698	15,920	-	17,618	65,435
Professional Fees and Consultants	147,813	11,028	49,851	208,692	92,483
Small Equipment and Furnishings	7,153	306	412	7,871	11,771
Office Supplies and Expenses	19,239	3,900	1,334	24,473	21,017
Printing and Postage	25,849	576	3,589	30,014	34,789
Bank and Payroll Fees	-	14,452	-	14,452	10,435
Staff Training and Workshops	848	499	164	1,511	6,468
Staff Travel and Related Expenses	12,954	827	1,113	14,894	20,339
Dues, Fees and Subscriptions	22,730	3,077	1,615	27,422	27,140
Depreciation and Amortization Expense	427,051	-	-	427,051	244,458
Interest Expense	131,745	-	-	131,745	356,812
Real Estate Project Costs	-	-	-	-	114,465
Bad Debts	-	1,500	-	1,500	604
	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>604</u>
Total Functional Expenses	<u>\$ 2,327,055</u>	<u>\$ 181,794</u>	<u>\$ 151,857</u>	<u>\$ 2,660,706</u>	<u>\$ 2,575,036</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Salaries and Wages	\$ 683,455	\$ 121,793	\$ 64,037	\$ 869,285
Payroll Taxes	63,764	11,685	5,813	81,262
Employee Benefits	48,328	4,730	4,855	57,913
Volunteer Services <i>(Note 10)</i>	122,402	-	-	122,402
Direct Client Assistance - Rental and Thrift Shop Subsidies	51,590	-	-	51,590
Program Supplies and Expenses <i>(Note 10)</i>	41,803	-	-	41,803
Costs of Fund Raising Events	-	-	14,000	14,000
Repairs and Maintenance	128,430	-	1,057	129,487
Utilities	102,006	6,003	5,848	113,857
Real Estate Taxes	36,026	-	-	36,026
Insurance	47,984	2,533	678	51,195
Accounting and Legal Expense	2,060	63,375	-	65,435
Professional Fees and Consultants <i>(Note 10)</i>	59,442	7,129	25,912	92,483
Small Equipment and Furnishings	10,894	444	433	11,771
Office Supplies and Expenses	13,092	7,048	877	21,017
Printing and Postage	25,597	337	8,855	34,789
Bank and Payroll Fees	-	10,435	-	10,435
Staff Training and Workshops	3,800	1,028	1,640	6,468
Staff Travel and Related Expenses	16,973	1,705	1,661	20,339
Dues, Fees and Subscriptions	21,493	3,879	1,768	27,140
Depreciation and Amortization Expense	242,935	1,013	510	244,458
Interest Expense	356,812	-	-	356,812
Real Estate Project Costs	114,465	-	-	114,465
Bad Debts	-	604	-	604
	\$ 2,193,351	\$ 243,741	\$ 137,944	\$ 2,575,036

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 2,853,144	\$ 3,996,265
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Capital Campaign Pledges	-	(2,400)
Capital Contribution from Equity Investor	(1,901,365)	(4,318,722)
Depreciation and Amortization Expense	427,051	244,458
Amortization of Debt Issuance Costs	9,763	218,268
Accrued Interest	165,017	51,114
Change in Fair Value of Beneficial Interest	(159,160)	(113,534)
Donated Goods and Other Non-Cash Contributions	-	40,000
<i>(Increase) Decrease in Current Assets:</i>		
Accounts and Other Receivables	(24,746)	(22,429)
Gifts, Grants and Pledges Receivable	62,756	(72,756)
Inventories and Other Current Assets	12,107	276
Deferred Pre-Development Costs	-	90,024
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	26,909	(20,833)
Accrued Payroll and Related Costs	(24,770)	22,987
Tenant Security Deposits	991	9,246
Deferred Revenue	-	(340)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Gifts, Grants and Pledges Receivable	(48,000)	12,000
Net Adjustment	<u>(1,453,447)</u>	<u>(3,862,641)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>1,399,697</u>	<u>133,624</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Capital Renovation Expenditures	(412,420)	(4,580,020)
Withdrawal from Beneficial Interest in Agency Fund	-	27,000
Contribution to Beneficial Interest in Agency Fund	-	(882,271)
Acquisition of Property and Equipment	-	(27,765)
Net Cash Flows Used by Investing Activities	<u>(412,420)</u>	<u>(5,463,056)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Capital Contributions from Equity Investor (MHIC)	1,901,365	4,318,722
Repayment of Construction Financing	(737,330)	(8,725,000)
Proceeds from Mortgages Payable and Construction Loans	-	7,141,422
Tax Credit Monitoring and Financing Fees Paid	(5,448)	(256,366)
Proceeds from Capital Campaign Pledges and Grants	21,250	114,828
Net Cash Flows from Financing Activities	<u>1,179,837</u>	<u>2,593,606</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>2,167,114</u>	<u>(2,735,826)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>2,567,705</u>	<u>5,303,531</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 4,734,819</u>	<u>\$ 2,567,705</u>
<i>Supplemental Disclosures :</i>		
Interest Paid	<u>\$ 13,984</u>	<u>\$ 300,656</u>
<i>Non-Cash Investing and Financing :</i>		
Accounts Payable, Construction	<u>\$ -</u>	<u>\$ 400,592</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 facility capital renovation project, 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. 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. 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. This model has helped more than 14,000 women to succeed over the last 40+ years.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 2 *(Continued)*

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 Coordinator, and more than 20 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 72 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 2019, Abby's House completed the renovation of 52 High Street, a nearly century-old building and our largest property of supportive housing. The renovation added two units of housing, bringing the total count to 56; updated HVAC, electrical, plumbing, and security systems, and increased accessibility with a reconfigured entrance, an elevator, and accessible kitchens and bedrooms. The renovation preserved 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 120 other social services and government agencies and departments. Our focus is to effectively create a system of seamless service provision, support women with the sometimes-daunting task of matching needs with existing resources, and assist them with accessing those services.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 2 *(Continued)*

Referral Services:

We receive a minimum of 20 - 25 calls or in-person visits per week from women seeking help and provide them with education that empowers them to access needed resources. We provide information and referrals to external agencies that offer a range of supports, including but not limited to: domestic violence services, nutrition and income assistance, education, employment, financial literacy, parenting supports, medical services, government-assisted permanent housing, and legal assistance. Developing and maintaining positive working relationships with local professionals and organizations in other areas of human services is vital for effective referrals. These relationships enable staff to maintain up-to-date and accurate information about available services in the community to help women reach their goals.

Annette Rafferty Women's Empowerment Center:

Every current and past resident and guest is invited to be involved in the Annette Rafferty Women's Empowerment Center at Abby's House. Women's Center activities include weekly nutritious 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 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

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.

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 accounting principles generally accepted in the United States of America. 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

FASB Accounting Standards Codification Update No. 2017-02, (Subtopic 958-810) *Not-for-Profit Entities - Consolidation*, clarifies when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar entity. Under the guidance, as the General Partner of the LLC and the Managing Member, Abby's House is considered to hold both a financial interest in and control over these entities and, therefore, is required to consolidate their activities within the accompanying consolidated financial statements.

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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

Fair Value of Financial Instruments:

The Organizations report 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.
- 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 includes 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 *(Continued)*

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, including capital projects, 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, restrictions and purposes. For the years presented, such amounts consisted of the following balances:

<u>Cash Composition</u>	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$2,068,642	\$ 902,905
Board Designated Operating, Building and Capital Asset Reserves	1,341,460	769,342
Cash Held for Capital Projects	858,703	861,043
Bond Proceeds Reserve	-	34,415
Operating Reserve	350,570	-
Replacement Reserve	105,685	-
Tenant Security Deposits (Other Current Assets)	<u>9,759</u>	<u>-</u>
Total	<u>\$4,734,819</u>	<u>\$2,567,705</u>

Replacement Reserve

The LLC is required by its Operating Agreement to establish and maintain a replacement reserve, which is to be used to fund capital improvements and repairs to the property at 52 High Street. The reserve was established in 2020 with deposits totaling \$105,584 and the expectation is that the LLC will continue to make annual deposits of \$22,400 to the fund.

Operating Reserve

In accordance with the provisions of the Operating Agreement, the LLC established an operating reserve with initial deposits totaling \$350,050 in 2020. This funding may be adjusted annually per the terms of the Operating Agreement to comply with the requirement to maintain an "Operating Reserve Minimum", as defined in the Operating Agreement. The reserve may be used from time to time by the Managing Member to eliminate operating deficits, if any, in the operating of the 52 High Street property.

Receivables:

Accounts and Other Receivables primarily represents amounts due from tenants for rent along with other reimbursements due. 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.

As of December 31, 2020, *Gifts, Grants and Pledges Receivable* includes 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, 2020, all non-current grants receivable were due within five years. As of December 31, 2019, all grants receivable were scheduled for payment in the coming fiscal year and classified as current.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

Gifts, Grants and Pledges Receivable also includes the remaining balance due on several Capital Campaign Pledges Receivable from individual donors and foundations. Pledges Receivable 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, 2020, all pledges receivable were current. As of December 31, 2019, all non-current pledges were due within two years.

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 \$23,517 as of December 31, 2020 and 2019, 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, 2020 and 2019, inventories also includes donated gift cards valued at \$13,627 and \$9,304, 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.

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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

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, 2020 and 2019, 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 Statements of Activities. Distributions received from the fund are recorded as decreases in the beneficial interest (See Note 5).

Deferred Costs:

Deferred costs consists of tax credit fees in the original amount of \$33,783, which are amortized on a straight-line basis over the 15-year compliance period starting in 2019. These deferred costs are presented net of accumulated amortization. For the years ended December 31, 2020 and 2019, amortization expense was \$2,252 and \$1,126, respectively. The future amortization expense is expected to be \$2,252 per year for the subsequent five year period.

Debt Issuance Costs:

As required by FASB ASC 835-30, *Simplifying the Presentation of Debt Insurance Costs*, debt issuance costs are presented as a reduction of the carrying amount of the debt rather than as an asset. Accordingly, costs incurred in connection with debt issuance are deferred and amortized over the life of the respective debt. Amortization of debt issuance costs is reported as a component of *Interest Expense* and is computed using an imputed interest rate on the related loan. Long-term debt is presented net of unamortized debt issuance costs in the accompanying Consolidated Statements of Financial Position. As of December 31, 2020, the debt issuance costs were fully amortized.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

The Organizations recognize contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions of assets other than cash are reported at their estimated fair value. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. When the conditions are met, the corresponding support is reported as contributions with donor restrictions with the exception of conditional grants and contracts from governmental agencies, which are recognized as support without donor restrictions.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

Unconditional, multi-year commitments are recognized in the year during which the initial commitment was made. 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.

Except as noted above, support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions expire, at which time the assets are reclassified to net assets without donor restrictions.

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. Rent payments received in advance are classified as deferred revenue, a contract liability, until earned. 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 was 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 are eliminated in the consolidated financial statements. For the year ended December 31, 2019, revenue recognized by Abby's House that was eliminated amounted to \$442,000, while cumulative capitalized developer fees totaling \$877,000 were eliminated as of each respective year end.

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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

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. 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.

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 - 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.

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 are the lack of Unrelated Business Income Tax and its tax-exempt status under IRC Section 501(c)(3) and the fact that changes may result from the closing of the 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, 2020 AND 2019

(Continued)

NOTE 3 *(Continued)*

Recent Accounting Guidance:

Recently Implemented Standards

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 was adopted by the Organizations effective January 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Organizations have not restated their opening net assets for the years presented resulting from the implementation of this ASU.

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 was adopted by the Organizations effective January 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Organizations recognized revenue, and therefore no changes in the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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, 2020 and 2019:

<u>Asset Category</u>	<u>2020</u>	<u>2019</u>
Land	\$ 569,681	\$ 569,681
Land Improvements	147,843	147,843
Buildings and Improvements	15,277,184	15,272,062
Furnishings, Fixtures, and Equipment	<u>409,586</u>	<u>409,586</u>
Subtotal	16,404,294	16,399,172
Less Accumulated Depreciation	<u>(1,850,890)</u>	<u>(1,426,091)</u>
Property and Equipment, Net	<u>\$14,553,404</u>	<u>\$14,973,081</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 5 BENEFICIAL INTEREST

The estimated value of funds held by GWCF on behalf of Abby's House was \$1,775,183 and \$1,616,023 as of December 31, 2020 and 2019, 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.

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

	<u>2020</u>	<u>2019</u>
Beneficial Interest - Beginning of Year	\$1,616,023	\$ 647,218
Contributions to the Fund	-	882,271
Distributions from the Fund	-	(27,000)
Investment Gains	168,799	116,741
Interest and Dividends	14,142	7,534
Investment Management Fees	<u>(23,781)</u>	<u>(10,741)</u>
Beneficial Interest - End of Year	<u>\$1,775,183</u>	<u>\$1,616,023</u>

NOTE 6 DEBT

77 Chatham Street, Worcester:

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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 6 *(Continued)*

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.

52 High Street, Worcester:

In 2019, Abby’s House completed a major renovation project on a residential and program/office facility. The total renovation costs were \$16.8 million and was funded by long-term deferred debt, bond proceeds and proceeds from federal and state tax credits. The construction phase was 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 received \$11,422,992 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 sale of state low-income housing tax credits and state historic tax credits, which sources were used to repay the bond and construction bridge loans from Eastern Bank. The following significant debt and related agreements have 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 were fixed at 3.62%, payable monthly in arrears, commencing on January 28, 2018. As of December 31, 2019, the outstanding principal balance was \$600,000, which was paid in full during 2020. As of and for the year ended December 31, 2020, interest totaling \$3,721 had been incurred. Interest incurred during the year ended December 31, 2019 totaled \$283,869, of which amount, \$170,683 was capitalized to the rental property and \$113,186 was expensed. During the years ended December 31, 2020 and 2019, amortization of debt issuance costs of \$9,763 and \$183,018, respectively, was charged to interest expense.

Eastern Bank 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. During 2019 the bridge loan was paid in full. Interest incurred on the loan for the year ended December 31, 2019 amounted to \$15,955, of which \$11,413 was capitalized to the rental property and \$4,542 was expensed. During the year ended December 31, 2019, amortization of debt issuance costs of \$35,250 was charged to interest expense.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 6 *(Continued)*

Prior to the repayment of the above debts, Eastern Bank held 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.

The Bond Reserve account was 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. During 2020, the remaining funds held in the Bond Reserve were released. As of December 31, 2019, the balance of the funds held in the Bond Reserve was \$34,415.

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>2020</u>	<u>2019</u>
CEDAC - Housing Innovations Fund	\$1,890,136	\$2,000,000
CEDAC - Facilities Consolidation Fund	472,534	500,000
City of Worcester - HOME Program	550,000	550,000
DHCD - Housing Trust Fund	<u>500,000</u>	<u>500,000</u>
Total	<u>\$3,412,670</u>	<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, 2019, the remaining loans were drawn down with the aggregate outstanding balance of \$3,550,000. All outstanding balances are due on the maturity date; however, in 2020 aggregate principal payments of \$137,330 were made as a result of development cost savings.

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

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 initially estimated that the sale of the State Low-Income Housing Tax Credits and the State Historic Tax Credits would generate 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. Pursuant to these arrangements, 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 6 (Continued)

In 2019, AKFH Renovations LLC received two loans from NOAH, an unrelated charitable organization, in the aggregate amount of \$4,460,625 which were 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. Interest expense in the amount of \$117,761 and \$19,984 was accrued on these loans for the years ended December 31, 2020 and 2019, respectively.

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, 2020, all of the below debt was classified as *Mortgage Notes Payable*. As of December 31, 2019, *Construction and Renovation Financing* reflects the balance on the Eastern Bank Bond, net of the Unamortized Debt Issuance Costs, while the remaining debts are classified as *Mortgage Notes Payable*.

As of December 31, 2020 and 2019, *Mortgage Notes Payable* and *Construction and Renovation Financing* consists of the following obligations:

<u>Debt Obligation</u>	<u>2020</u>	<u>2019</u>
Eastern Bank Bond	\$ -	\$ 600,000
CEDAC Permanent Loans	3,412,670	3,550,000
NOAH	<u>4,598,370</u>	<u>4,480,609</u>
Total Debt	8,011,040	8,630,609
Less: Debt Issuance Costs, Net of Amortization	-	(9,763)
Total	<u>\$8,011,040</u>	<u>\$8,620,846</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

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, 2020 and 2019:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Capital Campaign	\$ 878,703	\$ 902,293
Beneficial Interest in Agency Fund	1,775,183	1,616,023
Community Partnership Program	-	66,247
ARST Fund	24,310	17,723
Annette Rafferty Women's Empowerment Center	-	10,820
Time Restricted	70,000	22,000
Board Development	-	375
Housing, Shelter Program and Other	9,000	2,048
Total	<u>\$2,757,196</u>	<u>\$2,637,529</u>

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>2020</u>	<u>2019</u>
Capital Campaign	\$ 23,590	\$114,465
Paycheck Protection Program	197,200	-
Community Partnership Project	79,247	8,764
Beneficial Interest in Agency Fund	-	27,000
Annette Rafferty Women's Empowerment Center	11,391	60,526
Thrift Shop	-	11,409
Housing and Shelter Program	70,412	24,375
Lapse of Time Restrictions	22,000	12,000
ARST Fund	31,602	16,230
Other	375	13,799
Total	<u>\$435,817</u>	<u>\$279,804</u>

Board Designated Net Assets:

The Board of Directors of Abby's House established an *Operating Reserve Fund* and a *Building and Capital Asset Reserves Fund*. The *Operating Reserve Fund*, having a target minimum of to cover 6 - 9 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 Abby's House and its 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.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 7 (Continued)

Equity Transactions:

Federal Historic and Low-Income Tax Credits

AKFH Renovations LLC received a determination from DHCD that the project qualified for an allowable allocation of federal low-income housing tax credits in addition to federal historic tax credits. Together, these tax credits are expected to generate an equity investment in the aggregate amount of \$7,176,731 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.

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 and project completion.

Through December 31, 2020 and 2019, the Investor Member has made capital contributions totaling \$6,962,367 and \$5,061,002, respectively. As of December 31, 2020, an additional capital contribution in the amount of \$214,364 is expected from an “upward adjuster” as defined in the Operating Agreement.

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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Rental Income	\$544,734	\$454,260
Less: Rental Subsidies	<u>(47,990)</u>	<u>(49,329)</u>
Actual Rent Received	<u>\$496,744</u>	<u>\$404,931</u>

NOTE 9 SPECIAL FUND RAISING EVENTS

Abby’s House sponsors special fund raising events to generate contributions as well as gain public awareness for its programs and charitable mission. In each year presented, these events included *Abby’s House 5K* and *Springtacular*. During 2020, these events were held virtually due to the COVID-19 pandemic. The results of the fund raising events are summarized below:

	<u>2020</u>	<u>2019</u>
Contributions and Sponsorships	\$156,092	\$ 90,819
Gross Event Ticket Sales	-	28,316
Auction Proceeds	<u>21,108</u>	<u>8,905</u>
Total Event Proceeds	177,200	128,040
Less: Event Costs	<u>(9,765)</u>	<u>(14,000)</u>
Net Special Event Proceeds	<u>\$167,435</u>	<u>\$114,040</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

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>2020</u>	<u>2019</u>
Volunteer Services	\$79,184	\$122,402
Gift Cards	11,387	10,315
Professional Fees and Consultants	4,411	1,150
Program Supplies and Expenses	<u>500</u>	<u>7,780</u>
Total	<u>\$95,482</u>	<u>\$141,647</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.

NOTE 12 CONCENTRATIONS

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 \$3,835,562 and \$1,614,418 in excess of federally insured and other limits as of December 31, 2020 and 2019, 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 13 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. Noncompliance with the affordable housing provisions of the various debt instruments may result in default.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 13 (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. In addition, as disclosed in Note 7, this property qualified for and received federal and state historic tax credits in 2019, which are subject to recapture during the five-year period following the completion of the rehabilitation.

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.

Payroll Protection Program:

Abby's House received a loan in the amount of \$197,200 from Bay State Savings Bank through the Paycheck Protection Program established by the U.S. CARES Act (the "PPP Loan") on May 8, 2020. The Organization has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. The Organization applied for and received full forgiveness of the loan on December 28, 2020. The amount forgiven equals the amount incurred on qualifying costs (payroll, mortgage interest, rent and utilities, as defined and subject to limitations) during the covered period. The Organization elected to use a 24-week covered period which expired on November 8, 2020. As of December 31, 2020, the Organization has incurred the required qualifying costs meeting the conditions of the advance; therefore, \$197,200 has been recognized as revenue and is included in *Gifts, Grants and Contributions* in the accompanying Consolidated Statement of Activities.

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Organization's financial position, change in net assets and cash flows. The Organizations are not able to estimate the length of severity of this outbreak and the related financial impact. Management has adjusted its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organizations' operations continue for an extended period of time, the Organizations may have to seek alternative measures to finance its operation. There is no assurance these measures will be successful.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 14 LIQUIDITY AND AVAILABILITY OF NET ASSETS

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 Organizations' 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 Organizations are funded primarily through donations and rents received throughout the year.

The following table reflects the Organizations' financial assets as of December 31, 2020 and 2019, 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 management does not intend to spend these funds within the next year, these amounts could be made available for current operations, if necessary (*See Note 7*).

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 4,734,819	\$ 2,567,705
Beneficial Interest in Agency Fund	1,775,183	1,616,023
Accounts and Other Receivables	25,143	35,369
Gifts, Grants and Pledges Receivable	<u>90,000</u>	<u>126,006</u>
Total Financial Assets as of December 31	6,625,145	4,345,103
Less Amounts Not Available to be Used Within One Year:		
Proceeds Held for Construction	-	(34,415)
Beneficial Interest in Agency Fund	(1,775,183)	(1,616,023)
Cash Held for Capital Projects	(858,703)	(861,043)
Board Designated Reserve Funds	(1,341,460)	(769,342)
Reserve Funds Held In Escrow	(456,255)	-
Capital Campaign Pledges Receivable	(20,000)	(41,250)
Grants Receivable After One Year	(48,000)	-
Tenant Security Deposits	<u>(9,759)</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$2,115,785</u>	<u>\$ 1,023,030</u>

NOTE 15 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 12, 2021, the date which the consolidated financial statements were available for issue, and noted the following event which met the disclosure criteria:

On March 26, 2021, pursuant to an Amended and Restated Operating Agreement, Abby's House, as the Managing Member, admitted Main South Community Development Corporation ("Main South") as a 50% Non-Voting Member. Simultaneously, an Assignment and Assumption of Membership Interest was transferred From Women's Institute Realty, Inc. to Main South.

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

	<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	\$ 1,870,545	\$ 198,097	\$ -	\$ -	\$ 2,068,642
Accounts and Other Receivables	20,944	39,171	100	(35,072)	25,143
Due From Affiliates	40,518	4,283	-	(44,801)	-
Gifts, Grants and Pledges Receivable	42,000	-	-	-	42,000
Inventories and Other Current Assets	45,304	45,204	-	-	90,508
Total Current Assets	<u>2,019,311</u>	<u>286,755</u>	<u>100</u>	<u>(79,873)</u>	<u>2,226,293</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>502,746</u>	<u>15,056,084</u>	<u>-</u>	<u>(1,005,426)</u>	<u>14,553,404</u>
<u>NON-CURRENT ASSETS:</u>					
Board Designated Reserves	1,341,460	-	-	-	1,341,460
Beneficial Interest in Agency Fund	1,775,183	-	-	-	1,775,183
Cash Held for Capital Projects	858,703	-	-	-	858,703
Reserve Funds Held in Escrow	-	456,255	-	-	456,255
Notes Receivable from Affiliate	2,004,617	-	-	(2,004,617)	-
Gifts, Grants and Pledges Receivable	48,000	-	-	-	48,000
Deferred Costs, Net	-	30,405	-	-	30,405
Investment in Subsidiary	-	-	100	(100)	-
Total Non-Current Assets	<u>6,027,963</u>	<u>486,660</u>	<u>100</u>	<u>(2,004,717)</u>	<u>4,510,006</u>
<u>TOTAL ASSETS</u>	<u>\$ 8,550,020</u>	<u>\$ 15,829,499</u>	<u>\$ 200</u>	<u>\$ (3,090,016)</u>	<u>\$ 21,289,703</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 49,938	\$ 26,441	\$ -	\$ -	\$ 76,379
Accrued Payroll and Related Costs	56,220	-	-	-	56,220
Tenant Security Deposits	-	10,237	-	-	10,237
Due to Affiliates	35,102	40,488	4,283	(79,873)	-
Total Current Liabilities	<u>141,260</u>	<u>77,166</u>	<u>4,283</u>	<u>(79,873)</u>	<u>142,836</u>
<u>LONG-TERM LIABILITIES:</u>					
Mortgage Notes Payable	-	10,015,657	-	(2,004,617)	8,011,040
Deferred Forgivable Debt	287,300	-	-	-	287,300
Total Long-Term Liabilities	<u>287,300</u>	<u>10,015,657</u>	<u>-</u>	<u>(2,004,617)</u>	<u>8,298,340</u>
<u>TOTAL LIABILITIES</u>	<u>428,560</u>	<u>10,092,823</u>	<u>4,283</u>	<u>(2,084,490)</u>	<u>8,441,176</u>
<u>NET ASSETS:</u>					
Net Assets Without Donor Restrictions	5,364,264	(21)	(4,083)	(1,123,659)	4,236,501
Net Assets With Donor Restrictions	2,757,196	-	-	-	2,757,196
Total Net Assets - Abby's House	8,121,460	(21)	(4,083)	(1,123,659)	6,993,697
Non-Controlling Interest (MHIC)	-	5,736,697	-	118,133	5,854,830
Total Net Assets	<u>8,121,460</u>	<u>5,736,676</u>	<u>(4,083)</u>	<u>(1,005,526)</u>	<u>12,848,527</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 8,550,020</u>	<u>\$ 15,829,499</u>	<u>\$ 200</u>	<u>\$ (3,090,016)</u>	<u>\$ 21,289,703</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

	<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	\$ 277,232	\$ 625,673	\$ -	\$ -	\$ 902,905
Accounts and Other Receivables	7,257	28,112	100	(100)	35,369
Due From Affiliates	854,998	2,407	-	(857,405)	-
Gifts, Grants and Pledges Receivable	106,006	-	-	-	106,006
Inventories and Other Current Assets	46,646	46,210	-	-	92,856
Total Current Assets	<u>1,292,139</u>	<u>702,402</u>	<u>100</u>	<u>(857,505)</u>	<u>1,137,136</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>545,050</u>	<u>15,459,105</u>	<u>-</u>	<u>(1,031,074)</u>	<u>14,973,081</u>
<u>NON-CURRENT ASSETS:</u>					
Board Designated Reserves	769,342	-	-	-	769,342
Beneficial Interest in Agency Fund	1,616,023	-	-	-	1,616,023
Cash Held for Capital Projects	861,043	-	-	-	861,043
Bond Proceeds Reserve	-	34,415	-	-	34,415
Notes Receivable from Affiliate	1,957,361	-	-	(1,957,361)	-
Gifts, Grants and Pledges Receivable	20,000	-	-	-	20,000
Deferred Costs, Net	-	32,657	-	-	32,657
Investment in Subsidiary	-	-	100	(100)	-
Total Non-Current Assets	<u>5,223,769</u>	<u>67,072</u>	<u>100</u>	<u>(1,957,461)</u>	<u>3,333,480</u>
<u>TOTAL ASSETS</u>	<u>\$ 7,060,958</u>	<u>\$ 16,228,579</u>	<u>\$ 200</u>	<u>\$ (3,846,040)</u>	<u>\$ 19,443,697</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 18,930	\$ 30,510	\$ -	\$ (100)	\$ 49,340
Accounts Payable, Construction	-	752,592	-	(352,000)	400,592
Accrued Payroll and Related Costs	80,990	-	-	-	80,990
Tenant Security Deposit	-	9,246	-	-	9,246
Due to Affiliates	-	502,998	2,407	(505,405)	-
Total Current Liabilities	<u>99,920</u>	<u>1,295,346</u>	<u>2,407</u>	<u>(857,505)</u>	<u>540,168</u>
<u>LONG-TERM LIABILITIES:</u>					
Mortgage Note Payable	-	9,987,970	-	(1,957,361)	8,030,609
Construction and Renovation Financing	-	590,237	-	-	590,237
Deferred Forgivable Debt	287,300	-	-	-	287,300
Total Long-Term Liabilities	<u>287,300</u>	<u>10,578,207</u>	<u>-</u>	<u>(1,957,361)</u>	<u>8,908,146</u>
<u>TOTAL LIABILITIES</u>	<u>387,220</u>	<u>11,873,553</u>	<u>2,407</u>	<u>(2,814,866)</u>	<u>9,448,314</u>
<u>NET ASSETS:</u>					
Net Assets Without Donor Restrictions	4,036,209	31	(2,207)	(1,135,285)	2,898,748
Net Assets With Donor Restrictions	2,637,529	-	-	-	2,637,529
Total Net Assets - Abby's House	6,673,738	31	(2,207)	(1,135,285)	5,536,277
Non-Controlling Interest (MHIC)	-	4,354,995	-	104,111	4,459,106
Total Net Assets	<u>6,673,738</u>	<u>4,355,026</u>	<u>(2,207)</u>	<u>(1,031,174)</u>	<u>9,995,383</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 7,060,958</u>	<u>\$ 16,228,579</u>	<u>\$ 200</u>	<u>\$ (3,846,040)</u>	<u>\$ 19,443,697</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<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	\$ 2,437,875	\$ -	\$ -	\$ -	\$ 2,437,875
Rental Income	171,648	452,982	-	(79,896)	544,734
Thrift Shop Donations	137,960	-	-	-	137,960
Donated Goods and Services	95,482	-	-	-	95,482
Special Fund Raising Event Proceeds	177,200	-	-	-	177,200
Change in Beneficial Interest in Agency Fund	159,160	-	-	-	159,160
Interest Income	59,359	768	-	(47,256)	12,871
Other Income	64,889	47,203	-	(64,889)	47,203
<u>TOTAL SUPPORT AND REVENUES</u>	<u>3,303,573</u>	<u>500,953</u>	<u>-</u>	<u>(192,041)</u>	<u>3,612,485</u>
<u>FUNCTIONAL EXPENSES:</u>					
Program Services	1,601,480	922,250	-	(196,675)	2,327,055
Administrative	102,514	98,418	1,876	(21,014)	181,794
Fund Raising	151,857	-	-	-	151,857
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,855,851</u>	<u>1,020,668</u>	<u>1,876</u>	<u>(217,689)</u>	<u>2,660,706</u>
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>1,447,722</u>	<u>(519,715)</u>	<u>(1,876)</u>	<u>25,648</u>	<u>951,779</u>
<u>OTHER CHANGES IN NET ASSETS:</u>					
Capital Contribution from Equity Investor (MHIC)	-	1,901,365	-	-	1,901,365
Total Other Changes in Net Assets	-	1,901,365	-	-	1,901,365
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>1,447,722</u>	<u>1,381,650</u>	<u>(1,876)</u>	<u>25,648</u>	<u>2,853,144</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>6,673,738</u>	<u>4,355,026</u>	<u>(2,207)</u>	<u>(1,031,174)</u>	<u>9,995,383</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 8,121,460</u>	<u>\$ 5,736,676</u>	<u>\$ (4,083)</u>	<u>\$ (1,005,526)</u>	<u>\$ 12,848,527</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<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	\$ 1,117,231	\$ -	\$ -	\$ -	\$ 1,117,231
Developer Overhead Fee	442,000	-	-	(442,000)	-
Rental Income	166,485	349,510	-	(61,735)	454,260
Thrift Shop Donations	222,962	-	-	-	222,962
Donated Goods and Services	141,647	-	-	-	141,647
Special Fund Raising Event Proceeds	128,040	-	-	-	128,040
Change in Beneficial Interest in Agency Fund	113,534	-	-	-	113,534
Interest Income	85,228	5,543	-	(46,126)	44,645
Other Income	113,255	30,090	-	(113,085)	30,260
<u>TOTAL SUPPORT AND REVENUES</u>	<u>2,530,382</u>	<u>385,143</u>	<u>-</u>	<u>(662,946)</u>	<u>2,252,579</u>
<u>FUNCTIONAL EXPENSES:</u>					
Program Services	1,507,803	890,913	-	(205,365)	2,193,351
Administrative	135,418	122,310	1,851	(15,838)	243,741
Fund Raising	137,944	-	-	-	137,944
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,781,165</u>	<u>1,013,223</u>	<u>1,851</u>	<u>(221,203)</u>	<u>2,575,036</u>
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>749,217</u>	<u>(628,080)</u>	<u>(1,851)</u>	<u>(441,743)</u>	<u>(322,457)</u>
<u>OTHER CHANGES IN NET ASSETS:</u>					
Capital Contribution from Equity Investor (MHIC)	-	4,318,722	-	-	4,318,722
Total Other Changes in Net Assets	-	4,318,722	-	-	4,318,722
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>749,217</u>	<u>3,690,642</u>	<u>(1,851)</u>	<u>(441,743)</u>	<u>3,996,265</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>5,924,521</u>	<u>664,384</u>	<u>(356)</u>	<u>(589,431)</u>	<u>5,999,118</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 6,673,738</u>	<u>\$ 4,355,026</u>	<u>\$ (2,207)</u>	<u>\$ (1,031,174)</u>	<u>\$ 9,995,383</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	ABBY KELLEY FOSTER HOUSE				AKFH LLC & AKFH MM LLC			CONSOLIDATED	
	<u>PROGRAM SERVICES</u>	<u>ADMINI-STRATIVE</u>	<u>FUND RAISING</u>	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>ADMINI-STRATIVE</u>	<u>TOTAL</u>	<u>ELIMIN-ATIONS</u>	<u>FUNCTIONAL EXPENSES</u>
Salaries and Wages	\$ 766,235	\$ 48,919	\$ 65,875	\$ 881,029	\$ 42,569	\$ 57,672	\$ 100,241	\$ -	\$ 981,270
Payroll Taxes	69,013	4,456	5,933	79,402	4,315	5,845	10,160	-	89,562
Employee Benefits	54,898	3,505	4,720	63,123	-	-	-	-	63,123
Volunteer Services	79,184	-	-	79,184	-	-	-	-	79,184
Direct Client Assistance	57,264	-	-	57,264	-	-	-	-	57,264
Program Supplies and Expenses	46,367	-	-	46,367	43,875	-	43,875	(43,875)	46,367
Costs of Fund Raising Events	-	-	9,765	9,765	-	-	-	-	9,765
Repairs and Maintenance	105,791	1,916	-	107,707	71,763	-	71,763	-	179,470
Utilities	121,224	4,962	6,681	132,867	84,848	-	84,848	(79,896)	137,819
Real Estate Taxes	-	-	-	-	37,872	-	37,872	-	37,872
Insurance	33,138	2,434	805	36,377	35,390	-	35,390	-	71,767
Accounting and Legal Expense	1,698	4,943	-	6,641	-	10,977	10,977	-	17,618
Professional Fees and Consultants	140,347	11,028	49,851	201,226	7,466	21,014	28,480	(21,014)	208,692
Small Equipment and Furnishings	7,153	306	412	7,871	-	-	-	-	7,871
Office Supplies and Expenses	15,512	990	1,334	17,836	3,727	2,910	6,637	-	24,473
Printing and Postage	25,849	576	3,589	30,014	-	-	-	-	30,014
Bank and Payroll Fees	-	14,452	-	14,452	-	-	-	-	14,452
Staff Training and Workshops	673	499	164	1,336	175	-	175	-	1,511
Staff Travel and Related Expenses	12,954	827	1,113	14,894	-	-	-	-	14,894
Dues, Fees and Subscriptions	21,875	1,201	1,615	24,691	855	1,876	2,731	-	27,422
Depreciation and Amortization Expense	42,305	-	-	42,305	410,394	-	410,394	(25,648)	427,051
Interest Expense	-	-	-	-	179,001	-	179,001	(47,256)	131,745
Bad Debts	-	1,500	-	1,500	-	-	-	-	1,500
Total Functional Expenses	\$ 1,601,480	\$ 102,514	\$ 151,857	\$ 1,855,851	\$ 922,250	\$ 100,294	\$ 1,022,544	\$ (217,689)	\$ 2,660,706

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>ABBY KELLEY FOSTER HOUSE</u>				<u>AKFH LLC & AKFH MM LLC</u>			<u>CONSOLIDATED</u>	
	<u>PROGRAM SERVICES</u>	<u>ADMINI-STRATIVE</u>	<u>FUND RAISING</u>	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>ADMINI-STRATIVE</u>	<u>TOTAL</u>	<u>ELIMIN-ATIONS</u>	<u>FUNCTIONAL EXPENSES</u>
Salaries and Wages	\$ 654,262	\$ 65,726	\$ 64,037	\$ 784,025	\$ 29,193	\$ 56,067	\$ 85,260	\$ -	\$ 869,285
Payroll Taxes	60,786	5,966	5,813	72,565	2,978	5,719	8,697	-	81,262
Employee Benefits	48,328	4,730	4,855	57,913	-	-	-	-	57,913
Volunteer Services	122,402	-	-	122,402	-	-	-	-	122,402
Direct Client Assistance	51,590	-	-	51,590	-	-	-	-	51,590
Program Supplies and Expenses	41,803	-	-	41,803	97,247	-	97,247	(97,247)	41,803
Costs of Fund Raising Events	-	-	14,000	14,000	-	-	-	-	14,000
Repairs and Maintenance	86,448	-	1,057	87,505	41,982	-	41,982	-	129,487
Utilities	106,086	6,003	5,848	117,937	57,655	-	57,655	(61,735)	113,857
Real Estate Taxes	-	-	-	-	36,026	-	36,026	-	36,026
Insurance	25,512	2,533	678	28,723	22,472	-	22,472	-	51,195
Accounting and Legal Expense	2,060	25,441	-	27,501	-	37,934	37,934	-	65,435
Professional Fees and Consultants	59,442	7,129	25,912	92,483	-	15,838	15,838	(15,838)	92,483
Small Equipment and Furnishings	10,894	444	433	11,771	-	-	-	-	11,771
Office Supplies and Expenses	8,961	900	877	10,738	4,131	6,148	10,279	-	21,017
Printing and Postage	25,597	337	8,855	34,789	-	-	-	-	34,789
Bank and Payroll Fees	-	10,435	-	10,435	-	-	-	-	10,435
Staff Training and Workshops	2,643	1,028	1,640	5,311	1,157	-	1,157	-	6,468
Staff Travel and Related Expenses	16,973	1,705	1,661	20,339	-	-	-	-	20,339
Dues, Fees and Subscriptions	20,323	2,028	1,768	24,119	1,170	1,851	3,021	-	27,140
Depreciation and Amortization Expense	49,228	1,013	510	50,751	208,990	-	208,990	(15,283)	244,458
Interest Expense	-	-	-	-	387,912	-	387,912	(31,100)	356,812
Real Estate Project Costs	114,465	-	-	114,465	-	-	-	-	114,465
Bad Debts	-	-	-	-	-	604	604	-	604
Total Functional Expenses	\$ 1,507,803	\$ 135,418	\$ 137,944	\$ 1,781,165	\$ 890,913	\$ 124,161	\$ 1,015,074	\$ (221,203)	\$ 2,575,036

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<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>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Change in Net Assets	\$ 1,447,722	\$ 1,381,650	\$ (1,876)	\$ 25,648	\$ 2,853,144
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>					
Capital Contribution from Equity Investor	-	(1,901,365)	-	-	(1,901,365)
Depreciation and Amortization Expense	42,305	410,394	-	(25,648)	427,051
Accrued Interest	-	165,017	-	-	165,017
Amortization of Debt Issuance Costs	-	9,763	-	-	9,763
Change in Fair Value of Beneficial Interest	(159,160)	-	-	-	(159,160)
<i>(Increase) Decrease in Current Assets:</i>					
Accounts and Other Receivables	(13,687)	(11,059)	-	-	(24,746)
Gifts, Grants and Pledges Receivable	62,756	-	-	-	62,756
Inventories and Other Current Assets	1,342	10,765	-	-	12,107
<i>Increase (Decrease) in Current Liabilities:</i>					
Accounts Payable and Accrued Expenses	31,008	(4,099)	-	-	26,909
Accrued Payroll and Related Costs	(24,770)	-	-	-	(24,770)
Tenant Security Deposits	-	991	-	-	991
<i>(Increase) Decrease in Non-Current Assets:</i>					
Gifts, Grants and Pledges Receivable	(48,000)	-	-	-	(48,000)
Net Adjustment	(108,206)	(1,319,593)	-	(25,648)	(1,453,447)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>1,339,516</u>	<u>62,057</u>	<u>(1,876)</u>	<u>-</u>	<u>1,399,697</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Capital Renovation Expenditures	-	(1,214,745)	-	802,325	(412,420)
Contribution to Beneficial Interest in Agency Fund	-	-	-	-	-
Withdrawal from Beneficial Interest in Agency Fund	-	-	-	-	-
Acquisition of Property and Equipment	-	-	-	-	-
Net Cash Flows Used by Investing Activities	<u>-</u>	<u>(1,214,745)</u>	<u>-</u>	<u>802,325</u>	<u>(412,420)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>					
Capital Contribution from Equity Investor (MHIC)	-	1,901,365	-	-	1,901,365
Repayment of Construction Financing	-	(737,330)	-	-	(737,330)
Tax Credit Monitoring and Financing Fees Paid	-	(5,448)	-	-	(5,448)
Due to/from Affiliates	802,325	(1,876)	1,876	(802,325)	-
Proceeds from Capital Campaign Pledges and Grants	21,250	-	-	-	21,250
Net Cash Flows from Financing Activities	<u>823,575</u>	<u>1,156,711</u>	<u>1,876</u>	<u>(802,325)</u>	<u>1,179,837</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>2,163,091</u>	<u>4,023</u>	<u>-</u>	<u>-</u>	<u>2,167,114</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,907,617</u>	<u>660,088</u>	<u>-</u>	<u>-</u>	<u>2,567,705</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 4,070,708</u>	<u>\$ 664,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,734,819</u>

ABBY KELLEY FOSTER HOUSE, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<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>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Change in Net Assets	\$ 749,217	\$ 3,690,642	\$ (1,851)	\$ (441,743)	\$ 3,996,265
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>					
Capital Campaign Pledges	(2,400)	-	-	-	(2,400)
Capital Contribution from Equity Investor	-	(4,318,722)	-	-	(4,318,722)
Depreciation and Amortization Expense	50,751	208,990	-	(15,283)	244,458
Accrued Interest	-	51,114	-	-	51,114
Amortization of Debt Issuance Costs	-	218,268	-	-	218,268
Change in Fair Value of Beneficial Interest	(113,534)	-	-	-	(113,534)
Donated Goods and Other Non-Cash Contributions	40,000	-	-	-	40,000
<i>(Increase) Decrease in Current Assets:</i>					
Accounts and Other Receivables	(4,760)	(17,569)	-	(100)	(22,429)
Gifts, Grants and Pledges Receivable	(72,756)	-	-	-	(72,756)
Inventories and Other Current Assets	(10,581)	10,857	-	-	276
Deferred Pre-Development Costs	90,024	-	-	-	90,024
<i>Increase (Decrease) in Current Liabilities:</i>					
Accounts Payable and Accrued Expenses	(21,755)	822	-	100	(20,833)
Accrued Payroll and Related Costs	22,987	-	-	-	22,987
Tenant Security Deposits	-	9,246	-	-	9,246
Deferred Revenue	-	(340)	-	-	(340)
<i>(Increase) Decrease in Non-Current Assets:</i>					
Gifts, Grants and Pledges Receivable	12,000	-	-	-	12,000
Net Adjustment	(10,024)	(3,837,334)	-	(15,283)	(3,862,641)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>739,193</u>	<u>(146,692)</u>	<u>(1,851)</u>	<u>(457,026)</u>	<u>133,624</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Capital Renovation Expenditures	-	(4,399,929)	-	(180,091)	(4,580,020)
Contribution to Beneficial Interest in Agency Fund	(882,271)	-	-	-	(882,271)
Withdrawal from Beneficial Interest in Agency Fund	27,000	-	-	-	27,000
Acquisition of Property and Equipment	(27,765)	-	-	-	(27,765)
Net Cash Flows from Investing Activities	<u>(883,036)</u>	<u>(4,399,929)</u>	<u>-</u>	<u>(180,091)</u>	<u>(5,463,056)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>					
Capital Contribution from Equity Investor (MHIC)	-	4,318,722	-	-	4,318,722
Repayment of Construction Financing	-	(8,725,000)	-	-	(8,725,000)
Proceeds from Mortgages Payable and Construction Loans	-	7,141,422	-	-	7,141,422
Tax Credit Monitoring and Financing Fees Paid	-	(256,366)	-	-	(256,366)
Due to/from Affiliates	(637,117)	(1,851)	1,851	637,117	-
Proceeds from Capital Campaign Pledges and Grants	114,828	-	-	-	114,828
Net Cash Flows from Financing Activities	<u>(522,289)</u>	<u>2,476,927</u>	<u>1,851</u>	<u>637,117</u>	<u>2,593,606</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(666,132)</u>	<u>(2,069,694)</u>	<u>-</u>	<u>-</u>	<u>(2,735,826)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>2,573,749</u>	<u>2,729,782</u>	<u>-</u>	<u>-</u>	<u>5,303,531</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,907,617</u>	<u>\$ 660,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,567,705</u>