ELIOT COMMUNITY HUMAN SERVICES, INC.
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

ELIOT COMMUNITY HUMAN SERVICES, INC. AND AFFILIATES

Contents
June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
Eliot Community Human Services, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Eliot Community Human Services, Inc. and Affiliates (Massachusetts corporations, not for profit) (collectively, the Agency), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Eliot Community Human Services, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the accompanying combined financial statements, Eliot Community Human Services, Inc. (Eliot) became the sole corporate member of the Massachusetts Society for the Prevention of Cruelty to Children (MSPCC) effective July 1, 2016. Accordingly, the accompanying combined financial statements reflect the combined statement of financial position of Eliot, Eliot Community Human Services Trust (the Trust), and MSPCC as of June 30, 2017, and the combined revenues and expenses of Eliot, the Trust and MSPCC for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Alexander, Aronson, Finning & Co., P.C.

Westborough, Massachusetts
October 30, 2017

ELIOT COMMUNITY HUMAN SERVICES, INC. AND AFFILIATES

Combined Statement of Financial Position
June 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017				2016
Assets	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Current Assets:					
Cash and cash equivalents	$ 7,650,158	$ 490,772	$ -	$ 8,140,930	$ 7,210,705
Client custodial funds	1,658,806	-	-	1,658,806	1,383,679
Contracts, grants and other receivables	10,313,295	-	-	10,313,295	8,237,889
Patient accounts receivable, net of allowance for doubtful accounts of approximately $1,132,000 and $1,389,000 at June 30, 2017 and 2016, respectively	2,973,917	-	-	2,973,917	1,615,140
Pledges receivable	66,775	-	-	66,775	-
Prepaid expenses	2,624,263	-	-	2,624,263	1,971,619
Total current assets	25,287,214	490,772	-	25,777,986	20,419,032
Investments	921,484	3,510,317	12,611,562	17,043,363	1,030,034
Due (to) from	(2,529,401)	2,529,401	-	-	-
Property and Equipment:					
Land	2,652,247	-	-	2,652,247	2,281,642
Buildings and improvements	8,453,633	-	-	8,453,633	7,603,185
Leasehold improvements	524,697	-	-	524,697	482,322
Furniture and equipment	3,484,257	-	-	3,484,257	2,631,956
Motor vehicles	42,699	-	-	42,699	66,826
	15,157,533	-	-	15,157,533	13,065,931
Less - accumulated depreciation	6,626,232	-	-	6,626,232	4,855,627
Net property and equipment	8,531,301	-	-	8,531,301	8,210,304
Construction in process	5,672,185	-	-	5,672,185	-
Deposits	402,210	-	-	402,210	329,331
Beneficial Interests in Trusts	-	-	3,295,951	3,295,951	-
Total assets	$ 38,284,993	$ 6,530,490	$ 15,907,513	$ 60,722,996	$ 29,988,701
Liabilities and Net Assets					
Current Liabilities:					
Current portion of long-term debt	$ 339,763	$ -	$ -	$ 339,763	$ 189,964
Current portion of capital lease obligation	18,443	-	-	18,443	-
Accounts and subcontract payable	2,081,234	-	-	2,081,234	1,618,681
Client custodial funds	1,658,806	-	-	1,658,806	1,383,679
Accrued expenses	6,985,802	-	-	6,985,802	5,623,294
Pension liability	3,577,910	-	-	3,577,910	-
Total current liabilities	14,661,958	-	-	14,661,958	8,815,618
Long-Term Debt, net of current portion	6,520,826	-	-	6,520,826	2,447,642
Capital Lease Obligation, net of current portion	45,823	-	-	45,823	-
Total liabilities	21,228,607	-	-	21,228,607	11,263,260
Net Assets:					
Unrestricted:					
Operating	9,613,715	-	-	9,613,715	12,488,067
Property and equipment	7,191,488	-	-	7,191,488	5,572,698
Board designated:					
Board designated - Eliot	226,928	-	-	226,928	226,701
Board designated - Other	24,255	-	-	24,255	23,956
Total unrestricted	17,056,386	-	-	17,056,386	18,311,422
Temporarily restricted	-	6,530,490	-	6,530,490	297,272
Permanently restricted	-	-	15,907,513	15,907,513	116,747
Total net assets	17,056,386	6,530,490	15,907,513	39,494,389	18,725,441
Total liabilities and net assets	$ 38,284,993	$ 6,530,490	$ 15,907,513	$ 60,722,996	$ 29,988,701

ELIOT COMMUNITY HUMAN SERVICES, INC. AND AFFILIATES

Combined Statement of Financial Position
June 30, 2016

Assets	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Current Assets:				
Cash and cash equivalents	$ 6,913,433	$ 297,272	$ -	$ 7,210,705
Client custodial funds	1,383,679	-	-	1,383,679
Contracts, grants and other receivables	8,237,889	-	-	8,237,889
Patient accounts receivable, net of allowance for doubtful accounts of approximately $1,389,000 at June 30, 2016	1,615,140	-	-	1,615,140
Prepaid expenses	1,971,619	-	-	1,971,619
Total current assets	20,121,760	297,272	-	20,419,032
Investments	913,287	-	116,747	1,030,034
Property and Equipment:				
Land	2,281,642	-	-	2,281,642
Buildings and improvements	7,603,185	-	-	7,603,185
Leasehold improvements	482,322	-	-	482,322
Furniture and equipment	2,631,956	-	-	2,631,956
Motor vehicles	66,826	-	-	66,826
	13,065,931	-	-	13,065,931
Less - accumulated depreciation	4,855,627	-	-	4,855,627
Net property and equipment	8,210,304	-	-	8,210,304
Deposits	329,331	-	-	329,331
Total assets	$ 29,574,682	$ 297,272	$ 116,747	$ 29,988,701
Liabilities and Net Assets				
Current Liabilities:				
Current portion of long-term debt	$ 189,964	$ -	$ -	$ 189,964
Accounts and subcontract payable	1,618,681	-	-	1,618,681
Client custodial funds	1,383,679	-	-	1,383,679
Accrued expenses	5,623,294	-	-	5,623,294
Total current liabilities	8,815,618	-	-	8,815,618
Long-Term Debt, net of current portion	2,447,642	-	-	2,447,642
Total liabilities	11,263,260	-	-	11,263,260
Net Assets:				
Unrestricted:				
Operating	12,488,067	-	-	12,488,067
Property and equipment	5,572,698	-	-	5,572,698
Board designated:				
Board designated - Eliot	226,701	-	-	226,701
Board designated - Other	23,956	-	-	23,956
Total unrestricted	18,311,422	-	-	18,311,422
Temporarily restricted	-	297,272	-	297,272
Permanently restricted	-	-	116,747	116,747
Total net assets	18,311,422	297,272	116,747	18,725,441
Total liabilities and net assets	$ 29,574,682	$ 297,272	$ 116,747	$ 29,988,701

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

ELIOT COMMUNITY HUMAN SERVICES, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017				2016
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Operating Support and Revenues:					
Contracts and grants	$ 86,512,910	$ -	$ -	$ 86,512,910	$ 76,422,759
Net patient service revenue	27,836,116	-	-	27,836,116	20,849,002
Residential client fees	2,007,628	-	-	2,007,628	1,990,064
Investment return designated for current operations	2,001,916	-	-	2,001,916	1,966
Contributions	849,263	219,200	-	1,068,463	142,026
Fundraising events, net	683,701	-	-	683,701	-
Interest and other	555,548	-	-	555,548	270,967
Community Chest / United Way	357,945	-	-	357,945	53,000
Net assets released from restrictions:					
Satisfaction of purpose restrictions	435,059	(435,059)	-	-	-
Satisfaction of time restrictions	30,000	(30,000)	-	-	-
Total operating support and revenues	121,270,086	(245,859)	-	121,024,227	99,729,784
Operating Expenses:					
Program services	106,051,322	-	-	106,051,322	87,534,578
Management and general	12,655,877	-	-	12,655,877	9,521,981
Fundraising	678,716	-	-	678,716	-
Total operating expenses	119,385,915	-	-	119,385,915	97,056,559
Changes in net assets from operations	1,884,171	(245,859)	-	1,638,312	2,673,225
Non-Operating Revenues (Expenses):					
Bequests	-	-	1,415,074	1,415,074	-
Investment return	-	1,372,267	-	1,372,267	1,966
Pension related changes other than net periodic pension cost	1,108,699	-	-	1,108,699	-
Change in carrying value of beneficial interests in trusts	-	-	194,465	194,465	-
Investment return designated for current operations	-	(2,001,916)	-	(2,001,916)	(1,966)
In-kind capital contribution	-	-	-	-	490,000
Capital grants	-	-	-	-	153,185
Recovery of prior year expenses	-	-	-	-	117,000
Gain on sale of property and equipment	-	-	-	-	7,311
Total non-operating revenue (expenses)	1,108,699	(629,649)	1,609,539	2,088,589	767,496
Changes in net assets	2,992,870	(875,508)	1,609,539	3,726,901	3,440,721
Net Assets:					
Beginning of year	18,311,422	297,272	116,747	18,725,441	15,284,720
Net asset transfer	(4,247,906)	7,108,726	14,181,227	17,042,047	-
End of year	$ 17,056,386	$ 6,530,490	$ 15,907,513	$ 39,494,389	$ 18,725,441

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

ELIOT COMMUNITY HUMAN SERVICES, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenues:				
Contracts and grants	$ 76,422,759	$ -	$ -	$ 76,422,759
Net patient service revenue	20,849,002	-	-	20,849,002
Residential client fees	1,990,064	-	-	1,990,064
Investment return designated for current operations	1,966	-	-	1,966
Contributions	39,801	102,225	-	142,026
Interest and other	270,967	-	-	270,967
Community Chest / United Way	53,000	-	-	53,000
Total operating support and revenues	99,627,559	102,225	-	99,729,784
Operating Expenses:				
Program services	87,534,578	-	-	87,534,578
Management and general	9,521,981	-	-	9,521,981
Total operating expenses	97,056,559	-	-	97,056,559
Changes in net assets from operations	2,571,000	102,225	-	2,673,225
Non-Operating Revenues (Expenses):				
Investment return	-	1,966	-	1,966
Investment return designated for current operations	-	(1,966)	-	(1,966)
In-kind capital contribution	490,000	-	-	490,000
Capital grants	153,185	-	-	153,185
Recovery of prior year expenses	117,000	-	-	117,000
Gain on sale of property and equipment	7,311	-	-	7,311
Total non-operating revenue (expenses)	767,496	-	-	767,496
Changes in net assets	3,338,496	102,225	-	3,440,721
Net Assets:				
Beginning of year	14,972,926	195,047	116,747	15,284,720
End of year	$ 18,311,422	$ 297,272	$ 116,747	$ 18,725,441

ELIOT COMMUNITY HUMAN SERVICES, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Changes in net assets	$ 3,726,901	$ 3,440,721
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Bad debts	341,618	5,317
Depreciation	867,700	742,408
Mortgage interest - amortization of debt issuance costs	5,017	5,016
Change in carrying value of beneficial interests in trusts	(194,465)	-
Realized and unrealized gains on investments	(1,285,913)	-
Pension related changes other than net periodic pension cost	(1,108,699)	-
Permanently restricted bequest	(1,415,074)	-
In-kind capital contribution	-	(490,000)
Capital grants	-	(153,185)
Recovery of prior year expenses	-	(117,000)
Gain on sale of property and equipment	-	(7,311)
Changes in operating assets and liabilities:		
Contracts, grants and other receivables	(858,506)	900,267
Patient accounts receivable	(1,382,324)	(7,704)
Pledges receivable	21,939	-
Prepaid expenses and deposits	(419,772)	(344,690)
Accounts and subcontract payable	54,296	261,744
Accrued expenses	952,403	529,613
Pension liability	223,432	-
Net cash provided by (used in) operating activities	(471,447)	4,765,196
Cash Flows from Investing Activities:		
Proceeds from sale of investments	2,289,103	-
Purchases of investments	(1,789,380)	(111,313)
Cash acquired via merger	939,890	-
Proceeds from sale of property and equipment	-	7,311
Cash paid for construction in process	(5,585,042)	-
Acquisition of property and equipment	(204,528)	(1,415,478)
Net cash used in investing activities	(4,349,957)	(1,519,480)
Cash Flows from Financing Activities:		
Capital grants	135,946	223,805
Principal payments on capital lease obligation	(17,357)	-
Principal payments on long-term debt	(222,034)	(142,780)
Proceeds from long-term debt	4,440,000	600,000
Proceeds from permanently restricted bequest	1,415,074	-
Net cash provided by financing activities	5,751,629	681,025
Net Change in Cash and Cash Equivalents	930,225	3,926,741
Cash and Cash Equivalents:		
Beginning of year	7,210,705	3,283,964
End of year	$ 8,140,930	$ 7,210,705
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest, net of interest capitalized	$ 217,137	$ 157,131
Supplemental Disclosure of Non-Cash Items:		
Construction in process included in accounts and subcontract payable	$ 87,143	$ -
Property and equipment acquired from merger	$ 984,169	$ -

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

Combined Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017											2016
	Program Services											
	Ambulatory Services	Adult Programs	Youth Residential Programs	Youth Wrap Around Services	Foster Care and Adoption Services	Pregnancy and Parenting Support	Advocacy Services	Total Program Services	Management and General	Fundraising	Total	Total
Personnel and Related Costs:												
Salaries and wages	$ 8,143,642	$ 29,439,001	$ 16,128,869	$ 9,446,924	$ 588,559	$ 2,875,362	$ 271,521	$ 66,893,878	$ 5,767,911	$ 429,825	$ 73,091,614	$ 60,457,884
Fringe benefits	1,135,019	4,556,464	2,162,038	1,410,880	37,268	481,390	33,800	9,816,859	1,373,573	55,997	11,246,429	8,980,100
Payroll taxes	733,347	2,527,278	1,725,516	885,556	50,751	257,139	23,839	6,203,426	495,357	37,831	6,736,614	5,361,154
Direct care, relief consultants and temporary help	211,159	1,016,375	183,861	33,572	657,427	363	-	2,102,757	202,525	-	2,305,282	1,484,540
Total personnel and related costs	10,223,167	37,539,118	20,200,284	11,776,932	1,334,005	3,614,254	329,160	85,016,920	7,839,366	523,653	93,379,939	76,283,678
Occupancy:												
Rent	329,694	3,307,768	658,531	633,228	24,592	482,408	18,871	5,455,092	123,844	25,916	5,604,852	4,603,086
Facility maintenance and utilities	213,138	1,382,693	743,817	199,972	12,036	49,666	5,955	2,607,277	360,241	3,158	2,970,676	2,576,394
Equipment repairs and maintenance	19,648	56,980	43,869	28,391	2,281	17,014	588	168,771	959,893	32	1,128,696	884,167
Furniture and equipment	49,531	124,595	95,126	69,322	1,986	57,253	6,213	404,026	38,664	6,217	448,907	756,270
Leased equipment	19,990	54,812	48,111	69,921	4,182	34,599	592	232,207	41,046	1,031	274,284	142,852
Mortgage interest	-	30,726	26,134	12,490	-	-	-	69,350	84,368	-	153,718	95,220
Taxes and insurance	4,621	39,699	33,518	11,923	1,044	9,044	171	100,020	21,425	918	122,363	90,870
Total occupancy	636,622	4,997,273	1,649,106	1,025,247	46,121	649,984	32,390	9,036,743	1,629,481	37,272	10,703,496	9,148,859
Direct Program Costs:												
Subcontract	-	2,970,239	-	342,850	109,220	38,532	7,000	3,467,841	-	-	3,467,841	2,446,167
Travel	55,569	672,835	223,102	324,090	29,137	124,865	4,400	1,433,998	112,994	3,439	1,550,431	1,246,519
Meals	17,900	630,247	442,597	15,344	20,796	22,789	3,674	1,153,347	39,055	1,306	1,193,708	1,145,792
Vehicle leases and operating costs	415	629,680	407,611	10	-	-	-	1,037,716	71,858	15	1,109,589	1,067,575
Supplies	21,406	373,986	458,195	37,892	3,311	59,045	1,975	955,810	58,611	10,200	1,024,621	992,891
Consultants	-	45,907	3,297	7,249	662	1,028	20,401	78,544	429,767	-	508,311	317,236
Client activities and services	13,526	169,100	93,702	75,900	14,097	6,990	77	373,392	20	131	373,543	201,574
Interest	2,495	-	-	-	-	-	-	2,495	65,941	-	68,436	66,927
Total direct program costs	111,311	5,491,994	1,628,504	803,335	177,223	253,249	37,527	8,503,143	778,246	15,091	9,296,480	7,484,681
Other Costs:												
Telephone and internet	127,093	559,398	130,072	176,207	8,398	53,892	736	1,055,796	274,267	1,252	1,331,315	997,422
Professional fees	-	9,887	-	595	200,568	583	7,000	218,633	606,413	-	825,046	324,754
Management fees	-	-	-	-	-	-	-	-	595,742	-	595,742	450,473
Liability insurance	42,134	254,427	83,512	28,520	1,437	8,162	702	418,894	119,047	1,793	539,734	403,558
Office supplies and postage	31,006	64,958	26,554	64,825	11,024	43,797	1,696	243,860	121,261	20,849	385,970	315,959
Staff training and conferences	14,838	87,190	34,999	60,403	71,288	15,909	45,639	330,266	38,993	126	369,385	239,789
Bad debts	306,213	23,972	-	11,433	-	-	-	341,618	-	-	341,618	5,317
Other	4,084	41,595	29,558	16,174	17,472	7,278	136	116,297	184,333	6,313	306,943	343,206
Dues and subscriptions	7,647	82,512	260	1,487	9,938	16	19,365	121,225	124,930	23,021	269,176	207,424
Advertising and recruitment	635	8,689	1,795	2,232	-	76	-	13,427	113,258	46,686	173,371	109,031
Total other costs	533,650	1,132,628	306,750	361,876	320,125	129,713	75,274	2,860,016	2,178,244	100,040	5,138,300	3,396,933
Total expenses before depreciation	11,504,750	49,161,013	23,784,644	13,967,390	1,877,474	4,647,200	474,351	105,416,822	12,425,337	676,056	118,518,215	96,314,151
Depreciation	53,484	164,214	364,838	35,604	2,995	12,492	873	634,500	230,540	2,660	867,700	742,408
Total expenses	$ 11,558,234	$ 49,325,227	$ 24,149,482	$ 14,002,994	$ 1,880,469	$ 4,659,692	$ 475,224	$ 106,051,322	$ 12,655,877	$ 678,716	$ 119,385,915	$ 97,056,559

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

Combined Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services						
	Ambulatory Services	Adult Programs	Youth Residential Programs	Youth Wrap Around Services	Total Program Services	Management and General	Total
Personnel and Related Costs:							
Salaries and wages	$ 7,582,555	$ 28,467,335	$ 15,385,821	$ 4,141,273	$ 55,576,984	$ 4,880,900	$ 60,457,884
Fringe benefits	976,830	4,474,289	2,254,901	548,711	8,254,731	725,369	8,980,100
Payroll taxes	665,703	2,337,931	1,586,896	394,801	4,985,331	375,823	5,361,154
Direct care, relief consultants and temporary help	189,273	934,814	212,524	19,651	1,356,262	128,278	1,484,540
Total personnel and related costs	9,414,361	36,214,369	19,440,142	5,104,436	70,173,308	6,110,370	76,283,678
Occupancy:							
Rent	309,736	3,238,333	809,118	138,167	4,495,354	107,732	4,603,086
Facility maintenance and utilities	183,735	1,291,269	747,282	128,341	2,350,627	225,767	2,576,394
Equipment repairs and maintenance	26,277	70,707	78,168	7,222	182,374	701,793	884,167
Furniture and equipment	55,899	388,549	201,154	27,542	673,144	83,126	756,270
Leased equipment	19,451	51,844	46,502	9,189	126,986	15,866	142,852
Mortgage interest	-	32,811	12,435	13,337	58,583	36,637	95,220
Taxes and insurance	4,848	41,634	31,420	2,517	80,419	10,451	90,870
Total occupancy	599,946	5,115,147	1,926,079	326,315	7,967,487	1,181,372	9,148,859
Direct Program Costs:							
Subcontract	-	2,195,579	968	249,620	2,446,167	-	2,446,167
Travel	64,046	715,547	240,565	119,654	1,139,812	106,707	1,246,519
Meals	16,244	621,133	455,405	13,096	1,105,878	39,914	1,145,792
Vehicle leases and operating costs	-	629,119	361,213	9	990,341	77,234	1,067,575
Supplies	26,465	384,040	496,332	30,071	936,908	55,983	992,891
Consultants	2,111	142,772	10,084	963	155,930	161,306	317,236
Client activities and services	9,049	96,542	95,983	-	201,574	-	201,574
Interest	2,665	-	-	-	2,665	64,262	66,927
Total direct program costs	120,580	4,784,732	1,660,550	413,413	6,979,275	505,406	7,484,681
Other Costs:							
Telephone and internet	110,320	528,382	132,269	71,404	842,375	155,047	997,422
Professional fees	970	4,441	6,588	-	11,999	312,755	324,754
Management fees	-	-	-	-	-	450,473	450,473
Liability insurance	38,019	229,695	76,388	13,869	357,971	45,587	403,558
Office supplies and postage	72,158	95,602	43,782	18,836	230,378	85,581	315,959
Staff training and conferences	11,440	133,482	38,985	17,543	201,450	38,339	239,789
Bad debts	5,317	-	-	-	5,317	-	5,317
Other	1,931	53,647	28,962	1,617	86,157	257,049	343,206
Dues and subscriptions	5,015	66,124	11,083	1,480	83,702	123,722	207,424
Advertising and recruitment	3,737	5,168	19,891	2,040	30,836	78,195	109,031
Total other costs	248,907	1,116,541	357,948	126,789	1,850,185	1,546,748	3,396,933
Total expenses before depreciation	10,383,794	47,230,789	23,384,719	5,970,953	86,970,255	9,343,896	96,314,151
Depreciation	61,195	172,621	323,783	6,724	564,323	178,085	742,408
Total expenses	$ 10,444,989	$ 47,403,410	$ 23,708,502	$ 5,977,677	$ 87,534,578	$ 9,521,981	$ 97,056,559

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Eliot Community Human Services, Inc. (Eliot) was incorporated in Massachusetts during 1963 as a not-for-profit corporation. Eliot was formed to provide human services through a broad range of mental health, developmentally disabled, and youth programs for the public benefit. Many programs are provided under contracts with various Commonwealth of Massachusetts' social service agencies. Eliot also provides clinical, residential, and day service programs to several communities within Massachusetts.

Eliot Community Human Services Trust (the Trust), was organized to lease property and equipment to Eliot. Eliot and the Trust are related by common Board of Directors.

During fiscal year 2016, Eliot entered into an agreement with Massachusetts Society for the Prevention of Cruelty to Children (MSPCC) to combine effective July 1, 2016. Eliot became the sole corporate member of MSPCC on July 1, 2016. MSPCC is a statewide social service agency focused on providing care and protection to children, enhancing family life, improving community standards affecting children and their families, and assisting in the enforcement and development of laws affecting children.

The following is a summary of MSPCC assets, liabilities and net assets assumed on July 1, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 553,398	$ 386,492	$ -	$ 939,890
Client service fees receivable	318,071	-	-	318,071
Contracts and other receivables	1,352,846	-	-	1,352,846
Pledges receivable	35,794	52,920	-	88,714
Prepaid expenses and other	305,751	-	-	305,751
Due (to) from	(2,521,916)	2,521,916	-	-
Investments	-	4,147,398	11,079,741	15,227,139
Beneficial interests in trusts	-	-	3,101,486	3,101,486
Property and equipment	984,169	-	-	984,169
Accounts payable and accrued expenses	731,219	-	-	731,219
Pension liability	4,463,177	-	-	4,463,177
Capital lease obligations	81,623	-	-	81,623
Unrestricted net assets	(4,247,906)	-	-	(4,247,906)
Temporarily restricted net assets	-	7,108,726	-	7,108,726
Permanently restricted net assets	-	-	14,181,227	14,181,227

The net assets as of July 1, 2016, are shown as net asset transfer on the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2017.

Eliot, the Trust, and MSPCC are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Donors may deduct contributions made to Eliot, the Trust, and MSPCC within the IRC requirements.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Eliot, the Trust, and MSPCC prepare their combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the net assets of Eliot, the Trust, and MSPCC (collectively, the Agency). All significant balances between classes of net assets, intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Accounting Principle Adoption

During fiscal year 2017, the Agency adopted the FASB's Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU), which requires that debt issuance costs related to notes payable be presented in the combined statements of financial position as a direct reduction from the carrying balance of notes payable. Previously, the Agency reflected unamortized debt issuance costs as financing fees in the accompanying 2016 combined statement of financial position, and has retroactively reclassified 2016 amounts in accordance with this ASU. The reclassification reduced total assets and notes payable at June 30, 2016, by $55,180.

In addition, amortization of debt issuance costs is required to be included as mortgage interest which is included in the accompanying combined statements functional expenses. Accordingly, amortization expense totaling $5,016 for fiscal year 2016 has been reclassified to mortgage interest.

The adoption of this ASU did not impact the Agency's net assets, changes in net assets, or cash flows for the years ended June 30, 2017 and 2016.

Description of Net Assets

Unrestricted Net Assets:

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

Operating consists of amounts relating to program and other operating activities, which bear no external restrictions and are currently available for operations.

Property and equipment reflects the activities relating to property and equipment, net of related debt.

Board designated includes funds designated by the Board of Directors for a variety of purposes, including:

Board designated - Eliot consists of funds set aside by the Board of Directors as funds functioning as endowment.

Board designated - Other consists of funds set aside by the Board of Directors for the Umana Development Fund. These funds may only be used with the approval of the Board of Directors.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets (Continued)

Temporarily Restricted Net Assets:

Temporarily restricted net assets represent funds contributed by donors that are restricted for specific purposes or time periods. Temporarily restricted net assets also include appreciation and investment earnings on permanently restricted net assets (endowment) in accordance with Massachusetts state law and the Agency's spending policy (see page 15).

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

	2017	2016
Accumulated appreciation and earnings on permanently restricted investments (see Note 5)	$ 6,039,718	$ -
Purpose restricted	490,772	297,272
	$ 6,530,490	$ 297,272

Permanently Restricted Net Assets:

Permanently restricted net assets represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent (see Note 6).

Revenue Recognition

Contracts and grants, net patient service revenue, and residential client fees are recorded when services are provided and costs are incurred. The Agency establishes fees for services to patients based upon the patient's ability to pay for those services. Unrestricted grants, contributions and Community Chest/United Way are recorded as revenue when received or unconditionally committed. Other revenue is recorded as it is earned.

Net patient service revenue reflects the amounts to be collected after provisions for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on final settlements. Contractual allowances were approximately $9,802,000 and $6,253,000 for the years ended June 30, 2017 and 2016, respectively. There were no material amounts of free care provided in fiscal year 2017 or 2016.

Restricted grants and contributions are recorded as temporarily or permanently restricted support and revenues and net assets when received or unconditionally committed. Transfers are made to unrestricted net assets as costs are incurred, or time restrictions or program restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Fundraising events, net in the accompanying combined statement of activities and changes in net assets at June 30, 2017, include the results of annual special events and other fundraising efforts of the Agency (see page 17).

Subsequent Events

Subsequent events have been evaluated through October 30, 2017, which is the date the combined financial statements were available to be issued. See Note 14 for events that met the criteria for disclosure in the combined financial statements.

Advertising

The Agency expenses advertising costs as they are incurred. These costs are included in advertising and recruitment in the accompanying combined statements of functional expenses.

Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for money market fund accounts included in investments (see Note 5). Cash and cash equivalents do not include client custodial funds as described below.

Client Custodial Funds

Client custodial funds represent funds that the Agency holds on behalf of clients for which the Agency is the representative payee. These amounts are disbursed by the Agency to pay for client expenses on their behalf. All amounts held by the Agency can only be used for the specific client's expenses.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible. The allowance is based upon collection experience, third-party contracts, and other circumstances which may affect the ability of the Agency to collect. The Agency writes off uncollectible patient accounts receivable upon determining they will not be collected. There was no allowance for doubtful accounts for contracts, grants, and other receivables as all amounts have been deemed collectible at June 30, 2017 and 2016.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation. The Agency expenses repairs and maintenance as incurred. Renovations and betterments that extend the useful life of the asset are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Leasehold improvements	Lesser of lease term or 5 years
Furniture and equipment	3 - 10 years
Motor vehicles	4 years

Depreciation expense of $867,700 and $742,408 is included in depreciation expense in the accompanying combined statements of functional expenses for the years ended June 30, 2017 and 2016, respectively.

Property and equipment with a net book value of approximately $684,000 and $910,000 as of June 30, 2017 and 2016, respectively, have been acquired with funds received from the Commonwealth of Massachusetts (the Commonwealth). The Commonwealth maintains a reversionary interest in these assets.

Construction in Process

Construction in process consists of costs incurred to purchase and renovate an administrative building. These costs were placed in service in July 2017.

Fair Value Measurements

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

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

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

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

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

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

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and equivalents are considered Level 1 in the fair value hierarchy.

Investments

Investments are recorded in the combined financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Agency’s interests in hedge funds, limited partnerships and limited liability companies are generally reported at the net asset value (NAV) reported by fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, the Agency had no plans to sell investments at amounts different from NAV.

Pension Benefit Obligations

The pension benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. This obligation is measured using Level 1 inputs (market values of publicly traded investments), Level 2 inputs (discount rates, default rates, and other factors), and Level 3 inputs (actuarial assumptions, mortality expectancy and projected investment returns). The Board of Directors have voted to pay the total pension liability during fiscal year 2018 and as such, the entire amount is classified as a current liability in the accompanying combined statement of financial position as of June 30, 2017.

Beneficial Interests in Trusts

MSPCC has beneficial interests in perpetual trusts held by third party trustees on behalf of various not-for-profit organizations. The principal is restricted in perpetuity. The interest and dividend income generated by the investments is distributed each year to the beneficiaries, and is reported by MSPCC as unrestricted contributions. For the year ended June 30, 2017, MSPCC recognized unrestricted contributions of $133,450, from these trusts, which are included in contributions in the accompanying combined statement of activities and changes in net assets. MSPCC has recorded $3,295,951 on the combined statement of financial position at June 30, 2017, representing the fair value of its beneficial interests in the trusts as permanently restricted net assets.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Beneficial Interests in Trusts (Continued)

Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as permanently restricted gains or losses on perpetual trusts. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

MSPCC is named as the final beneficiary of an irrevocable charitable remainder trust (the Trust), which is controlled by a third party trustee on behalf of the donor. The Trust agreement requires its assets be used to provide support for its named beneficiaries over the course of their lives. Upon death of the beneficiaries and other financial disbursements being made as outlined in the agreement, MSPCC will receive the remainder of the Trust's assets. The Trust's assets are largely invested in equities and fixed income securities and have a market value of $9,795,803 as of June 30, 2017. The amount to be received by MSPCC, if any, cannot be determined and, therefore, is not reflected in the accompanying combined financial statements.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value. These qualifying assets and liabilities are considered Level 1 in the fair value hierarchy.

Investment Spending Policy

Subject to the intent of a donor, the Agency may appropriate for expenditure or accumulate so much of an endowment fund as the Agency determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Agency. The Agency has adopted investment and spending policies for endowment assets that aim to safeguard the purchasing power of the endowment principal, generate an ongoing revenue source, and to provide for growth of the investment principal in accordance with Uniform Prudent Management of Institutional Funds Act. The amount of return available for spending during a fiscal year is expected to be set at a prudent level, and presented as part of the Agency's annual budget proposal subject to the review and recommendation of the Finance and Audit Committee and the ultimate approval of the Board of Directors.

The Board of Directors of the Agency voted to use approximately $2,000,000 of total investment return for operations for the year ended June 30, 2017, with any additional amounts required at their discretion. Transfers to the operating net assets, in accordance with this policy, are reflected in the combined statements of activities and changes in net assets as investment return designated for current operations.

Risk and diversification parameters have been established and the endowment is maintained and rebalanced, if necessary, according to the Agency's investment policy. Under this policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable at June 30, 2017, consist of contributions committed to MSPCC. Pledges are recorded at their net present value when unconditionally committed. All pledges receivable as of June 30, 2017, are expected to be collected in fiscal year 2018.

Expense Allocation

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

Estimates

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

Donated Goods and Services

The Agency receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying combined financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria recognition of *Accounting for Contributions Received and Contributions Made* standards.

The Agency also receives donated goods and professional services, some of which are associated with its fundraising events. These goods and services are reflected in the accompanying combined financial statements based upon the estimated value assigned to them by the donating individuals, agencies, or by management. The value of these goods and services is as follows for the year ended June 30, 2017:

Legal services	$ 62,069
Supplies	10,093
	$ 72,162

There were no donated goods or services for the year ended June 30, 2016. These donated goods and services are included in interest and other in the accompanying combined statements of activities and changes in net assets. In the accompanying combined statements of functional expenses, the donated services and supplies are included in professional fees and other expenses, respectively.

Bequests

The Agency is and may be named a beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined and, therefore, are reflected in the Agency's combined financial statements when the amounts are received or become known.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fundraising Events

Included in fundraising events, net are the results of the annual special events, which are shown net of related expenses in the accompanying combined statement of activities and changes in net assets as follows for the year ended June 30 2017:

Special Events:		
Special events contributions and support		$ 746,933
Special events revenue	$ 66,330	
Less - direct expenses	(116,493)	(50,163)
Other:		
Other fundraising revenues		770
Other fundraising expenses		(13,839)
Total fundraising events, net		$ 683,701

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2017 and 2016. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenues and operating expenses in the accompanying combined statements of activities and changes in net assets. Peripheral or incidental transactions are reported as other revenues. Non-operating revenues (expenses), consistent with industry practice, include investment return, change in carrying value of beneficial interests in trusts, pension related changes other than net periodic pension cost, investment return designated for current operations, restricted bequests, capital grants, gain on sale of property and equipment, in-kind capital contribution, and recovery of prior year expenses (see Note 12).

2. LEASE AGREEMENTS

Operating Leases

The Agency rents various facilities, vehicles and equipment under operating lease agreements, as well as tenant-at-will agreements. The agreements expire at various dates through fiscal year 2026.

Future minimum lease payments under non-cancelable operating leases are as follows:

	Facilities	Equipment	Vehicles	Total
2018	$ 2,643,741	$ 222,115	$ 452,552	$ 3,318,408
2019	$ 1,914,512	$ 128,201	$ 232,507	$ 2,275,220
2020	$ 1,410,193	$ 41,781	$ 116,652	$ 1,568,626
2021	$ 958,667	$ 1,813	$ 44,401	$ 1,004,881
2022	$ 667,194	$ -	$ 26,508	$ 693,702
Thereafter	$ 1,020,972	$ -	$ -	$ 1,020,972

Facility rent expenses for the years ended June 30, 2017 and 2016, were $5,604,852 and $4,603,086, respectively. Total lease expense on all equipment and vehicles was $857,612 and $695,218 for the years ended June 30, 2017 and 2016, respectively, and is included in leased equipment and vehicle leases and operating costs in the accompanying combined statements of functional expenses.

One of the above leases includes an option to purchase the building as outlined in the lease agreement. Commencing on August 1, 2014, monthly lease payments are $6,000, and an additional $5,000 per month in escrow as a credit towards the option to purchase. Escrow payments are included in prepaid expenses in the accompanying combined statements of financial position as of June 30, 2017 and 2016. The Agency may elect to exercise its option to purchase at any time during the lease, until January 31, 2019. If the Agency does not exercise the option, the deposits are refundable.

Capital Lease

The Agency has a capital lease agreement with a financial institution to lease a phone system over a five-year term. This agreement met the criteria to be recorded as a capital lease. The cost of the phone system was approximately $94,000, with a monthly lease payment of $1,820, plus taxes, beginning in October 2015. The interest rate under this agreement is 6.08%. Future minimum lease payments under this agreement are as follows:

2018	$ 21,842
2019	21,842
2020	21,842
2021	5,460
Total future minimum payments	70,986
Less - interest	6,720
Less - current portion	18,443
Long-term portion of capital lease	$ 45,823

Depreciation expense on equipment purchased under capital leases was $18,794 for the year ended June 30, 2017.

3. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is a member of a religious organization that leases its facilities to the Agency. The Agency paid approximately $87,100 and $78,800 to lease the facilities and $10,500 and $17,800 for the utilities and insurance relating to the occupancy for fiscal years 2017 and 2016, respectively. The Agency owed the religious organization $671 for these charges at June 30, 2016. The member joined the Board subsequent to the signing of the original lease agreement in 1999, and left the Board in September 2016.

The Agency entered into a building lease agreement with an option to purchase, with a Service Director of Eliot, who was formerly the Chief Executive Officer of the not-for-profit organization that owned the building. The Agency incurred $105,000 in rent expense under this lease for the year ended June 30, 2016. During fiscal year 2016, the Agency exercised its option to purchase the building (see Note 12).

4. FUNDING

The Agency receives significant funding under government unit-rate and cost reimbursable contracts. These reimbursements are subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Agency as of June 30, 2017 and 2016, or on the changes in its net assets for the years then ended.

The following sources provided a significant portion of the Agency's total operating support and revenues for the years ended June 30:

	2017	2016
Commonwealth of Massachusetts:		
Department of Mental Health	34%	37%
Department of Youth Services	16%	20%
Department of Children and Families	10%	11%

The following sources represented a significant portion of the Agency's contracts, grants and other receivables as of June 30:

	2017	2016
Commonwealth of Massachusetts:		
Department of Mental Health	27%	41%
Department of Youth Services	29%	31%
Department of Children and Families	15%	11%

5. INVESTMENTS

Investments (see Note 1) consist of the following at June 30:

	2017			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Absolute Return:				
Hedge funds*	$ -	$ -	$ -	$ 7,391,794
Limited partnerships*	-	-	-	3,727,642
Limited liability company*	-	-	-	9,387
Total absolute return	-	-	-	11,128,823
Other Investments:				
Mutual funds	3,571,944	-	-	3,571,944
Money market	1,284,585	-	-	1,284,585
Certificates of deposit	1,038,231	-	-	1,038,231
Equities	19,780	-	-	19,780
Total other investments	5,914,540	-	-	5,914,540
Total investments	$ 5,914,540	$ -	$ -	$ 17,043,363

	2016			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Certificates of deposit	$ 1,030,034	$ -	$ -	$ 1,030,034

* In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying combined statements of financial position (see Note 1).

Certificates of deposit mature at various dates through November 2017. Since it is the Agency's intent to keep the investments for long-term purposes, the investments are presented as non-current assets in the accompanying combined statements of financial position.

Investments are not insured and are subject to market fluctuations. All investment fair market values have been provided by investment managers.

The following schedule summarizes the investment return and its classification in the accompanying combined statements of activities and changes in net assets for the years ended June 30, 2017:

Realized gain on sale of investments	$ 953,693
Investment income	86,354
Unrealized gain on investments	332,220
	$ 1,372,267

The Agency incurred investment management fees totaling $73,608 for the year ended June 30, 2017, which are included in professional fees in the accompanying combined statements of functional expenses.

6. ENDOWMENT FUNDS

Changes in endowment net assets by class are as follows for the years ended June 30, 2017 and 2016:

	Unrestricted	Donor Restricted			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total Donor Restricted	Total Endowment
Endowment net assets, June 30, 2015	$ 224,283	$ -	$ 116,747	$ 116,747	$ 341,030
Investment income	2,418	1,966	-	1,966	4,384
Appropriation of endowment assets for expenditure	-	(1,966)	-	(1,966)	(1,966)
Endowment net assets, June 30, 2016	226,701	-	116,747	116,747	343,448
Endowment funds received from MSPCC merger	-	6,669,367	11,079,741	17,749,108	17,749,108
Contributions	-	-	1,415,074	1,415,074	1,415,074
Investment returns:					
Net realized gains	-	953,693	-	953,693	953,693
Investment income	227	86,354	-	86,354	86,581
Net unrealized gains	-	332,220	-	332,220	332,220
Total investment returns	227	1,372,267	-	1,372,267	1,372,494
Appropriation of endowment assets for expenditure	-	(2,001,916)	-	(2,001,916)	(2,001,916)
Endowment net assets, June 30, 2017	$ 226,928	$ 6,039,718	$ 12,611,562	$ 18,651,280	$ 18,878,208

In accordance with the Agency's investment spending policy, the Board of Directors approved a draw up to $2,000,000 for fiscal year 2017. The additional $1,916 represents earnings on permanently restricted gifts appropriated for program use.

7. NOTE PAYABLE TO A BANK

The Agency has available up to $5,000,000 ($2,500,000 at June 30, 2016) under a line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at a rate equal to the London Interbank Offered Rate (LIBOR) daily floating rate (1.22% and 0.46% as of June 30, 2017 and 2016, respectively), plus 2%. The line of credit is secured by certain real property owned by the Trust and all assets located at these facilities. The line of credit is cross-collateralized and cross-defaulted with other debt provided by the bank (see Note 8). This agreement expired on December 31, 2016, and was renewed through December 31, 2017. There was no outstanding balance as of June 30, 2017 and 2016.

7. NOTE PAYABLE TO A BANK (Continued)

The Agency must maintain certain financial ratios and levels of working capital as specified in the agreement. The Agency must also meet certain covenants before any advances may be drawn. The Agency was in compliance with these financial ratios and other covenants at June 30, 2017 and 2016.

MSPCC had available up to $3,000,000 under a revolving line of credit agreement with a bank through January 31, 2017. Borrowings under the agreement bore interest at the prime lending rate (3.50% at June 30, 2016), plus .25%, subject to a floor of 4.5%. The line of credit was collateralized by a first lien on all assets of MSPCC, as well as the non-permanently restricted portion of its investments. MSPCC was required to meet certain non-financial covenants as specified in the agreement. MSPCC was in compliance with these covenants at June 30, 2016. The revolving line of credit expired during fiscal year 2017 and was not renewed.

8. LONG-TERM DEBT

The Agency has a tax-exempt bond payable agreement with Massachusetts Development Finance Agency (MDFA). The twenty-year bond payable bears interest at 5.89% per annum through July 2027, and is secured by property and other assets located in Everett, Lexington, Medford, and Malden, Massachusetts. The bond is due in monthly principal and interest payments of $14,296. This bond has a balance of $1,290,230 and $1,381,727 as of June 30, 2017 and 2016, respectively.

The Agency has a twenty-year note payable with a bank which bears interest at 7.61% per annum through July 2027. The note is secured by real property and other assets located in Everett, Lexington, Medford, and Malden, Massachusetts. Payments of principal and interest of $8,188 are due monthly, and all remaining principal and unpaid interest are due upon maturity. This note had a balance of $683,982 and $727,608 as of June 30, 2017 and 2016, respectively. The note payable is cross-collateralized and cross-defaulted with the line of credit provided by the bank (see Note 7).

In fiscal year 2016, the Agency entered into a ten-year mortgage payable with a bank which bears interest at 3.80% per annum through February 2026. The mortgage is secured by real property located in Braintree, Massachusetts. Payments of principal and interest of $6,073 are due monthly, and all remaining principal and unpaid interest are due upon maturity. This note had a balance of $532,645 and $583,451 as of June 30, 2017 and 2016, respectively.

In fiscal year 2017, the Agency entered into a ten-year mortgage payable with a bank which bears interest at 4.65% per annum through March 2027. The mortgage is secured by real property located in Lexington, Massachusetts. Payments of principal and interest of $28,617 are due monthly, and a balloon payment of $2,752,000 and unpaid interest are due upon maturity in March 2027. This note has a balance of $4,403,895 as of June 30, 2017.

The note, mortgages and bond have certain covenants associated with them. The Agency was in compliance with these covenants as of June 30, 2017 and 2016.

Debt issuance costs associated with the issuance of a bond payable are being amortized over the term of the bond, and are shown net of accumulated imputed interest of $50,161 and $45,144 as of June 30, 2017 and 2016, respectively. Net debt issuance costs are reported in the accompanying combined statements of financial position as a direct reduction of the related long-term debt.

8. LONG-TERM DEBT (Continued)

Future minimum principal payments and amortization of debt issuance costs relating to notes payable over the next five years are as follows:

	Principal Payments	Amortization of Debt Issuance Costs
2018	$ 339,763	$ 5,016
2019	$ 358,334	$ 5,016
2020	$ 377,447	$ 5,016
2021	$ 398,716	$ 5,016
2022	$ 420,684	$ 5,016

9. CONCENTRATION OF CREDIT RISK

The Agency maintains its primary operating cash balances at Bank of America and certificates of deposit and other savings accounts in other Massachusetts banks. At certain times during the year, cash balances in some of these accounts exceeded the Federal Deposit Insurance Corporation's (FDIC's) insured amounts. Management aims to keep its balances insured within the FDIC's limits whenever possible. Management monitors, on a regular basis, the financial condition of these financial institutions, along with their balances, to keep this potential risk to a minimum. The Agency maintains additional insurance coverage over the exposed balances of their certificates of deposit.

See Note 4 for additional concentrations.

10. CONTINGENCY

In the ordinary course of the Agency's business, the Agency is, from time-to-time, involved in potential litigation. The Agency denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is the Agency's opinion that any potential settlement would not be material to the accompanying combined financial statements.

11. RETIREMENT PLANS

401(k) Plan

The Agency has an IRC Section 401(k) defined contribution pension plan covering all eligible employees. Employees become eligible to participate after completing three months of service and attaining the age of 21. The Agency is not required to make matching contributions, but may make discretionary contributions throughout the year. The Agency contributed $350,866 and $327,622 for the years ended June 30, 2017 and 2016, respectively, which is included in fringe benefits in the accompanying combined statements of functional expenses.

11. RETIREMENT PLANS (Continued)

403(b) Plans

The Agency maintains an IRC Section 403(b) Tax-Deferred Annuity Plan. The Agency matches participant contributions up to 2% of an employee's annual compensation. The Tax-Deferred Annuity Plan covers all eligible employees as defined in the plan. The employees did not make any voluntary contributions to the plan during fiscal year 2017 or 2016. The Agency did not contribute to this plan during the years ended June 30, 2017 and 2016.

MSPCC maintained a discretionary employer contribution retirement plan under IRC Section 403(b) covering all employees. Only those employees who had attained the age of twenty-one and had completed one-year of service with at least 1,000 hours were eligible to receive the employer match, if any. This matching contribution was discretionary and was decided on an annual basis by the Board of Directors. Employees' contributions to the plan vested immediately. Employer matching contributions vested over a period of one year. MSPCC made no contributions to this plan during fiscal year 2017. This plan was closed and transferred to the Agency's Tax-Deferred Annuity Plan in May 2017.

Deferred Compensation Plan

The Agency also maintains a deferred compensation plan in accordance with IRC Section 457(b) for key members of management. Under the plan, the members of management may elect to defer salary within IRC limits. All employee contributions and related earnings are vested upon the first day of the calendar quarter immediately following twelve months of service. The Agency may contribute up to 1% of the annual salary paid out to each member. The Agency contributed $45,272 and $35,801 for the years ended June 30, 2017 and 2016, respectively, which is included in fringe benefits in the accompanying combined statements of functional expenses. The deferred compensation investment vehicles and managers will be solely appointed by the Board of Directors. All gains or losses shall accrue to the participant's account.

Defined Benefit Plan

MSPCC sponsors a noncontributory defined benefit plan (the Plan) which covers all employees who were participants prior to February 1, 2004. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

MSPCC froze the Plan as of February 1, 2004. The effect of this freeze is to eliminate new participants and the further accrual of benefits to participants.

Obligations, funded status and other information are as follows at June 30, 2017:

Funded Status:	
Fair value of plan assets	$ 3,807,700
Projected benefit obligation	(7,385,610)
Total pension liability	(3,577,910)
Less - current portion	3,577,910
Pension Liability, net of current portion	$ -

11. RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

Other disclosures:

Interest cost	$ 292,912
Expected return on plan assets	(216,126)
Amortization of net loss	292,308
Net periodic pension expense recognized	$ 369,094
Benefits paid other than for settlement	$ 219,277

Other changes in plan assets and benefit obligations recognized in non-operating revenue (expenses) on the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2017:

Net gain	$ 857,094
Effect of settlement	251,605
Total pension related changes	$ 1,108,699

Future Plan Benefit Payments and Employer Contributions

During fiscal year 2017, a group of participants in the Plan elected to receive a lump-sum distribution which totaled $642,666. This distribution from the Plan exceeded the sum of the interest and service cost, resulting in a settlement charge of $251,605. Net periodic pension expense recognized for the year ended June 30, 2017, is included in fringe benefits in the accompanying combined statement of functional expenses.

The following assumptions were used to determine net periodic benefit costs for the year ended June 30, 2017:

Weighted average discount rate	3.53%
Long-term return on plan assets	5.40%

The following assumptions were used to determine benefit obligations as of and for the year ended June 30, 2017:

Weighted average discount rate	3.85%
Rate of compensation increase	N/A

MSPCC made contributions of $397,267 to the plan assets during fiscal year 2016. In fiscal year 2017, the Board of Directors voted to terminate the Plan. MSPCC plans to contribute the amount needed to fully fund the plan during the fiscal year ending June 30, 2018. The entire pension liability is reflected as current portion of pension plan liability in the accompanying combined statement of financial position, as the balance is to be paid in full during fiscal year 2018.

Plan Assets

MSPCC holds its plan assets in a diversified portfolio allocation. The allocation in this portfolio was weighted 96% in a mutual fund and 4% in cash to minimize risk and maximize return as of June 30, 2017. These assets are considered Level 1 in the fair value hierarchy (see Note 1).

12. IN-KIND CAPITAL CONTRIBUTION AND RECOVERY OF PRIOR YEAR RENT

In fiscal year 2016, the Agency exercised its option to purchase a building that was previously leased from a related party (see Note 3). Commencing on June 19, 2014, the Agency made non-refundable monthly lease payments of $15,000, which included $9,000 per month as a credit towards the option to purchase. Upon the date of purchase, a portion of the rent paid in the prior years was applied to the purchase price, and is reflected as recovery of prior year expenses in the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2016. The building was purchased at a price significantly less than its market value and, as such, the difference between its market value and the amount paid is reflected as in-kind capital contribution in the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2016.

13. LABOR AGREEMENT

MSPCC had a bargaining agreement with Service Employees International Union Local 509 governing its metro Boston region and its western region. On October 30, 2016, the MSPCC employees under this union contract were added to Eliot's contract.

The Agency has a bargaining agreement with Service Employees International Union Local 509 that expired on June 30, 2017. The contract was renewed through June 30, 2020. Approximately 78% and 70% of the Agency's labor force was covered under these agreements as of June 30, 2017 and 2016, respectively.

14. SUBSEQUENT EVENTS

In August 2017, the Agency was selected by the Commonwealth of Massachusetts Executive Office of Health and Human Services to enter into contract negotiations to become a Behavioral Health Community Partner (CP) under the redesigned MassHealth program. MassHealth is expected to contract with the CP for certain behavioral health services beginning in April 2018.

During September 2017, the Board of Directors voted to explore selling the Agency's former headquarters. This property had a net book value of approximately $37,000 at June 30, 2017. The Agency does not anticipate any impairment from the potential sale of this property.

15. RECLASSIFICATION

Certain amounts in the June 30, 2016 combined financial statements have been reclassified to conform to the June 30, 2017 presentation.