



DAVISKELLY CERTIFIED
PUBLIC
ACCOUNTANTS
CREATING VALUE FROM NUMBERS

**MASSACHUSETTS COALITION
FOR THE HOMELESS, INC.**

Financial Statements

Years Ended June 30, 2018

A Certified Women-Owned Business Enterprise in the Commonwealth of Massachusetts

4238 Washington Street, Suite 307 • Boston, MA 02131 • T: 617.390.5734

www.daviskellycpas.com

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Financial Statements

June 30, 2018

Table of Contents

Independent Auditors' Report	1-2
<i>Financial Statements:</i>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-17
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	18-19



DAVISKELLY CERTIFIED
PUBLIC
ACCOUNTANTS
CREATING VALUE FROM NUMBERS

Independent Auditors' Report

To the Board of Directors of
Massachusetts Coalition for the Homeless, Inc.
Lynn, Massachusetts

We have audited the accompanying financial statements of Massachusetts Coalition for the Homeless, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

A Certified Women-Owned Business Enterprise in the Commonwealth of Massachusetts

4238 Washington Street, Suite 307 • Boston, MA 02131 • T: 617.390.5734

www.daviskellycpas.com

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Massachusetts Coalition for the Homeless, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DavisKelly, LLC

Boston, Massachusetts

April 9, 2019

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statements of Financial Position

As of June 30, 2018

(with comparative totals as of June 30, 2017)

<i>Assets</i>	<u>2018</u>	<u>2017</u>
<i>Current assets:</i>		
Cash and cash equivalents	\$ 612,632	\$ 682,350
Cash escrow	-	30,000
Accounts and pledges receivable	184,848	485,042
Investments	187,629	180,796
Investments in corporation	-	1,100,000
Prepaid expenses	59,104	57,067
<i>Total current assets</i>	<u>1,044,213</u>	<u>2,535,255</u>
Property and equipment, net	4,710,131	13,517
Construction in progress	-	2,238,122
<i>Total assets</i>	<u>\$ 5,754,344</u>	<u>\$ 4,786,894</u>
<i>Liabilities and Net Assets</i>		
<i>Current liabilities:</i>		
Current portion of notes payable	\$ 36,442	\$ -
Other liability	7,118	30,000
Accounts payable and accrued expenses	43,730	30,803
<i>Total current liabilities</i>	<u>87,290</u>	<u>60,803</u>
<i>Long-term liabilities:</i>		
Notes payable - vehicle	34,147	-
Notes payable - bank	1,447,386	1,500,000
<i>Total long - term liabilities</i>	<u>1,481,533</u>	<u>1,500,000</u>
<i>Total liabilities</i>	<u>1,568,823</u>	<u>1,560,803</u>
<i>Net assets:</i>		
Unrestricted	4,065,521	2,998,091
Temporarily restricted	120,000	228,000
<i>Total net assets</i>	<u>4,185,521</u>	<u>3,226,091</u>
<i>Total liabilities and net assets</i>	<u>\$ 5,754,344</u>	<u>\$ 4,786,894</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statements of Activities

For the Years Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<i>Revenue and support:</i>				
Individual contributions	\$ 1,594,746	\$ -	\$ 1,594,746	\$ 886,002
Corporate and foundation contributions	437,601	20,000	457,601	434,520
Contributed goods and services	2,151,248	-	2,151,248	2,073,906
Special events	15,250	-	15,250	116,888
Less: costs of direct benefits to donors	-		-	(22,259)
Federated fundraising	63,356	-	63,356	49,020
Contract revenue	215,530	-	215,530	381,409
Investment income, net	4,460	-	4,460	56,735
Rental Income	72,587	-	72,587	11,631
Other income	96,519	-	96,519	110,888
Net assets released from restrictions	128,000	(128,000)	-	-
<i>Total revenue and support</i>	<u>4,779,297</u>	<u>(108,000)</u>	<u>4,671,297</u>	<u>4,098,740</u>
<i>Expenses:</i>				
Program services	3,224,214	-	3,224,214	3,240,129
Fundraising	40,127	-	40,127	87,711
General and administration	447,526	-	447,526	320,420
<i>Total expenses</i>	<u>3,711,867</u>	<u>-</u>	<u>3,711,867</u>	<u>3,648,260</u>
<i>Changes in net assets</i>	1,067,430	(108,000)	959,430	450,480
<i>Net assets, beginning of the year</i>	<u>2,998,091</u>	<u>228,000</u>	<u>3,226,091</u>	<u>2,775,611</u>
<i>Net assets, ending of the year</i>	<u>\$ 4,065,521</u>	<u>\$ 120,000</u>	<u>\$ 4,185,521</u>	<u>\$ 3,226,091</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
<i>Cash flows from operating activities:</i>		
Changes in net assets	\$ 959,430	\$ 450,480
Adjustments to reconcile changes in net assets provided by / (used in) operating activities:		
Depreciation and amortization	118,015	9,771
Change in:		
Accounts and pledges receivable	300,194	(112,803)
Prepaid expenses	(2,037)	(23,563)
Other asset	30,000	200,000
Other liability	(22,882)	30,000
Accounts payable and accrued expenses	12,927	12,231
Rent payable and deferred rent	-	(76,800)
Net unrealized and realized gains on investments	(3,194)	(51,570)
<i>Net cash used in operating activities</i>	<u>1,392,453</u>	<u>459,316</u>
<i>Cash flows from investing activities:</i>		
Proceeds from sales of investments	216,766	2,176,254
Purchases of investments	(220,405)	(1,508,950)
Capital improvements	(1,430,044)	-
Investment in a corporation	-	(1,100,000)
Investment in construction in progress	-	(2,238,122)
<i>Net cash provided by (used in) investing activities</i>	<u>(1,433,683)</u>	<u>(2,670,818)</u>
<i>Cash flows from financing activities:</i>		
Payments notes payable - vehicle	(5,411)	-
Payments notes payable - bank	(23,077)	-
Proceeds from long-term borrowings	-	1,500,000
<i>Net cash provided by financing activities</i>	<u>(28,488)</u>	<u>1,500,000</u>
<i>Net change in cash and cash equivalents</i>	(69,718)	2,503,050
<i>Cash and cash equivalents, beginning</i>	<u>682,350</u>	<u>1,517,422</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 612,632</u>	<u>\$ 682,350</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

	<i>Program Services</i>				<i>Fundraising</i>	<i>General and Administration</i>	<i>2018 Total</i>	<i>2017 Total</i>
	<i>Education</i>	<i>Furniture Bank</i>	<i>HomeLink Initiative</i>	<i>Total Program Services</i>				
Salaries	\$ 194,556	\$ 241,518	\$ 234,809	\$ 670,883	\$ 20,965	\$ 6,987	\$ 698,836	\$ 700,549
Payroll taxes	15,440	18,634	19,166	53,240	1,664	555	55,458	56,708
Employee benefits	49,100	23,451	733	73,284	-	39,460	112,744	92,895
Subtotal	259,096	283,603	254,708	797,407	22,629	47,002	867,038	850,152
Bank fees	-	-	-	-	-	6,254	6,254	6,686
Contributed goods and services	-	2,151,248	-	2,151,248	-	-	2,151,248	2,073,906
Contracted services	-	-	-	-	-	99,569	99,569	86,252
Depreciation and amortization	-	-	-	-	-	118,015	118,015	9,771
Equipment rental and maintenance	466	2,436	681	3,583	-	583	4,166	7,988
Insurance	455	442	442	1,339	-	32,133	33,472	29,362
Program supplies	82,398	82,398	-	164,795	-	8,673	173,468	271,563
Interest expense	-	-	-	-	-	62,941	62,941	32,154
Occupancy - rent	2,475	19,803	2,475	24,754	-	17,926	42,680	56,000
Utilities	7,410	7,410	7,410	22,231	7,410	7,410	37,051	45,659
Postage	1,022	1,405	1,831	4,257	426	3,831	8,513	6,323
Printing and publication	491	711	491	1,693	547	365	2,605	7,036
Professional fees	5,202	15,345	5,462	26,009	8,323	17,687	52,020	118,989
Property taxes	-	-	-	-	-	24,895	24,895	22,685
Telephone	2,250	7,343	2,250	11,844	-	242	12,086	11,629
Travel	4,065	10,538	452	15,054	792	-	15,846	12,107
<i>Total expenses</i>	<u>\$ 365,330</u>	<u>\$ 2,582,682</u>	<u>\$ 276,202</u>	<u>\$ 3,224,214</u>	<u>\$ 40,127</u>	<u>\$ 447,526</u>	<u>\$ 3,711,867</u>	<u>\$ 3,648,262</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2017

	<i>Program Services</i>					<i>General and Administration</i>	<i>2017 Total</i>
	<i>Education</i>	<i>Furniture Bank</i>	<i>HomeLink Initiative</i>	<i>Total Program Services</i>	<i>Fundraising</i>		
Salaries	\$ 195,033	\$ 242,110	\$ 235,384	\$ 672,527	\$ 21,016	\$ 7,004	\$ 700,549
Payroll taxes	15,788	19,054	19,598	54,440	1,701	567	56,708
Employee benefits	40,456	19,322	604	60,382	-	32,513	92,895
Subtotal	<u>251,277</u>	<u>280,486</u>	<u>255,586</u>	<u>787,349</u>	<u>22,717</u>	<u>40,084</u>	<u>850,152</u>
Bank fees	-	-	-	-	-	6,686	6,686
Contributed goods and services	-	2,073,906	-	2,073,906	-	-	2,073,906
Contracted services	-	-	-	-	-	86,252	86,252
Depreciation and amortization	-	-	-	-	-	9,771	9,771
Equipment rental and maintenance	893	4,672	1,305	6,870	-	1,118	7,988
Insurance	399	387	387	1,174	-	28,188	29,362
Program supplies	50,479	119,869	50,479	220,827	34,425	16,312	271,563
Interest expense	-	-	-	-	-	32,154	32,154
Occupancy - rent	3,248	25,984	3,248	32,480	-	23,520	56,000
Utilities	9,132	9,132	9,132	27,396	9,132	9,131	45,659
Postage	759	1,043	1,360	3,162	316	2,845	6,323
Printing and publication	1,326	1,921	1,326	4,573	1,478	985	7,036
Professional fees	11,899	35,101	12,494	59,494	19,038	40,456	118,989
Property taxes	-	-	-	-	-	22,685	22,685
Telephone	2,165	7,066	2,165	11,396	-	233	11,629
Travel	3,106	8,051	345	11,502	605	-	12,107
<i>Total expenses</i>	<u>\$ 334,683</u>	<u>\$ 2,567,618</u>	<u>\$ 337,827</u>	<u>\$ 3,240,129</u>	<u>\$ 87,711</u>	<u>\$ 320,420</u>	<u>\$ 3,648,262</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018

Note 1 - Organization

Massachusetts Coalition for the Homeless, Inc. (“Organization”) was organized in the Commonwealth of Massachusetts as a not-for-profit corporation on February 9, 1983. Truly a coalition, the Organization works with organizations and individuals that are united in their commitment to end homelessness. The following is a brief description of each of the major programs of the Organization.

HomeLink Initiative - The HomeLink Initiative is designed to work with community health centers, public school districts and early intervention workers to help identify households that are having a housing crisis and then offer quick assistance to ensure that they remain stably housed.

A Bed for Every Child Initiative - The Organization raises funds to purchase a twin mattress, frame, and linens for each student referred to the Organization by its partners.

The Room to Breathe Initiative – The Program is to assist low-income families and individuals who are living with chronic respiratory diagnoses to improve their home environment to lessen environment triggers with a goal of improving their quality of life.

Furniture Bank - The Program is a unique furniture bank that collects furniture and household goods from corporations, hotels, colleges and private households and distributes them to formerly homeless people who have found housing.

Teen Closet Initiative – The Organization partnered with various high schools located in Boston to create the Teen Closet Initiative. The Teen Closet is a place for students to stop by during school hours to receive free of cost clothing and hygiene products.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets - include funds with donor-imposed restrictions, which stipulate that the organization expend the assets as specified and are satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently but permit the organization to expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts that represent funds that have been designated by the Board for investment.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Revenue Recognition

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized as support when the conditions which they depend are substantially met. Grants and contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Grants and Contributions (Continued)

The Organization operates some of its programs under various contracts and third-party agreements with the Commonwealth of Massachusetts and other City agencies. Revenue is recognized as services are provided and is recorded at the estimated net realizable amounts. On cost reimbursement contracts, income equals expenses incurred; therefore, the excess (deficit) is carried as a liability or as an asset (accounts receivable up to the contract limit).

Rental income is from the parking lot and leased building space. It is recorded as revenue when earned.

Contributed Goods and Services

The Organization records various types of in-kind support including contributed professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria as described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/ or support service are allocated directly according to its natural expenditure classification.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or if donated, at their estimated fair market value at the date of receipt. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. The cost of maintenance, repairs, and minor renewals are expensed as incurred.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. 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 such property. There were no impairment losses recognized in 2018 and 2017.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and equipment are recorded at cost, if purchased, or if donated, at their estimated fair market value at the date of receipt. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. The cost of maintenance, repairs, and minor renewals are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	39 years
Building improvements	39 years
Website development	3 years
Equipment	3-5 years
Motor vehicles	5 years

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and a comparable State of Massachusetts statute. In addition, the Organization has been determined by the Internal Revenue Service (IRS) to be qualified for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Use of Estimates and Assumptions

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Revenue and Support (Continued)

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as unrestricted.

Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts. The Organization's periodic evaluation of the adequacy of the allowance is based on past experience and an assessment of current economic conditions. Accounts receivable are charged off when deemed uncollectible. Allowance for doubtful accounts was zero for the years ended June 30, 2018 and 2017.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net assets class or functional areas. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Note 3 - Property and Equipment

At June 30, 2018 and 2017 property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Building	\$ 1,100,000	\$ -
Building improvements	3,664,803	-
Equipment	36,106	113,714
Website development	10,300	10,300
Motor vehicles	75,813	29,350
Land	10,718	10,718
	<u>4,897,740</u>	<u>164,082</u>
Less accumulated depreciation and amortization	<u>(187,609)</u>	<u>(150,565)</u>
Property and equipment, net	<u>\$ 4,710,131</u>	<u>\$ 13,517</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$130,550 and \$9,771, respectively.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 4 - Contributed Goods and Services

The Organization receives a substantial amount of household necessities such as beds, refrigerators, dressers, chairs, tables, blankets, infant and children's products and toys donated by individuals and corporations interested in the Furniture Bank program. These goods are re-distributed to homeless facilities directly or through shelters and human service agencies. For the years ended June 30, 2018 and 2017, the Organization received donated household necessities totaling \$2,151,248 and \$2,073,906, respectively. The contributions of household necessities that are reflected in the accompanying financial statements are based upon estimated fair values, determined by management and the donors.

Note 5 - Significant Concentrations of Risk

The Organization maintains its cash and cash equivalents in various financial institutions in accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Note 6 – Loan Payable

A summary of notes payable as of June 30, 2018, is as follows:

In August 2016, the Organization entered into a long-term loan agreement with East Boston Savings Bank in the amount of \$1,500,000, to pay for the purchase of the Stock of Lucky Strike, Inc. located at Buffum Street, Lynn, Mass. The loan requires interest only payments at 4% per annum, payable monthly with a date of maturity of August 3, 2046. Interest costs are expensed as incurred.

\$ 1,476,923

In September 2017, the organization entered into a loan agreement to purchase a truck. The terms of the agreement state payments of \$788 per month, including principal and interest, at 6.75% per annum, with final payment due August 2023. The loan is collateralized by the vehicle.

41,052

1,517,975

Less portion considered current

36,442

Total long-term liabilities

\$ 1,481,533

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 6 – Loan Payable (Continued)

Maturities of long-term debt for the next five years are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 36,442
2020	38,126
2021	39,893
2022	41,746
2023	43,692
Thereafter	<u>1,318,076</u>
Total	<u>\$ 1,517,975</u>

Interest paid was \$62,941 and \$32,154 during the years ended June 30, 2018 and 2017, respectively.

Note 7 – Lease/Other Income

The Organization entered into a lease agreement whereby an amount of \$76,800 of deferred rent and rent payable was remaining as of June 30, 2016. During the course of the year ended June 30, 2017, the Organization vacated the space; therefore, the unamortized deferred rent was then recognized as revenue of \$76,800 for the year ended June 30, 2017.

Note 8 - Fair Value Measurements

Financial Accounting Standards Board Statement FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 8 - Fair Value Measurements (Continued)

-
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of investments appearing on the statement of financial position has the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include money market, mutual funds, stocks, and exchange-traded and closed-end funds which amounted to \$187,629 and \$180,796 as of June 30, 2018 and 2017, respectively.
- There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

Note 9 – Investments

Investments consist of money market funds, corporate stocks, and mutual funds, are stated at fair value based on quoted prices in active markets, and are summarized as follows, at June 30, 2018 and 2017:

	<i>2018</i>			
	<i>Total</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Money market	\$ 39,105	\$ 39,105	\$ -	\$ -
Common stocks and mutual funds	77,521	77,521	-	-
Exchange-traded and closed-end funds	71,003	71,003	-	-
Total	<u>\$ 187,629</u>	<u>\$ 187,629</u>	<u>\$ -</u>	<u>\$ -</u>

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 9 – Investments (Continued)

	<i>2017</i>			
	<i>Total</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Money market	\$ 32,147	\$ 32,147	\$ -	\$ -
Common stocks and mutual funds	60,909	77,521	-	-
Exchange-traded and closed-end funds	87,740	71,003	-	-
Total	\$ 180,796	\$ 180,671	\$ -	\$ -

Investment income for the years ended June 30, 2018 and 2017 are as follows:

	<i>2018</i>	<i>2017</i>
Dividends and interest	\$ 3,842	\$ 12,994
Realized gain on investments	6,758	60,351
Unrealized gain (loss) on investments	14,854	11,123
Investment expenses	(18,302)	(32,685)
Investment income, net	\$ 7,152	\$ 51,783

Note 10 – Investment in Corporation

On August 4, 2016, the Organization purchased 100% of the stock in a C-Corporation, Lucky Strike Recreation, Inc., for \$1,100,000. The assets owned by the Corporation at the time of purchase are as follows:

- Land and Building located at 69-73 Buffum Street, Lynn, Massachusetts
- Land located at 87 Buffum Street, Lynn, Massachusetts
- Land located at 21 Oxford Street, Lynn, Massachusetts
- A bowling alley business located on the premises of 69-73 Buffum Street, Lynn, Massachusetts
- There were no liabilities assumed in this acquisition.

The primary purpose of the acquisition was to gain office and program space for operations of the Organization.

It was this property which the Organization started a renovation to move their operations. At the closing the buyer was to retain \$30,000 in escrow until all of the terms and conditions of the agreement were satisfied. As a result, excess space was acquired, and the organization has entered into lease agreements with tenants for both land and building space. The Organization used revenue from the investment accounts of approximately \$500,000 as part of the financing for this project.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

Note 11 - Property Taxes

In the course of the stock purchase of Lucky Strike, Inc. the Organization acquired land and a building. Prior to occupancy the Organization is responsible for real estate taxes on the property. The property taxes paid for the year ended June 30, 2018 and 2017 was \$24,895 and \$22,685, respectively. The construction was complete in 2018 and the Organization is in the process for an abatement of real estate taxes on the property.

Note 12 - Temporarily Restricted Net Assets

At June 30, 2018 and 2017, the Organization had temporarily restricted net assets of \$120,000 and \$228,000, respectively, restricted for specific programs.

Note 13 – Contingencies Government Contracts

The Organization has contracts with government agencies. The contracts are subject to audit by the respective funding source and could result in the recapture of previously reported revenue due to disallowed costs. Management does not believe that any such disallowance, if found, would be material to the Organization's financial statements. Accordingly, no provision for any liability that may result has been made in the financial statements.

Note 14 – Cash Flow Information

Noncash investing and financing activities consisted of financing the cost of a new vehicle through a long-term note of \$46,463 and \$77,608 of disposals of fully depreciated and unsalvageable equipment.

Note 15 - Subsequent Events

ASC 855-10, "Subsequent events" defines further disclosure requirements for events that occur after the statement of financial position date, but before financial statements are issued. In accordance with ASC 855-10, the Organization management has evaluated events subsequent to June 30, 2018 to April 9, 2019, which is the date the financial statements were available to be issued. There were no material events noted during this period that would impact the results reflected in this report.



DAVISKELLY CERTIFIED
PUBLIC
ACCOUNTANTS
CREATING VALUE FROM NUMBERS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Massachusetts Coalition for the Homeless, Inc.
Lynn, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Kelly, LLC

Boston, Massachusetts
April 9, 2019