



**AND AFFILIATES**

**COMBINING FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133  
JUNE 30, 2014 AND 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

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JUNE 30, 2014 AND 2013**

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THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2014  
 (With Summarized Comparative Totals for the Year Ended June 30, 2013)

	2014							2013	
	BHCHP, INC. AND AFFILIATES				BHCHP, LLC	BHCHP MT, LLC	ELIMI- NATIONS	TOTAL	TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL					
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash	\$ 6,460,617	\$ 622,129	\$ -	\$ 7,082,746	\$ 471,257	\$ 4,040	\$ -	\$ 7,558,043	\$ 6,733,524
Current portion of reserves	-	-	-	-	85,500	-	-	85,500	85,500
Patient services receivable, net of allowance for doubtful accounts of \$465,229	4,234,699	-	-	4,234,699	-	-	-	4,234,699	5,345,450
Contract, grant and other receivables	1,125,185	-	-	1,125,185	-	-	-	1,125,185	1,087,482
Pledges receivable	72,843	-	-	72,843	-	-	-	72,843	120,463
Due from affiliates	-	-	-	-	403,390	392,661	(796,051)	-	-
Inventory	302,753	-	-	302,753	-	-	-	302,753	291,877
Prepaid expenses and deposits	335,306	-	-	335,306	-	-	-	335,306	150,636
Total current assets	12,531,403	622,129	-	13,153,532	960,147	396,701	(796,051)	13,714,329	13,814,932
<b>INVESTMENTS</b>	20,814,281	12,179,430	5,000,000	37,993,711	-	-	-	37,993,711	32,205,173
<b>ASSET HELD FOR REDEVELOPMENT OR SALE</b>	1,103,293	-	-	1,103,293	-	-	-	1,103,293	1,103,293
<b>RESERVES</b> , net of current portion	-	-	-	-	249,178	-	-	249,178	291,676
<b>NOTE RECEIVABLE</b>	1,856,674	-	-	1,856,674	-	-	-	1,856,674	1,856,674
<b>PROPERTY AND EQUIPMENT</b> , net	822,146	-	-	822,146	29,249,711	-	(2,312,908)	27,758,949	28,644,924
<b>INTANGIBLE ASSETS</b> , net	-	-	-	-	170,115	-	-	170,115	184,935
<b>INVESTMENT IN AFFILIATES</b>	8,294,479	-	-	8,294,479	-	891,489	(9,185,968)	-	-
Total assets	\$ 45,422,276	\$ 12,801,559	\$ 5,000,000	\$ 63,223,835	\$ 30,629,151	\$ 1,288,190	\$ (12,294,927)	\$ 82,846,249	\$ 78,101,607
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES:</b>									
Current portion of notes payable	\$ -	\$ -	\$ -	\$ -	\$ 162,057	\$ -	\$ -	\$ 162,057	\$ -
Accounts payable	1,009,378	-	-	1,009,378	-	-	-	1,009,378	956,809
Accrued expenses	2,860,589	-	-	2,860,589	42,750	-	-	2,903,339	2,662,769
Due to affiliates	392,661	-	-	392,661	-	403,390	(796,051)	-	-
Total current liabilities	4,262,628	-	-	4,262,628	204,807	403,390	(796,051)	4,074,774	3,619,578
<b>NOTES PAYABLE</b> , net of current portion	-	-	-	-	20,786,660	-	-	20,786,660	20,948,717
Total liabilities	4,262,628	-	-	4,262,628	20,991,467	403,390	(796,051)	24,861,434	24,568,295
<b>NET ASSETS:</b>									
Operating	8,195,932	-	-	8,195,932	920,871	-	-	9,116,803	9,042,735
Board designated:									
Capital expenditures and others	1,800,000	-	-	1,800,000	-	-	-	1,800,000	1,800,000
Investments	15,717,598	-	-	15,717,598	-	-	-	15,717,598	11,348,596
Debt repayment fund	3,296,683	9,166,205	-	12,462,888	-	-	-	12,462,888	12,350,750
Facilities endowment	-	3,013,225	5,000,000	8,013,225	-	-	-	8,013,225	6,705,827
Property and equipment	12,149,435	-	-	12,149,435	7,687,607	-	(10,614,076)	9,222,966	10,161,802
Temporarily restricted - program activity	-	622,129	-	622,129	-	-	-	622,129	1,124,906
Total BHCHP, Inc. and Affiliates' net assets	41,159,648	12,801,559	5,000,000	58,961,207	8,608,478	-	(10,614,076)	56,955,609	52,534,616
Non-controlling interest	-	-	-	-	1,029,206	884,800	(884,800)	1,029,206	998,696
Total net assets	41,159,648	12,801,559	5,000,000	58,961,207	9,637,684	884,800	(11,498,876)	57,984,815	53,533,312
Total liabilities and net assets	\$ 45,422,276	\$ 12,801,559	\$ 5,000,000	\$ 63,223,835	\$ 30,629,151	\$ 1,288,190	\$ (12,294,927)	\$ 82,846,249	\$ 78,101,607

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

THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013

ASSETS	BHCHP, INC. AND AFFILIATES				BHCHP, LLC	BHCHP MT, LLC	ELIMI- NATIONS	TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL				
<b>CURRENT ASSETS:</b>								
Cash	\$ 5,002,811	\$ 1,124,906	\$ -	\$ 6,127,717	\$ 601,763	\$ 4,044	\$ -	\$ 6,733,524
Current portion of reserves	-	-	-	-	85,500	-	-	85,500
Patient services receivable, net of allowance for doubtful accounts of \$345,943	5,345,450	-	-	5,345,450	-	-	-	5,345,450
Contract, grant and other receivables	1,087,482	-	-	1,087,482	-	-	-	1,087,482
Pledges receivable	120,463	-	-	120,463	-	-	-	120,463
Due from affiliates	-	-	-	-	265,563	413,204	(678,767)	-
Inventory	291,877	-	-	291,877	-	-	-	291,877
Prepaid expenses and deposits	150,636	-	-	150,636	-	-	-	150,636
Total current assets	11,998,719	1,124,906	-	13,123,625	952,826	417,248	(678,767)	13,814,932
<b>INVESTMENTS</b>	16,333,141	10,872,032	5,000,000	32,205,173	-	-	-	32,205,173
<b>ASSET HELD FOR REDEVELOPMENT OR SALE</b>	1,103,293	-	-	1,103,293	-	-	-	1,103,293
<b>RESERVES, net of current portion</b>	-	-	-	-	291,676	-	-	291,676
<b>NOTE RECEIVABLE</b>	1,856,674	-	-	1,856,674	-	-	-	1,856,674
<b>PROPERTY AND EQUIPMENT, net</b>	889,669	-	-	889,669	30,138,251	-	(2,382,996)	28,644,924
<b>INTANGIBLE ASSETS, net</b>	-	-	-	-	184,935	-	-	184,935
<b>INVESTMENT IN AFFILIATES</b>	9,300,424	-	-	9,300,424	-	891,489	(10,191,913)	-
Total assets	\$ 41,481,920	\$ 11,996,938	\$ 5,000,000	\$ 58,478,858	\$ 31,567,688	\$ 1,308,737	\$ (13,253,676)	\$ 78,101,607
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 956,809	\$ -	\$ -	\$ 956,809	\$ -	\$ -	\$ -	\$ 956,809
Accrued expenses	2,619,628	-	-	2,619,628	43,141	-	-	2,662,769
Due to affiliates	257,688	-	-	257,688	-	421,079	(678,767)	-
Total current liabilities	3,834,125	-	-	3,834,125	43,141	421,079	(678,767)	3,619,578
<b>NOTES PAYABLE</b>	-	-	-	-	20,948,717	-	-	20,948,717
Total liabilities	3,834,125	-	-	3,834,125	20,991,858	421,079	(678,767)	24,568,295
<b>NET ASSETS:</b>								
Operating	8,044,131	-	-	8,044,131	998,604	-	-	9,042,735
Board designated:								
Capital expenditures and others	1,800,000	-	-	1,800,000	-	-	-	1,800,000
Investments	11,348,596	-	-	11,348,596	-	-	-	11,348,596
Debt repayment fund	3,184,545	9,166,205	-	12,350,750	-	-	-	12,350,750
Facilities endowment	-	1,705,827	5,000,000	6,705,827	-	-	-	6,705,827
Property and equipment	13,270,523	-	-	13,270,523	8,578,530	-	(11,687,251)	10,161,802
Temporarily restricted - program activity	-	1,124,906	-	1,124,906	-	-	-	1,124,906
Total BHCHP, Inc. and Affiliates' net assets	37,647,795	11,996,938	5,000,000	54,644,733	9,577,134	-	(11,687,251)	52,534,616
Non-controlling interest	-	-	-	-	998,696	887,658	(887,658)	998,696
Total net assets	37,647,795	11,996,938	5,000,000	54,644,733	10,575,830	887,658	(12,574,909)	53,533,312
Total liabilities and net assets	\$ 41,481,920	\$ 11,996,938	\$ 5,000,000	\$ 58,478,858	\$ 31,567,688	\$ 1,308,737	\$ (13,253,676)	\$ 78,101,607

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

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(With Summarized Comparative Totals for the Year Ended June 30, 2013)**

	2014							2013	
	BHCHP, INC. AND AFFILIATES				BHCHP, LLC	BHCHP MT, LLC	ELIMI-NATIONS	TOTAL	TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL					
<b>SUPPORT AND REVENUES:</b>									
Net patient service revenue	\$ 32,177,263	\$ -	\$ -	\$ 32,177,263	\$ -	\$ -	\$ -	\$ 32,177,263	\$ 29,144,374
Contract revenue	6,893,008	100,000	-	6,993,008	-	-	-	6,993,008	7,723,024
Grants and contributions	2,606,739	717,443	-	3,324,182	-	-	-	3,324,182	2,454,966
Interest income and other	616,164	-	-	616,164	658	7	-	616,829	581,282
Investment return (facilities endowment) appropriated for operations	330,000	-	-	330,000	-	-	-	330,000	297,000
Rental income	-	-	-	-	1,939,536	1,948,451	(3,887,987)	-	-
Net assets released from program restrictions	1,320,220	(1,320,220)	-	-	-	-	-	-	-
Total support and revenues	<u>43,943,394</u>	<u>(502,777)</u>	<u>-</u>	<u>43,440,617</u>	<u>1,940,194</u>	<u>1,948,458</u>	<u>(3,887,987)</u>	<u>43,441,282</u>	<u>40,200,646</u>
<b>OPERATING EXPENSES:</b>									
McInnis Medical Respite	16,055,744	-	-	16,055,744	-	-	(1,417,179)	14,638,565	14,344,005
Adult Outreach	9,555,408	-	-	9,555,408	-	-	(19,470)	9,535,938	9,123,886
Boston Medical Center Clinic	4,577,856	-	-	4,577,856	-	-	(307,985)	4,269,871	4,003,267
Family Team	1,483,098	-	-	1,483,098	-	-	(36,618)	1,446,480	1,268,305
Mental Health	2,328,894	-	-	2,328,894	-	-	(30,772)	2,298,122	2,033,206
Dental Services	1,797,530	-	-	1,797,530	-	-	(101,177)	1,696,353	1,616,717
Research	287,833	-	-	287,833	-	-	(22,344)	265,489	339,081
Pharmacy	6,008,320	-	-	6,008,320	-	-	(39,456)	5,968,864	4,768,076
Development	1,324,178	-	-	1,324,178	-	-	(43,538)	1,280,640	1,188,971
Rental	-	-	-	-	1,786,895	1,942,401	(1,939,536)	1,789,760	1,799,850
Total operating expenses	<u>43,418,861</u>	<u>-</u>	<u>-</u>	<u>43,418,861</u>	<u>1,786,895</u>	<u>1,942,401</u>	<u>(3,958,075)</u>	<u>43,190,082</u>	<u>40,485,364</u>
Changes in net assets from operations	<u>524,533</u>	<u>(502,777)</u>	<u>-</u>	<u>21,756</u>	<u>153,299</u>	<u>6,057</u>	<u>70,088</u>	<u>251,200</u>	<u>(284,718)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>									
Investment return, net of investment fees	3,062,035	1,637,398	-	4,699,433	-	-	-	4,699,433	2,125,716
Research non-operating costs	(8,292)	-	-	(8,292)	-	-	-	(8,292)	(11,422)
Carrying costs - asset held for redevelopment or sale	(66,423)	-	-	(66,423)	-	-	-	(66,423)	(58,431)
Asset management fee	-	-	-	-	(85,500)	-	-	(85,500)	(85,500)
Investment return (facilities endowment) appropriated for operations	-	(330,000)	-	(330,000)	-	-	-	(330,000)	(297,000)
Total non-operating revenues (expenses)	<u>2,987,320</u>	<u>1,307,398</u>	<u>-</u>	<u>4,294,718</u>	<u>(85,500)</u>	<u>-</u>	<u>-</u>	<u>4,209,218</u>	<u>1,673,363</u>
Changes in net assets	<u>3,511,853</u>	<u>804,621</u>	<u>-</u>	<u>4,316,474</u>	<u>67,799</u>	<u>6,057</u>	<u>70,088</u>	<u>4,460,418</u>	<u>1,388,645</u>
<b>CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,510)</u>	<u>(6,057)</u>	<u>-</u>	<u>(36,567)</u>	<u>(31,714)</u>
Changes in net assets attributable to BHCHP, Inc. and Affiliates	<u>\$ 3,511,853</u>	<u>\$ 804,621</u>	<u>\$ -</u>	<u>\$ 4,316,474</u>	<u>\$ 37,289</u>	<u>\$ -</u>	<u>\$ 70,088</u>	<u>\$ 4,423,851</u>	<u>\$ 1,356,931</u>

*The accompanying notes are an integral part of these combining statements.*

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BHCHP, INC. AND AFFILIATES</u>				<u>BHCHP, LLC</u>	<u>BHCHP MT, LLC</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>				
<b>SUPPORT AND REVENUES:</b>								
Net patient service revenue	\$ 29,144,374	\$ -	\$ -	\$ 29,144,374	\$ -	\$ -	\$ -	\$ 29,144,374
Contract revenue	7,638,153	84,871	-	7,723,024	-	-	-	7,723,024
Grants and contributions	1,608,087	846,879	-	2,454,966	-	-	-	2,454,966
Interest income and other	580,592	-	-	580,592	684	6	-	581,282
Investment return (facilities endowment) designated for operations	297,000	-	-	297,000	-	-	-	297,000
Rental income	-	-	-	-	1,939,536	1,948,451	(3,887,987)	-
Net assets released from time restrictions	526,666	(526,666)	-	-	-	-	-	-
Net assets released from program restrictions	1,171,542	(1,171,542)	-	-	-	-	-	-
Total support and revenues	<u>40,966,414</u>	<u>(766,458)</u>	<u>-</u>	<u>40,199,956</u>	<u>1,940,220</u>	<u>1,948,457</u>	<u>(3,887,987)</u>	<u>40,200,646</u>
<b>OPERATING EXPENSES:</b>								
McInnis Medical Respite	15,734,050	-	-	15,734,050	-	-	(1,390,045)	14,344,005
Adult Outreach	9,127,929	-	-	9,127,929	-	-	(4,043)	9,123,886
Boston Medical Center Clinic	4,303,702	-	-	4,303,702	-	-	(300,435)	4,003,267
Family Team	1,304,025	-	-	1,304,025	-	-	(35,720)	1,268,305
Mental Health	2,060,205	-	-	2,060,205	-	-	(26,999)	2,033,206
Dental Services	1,714,940	-	-	1,714,940	-	-	(98,223)	1,616,717
Research	360,948	-	-	360,948	-	-	(21,867)	339,081
Pharmacy	4,797,817	-	-	4,797,817	-	-	(29,741)	4,768,076
Development	1,230,349	-	-	1,230,349	-	-	(41,378)	1,188,971
Rental	-	-	-	-	1,796,399	1,942,987	(1,939,536)	1,799,850
Total operating expenses	<u>40,633,965</u>	<u>-</u>	<u>-</u>	<u>40,633,965</u>	<u>1,796,399</u>	<u>1,942,987</u>	<u>(3,887,987)</u>	<u>40,485,364</u>
Changes in net assets from operations	<u>332,449</u>	<u>(766,458)</u>	<u>-</u>	<u>(434,009)</u>	<u>143,821</u>	<u>5,470</u>	<u>-</u>	<u>(284,718)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Investment return, net of investment fees	1,250,086	875,630	-	2,125,716	-	-	-	2,125,716
Research non-operating costs	(11,422)	-	-	(11,422)	-	-	-	(11,422)
Carrying costs - asset held for redevelopment or sale	(58,431)	-	-	(58,431)	-	-	-	(58,431)
Asset management fee	-	-	-	-	(85,500)	-	-	(85,500)
Investment return (facilities endowment) designated for operations	-	(297,000)	-	(297,000)	-	-	-	(297,000)
Total non-operating revenues (expenses)	<u>1,180,233</u>	<u>578,630</u>	<u>-</u>	<u>1,758,863</u>	<u>(85,500)</u>	<u>-</u>	<u>-</u>	<u>1,673,363</u>
Changes in net assets	<u>1,512,682</u>	<u>(187,828)</u>	<u>-</u>	<u>1,324,854</u>	<u>58,321</u>	<u>5,470</u>	<u>-</u>	<u>1,388,645</u>
<b>CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,244)</u>	<u>(5,470)</u>	<u>-</u>	<u>(31,714)</u>
Changes in net assets attributable to BHCHP, Inc. and Affiliates	<u>\$ 1,512,682</u>	<u>\$ (187,828)</u>	<u>\$ -</u>	<u>\$ 1,324,854</u>	<u>\$ 32,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,356,931</u>

*The accompanying notes are an integral part of these combining statements.*

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES**

**COMBINING STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>BHCHP, INC. AND AFFILIATES</b>			<b>BHCHP, LLC</b>			<b>BHCHP</b>	<b>ELIMI- NATIONS</b>	<b>TOTAL</b>	
	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TOTAL</b>	<b>BHCHP, INC. AND AFFILIATES</b>	<b>NON- CONTROLLING INTEREST BHCHP MT, LLC</b>	<b>TOTAL</b>			<b>MT, LLC NON- CONTROLLING INTEREST CDE</b>
<b>NET ASSETS, June 30, 2012</b>	\$ 36,135,113	\$ 12,184,766	\$ 5,000,000	\$ 53,319,879	\$ 10,515,005	\$ 972,452	\$ 11,487,457	\$ 891,103	\$ (13,544,857)	\$ 52,153,582
Distributions	-	-	-	-	(969,948)	-	(969,948)	(8,915)	969,948	(8,915)
Changes in net assets	<u>1,512,682</u>	<u>(187,828)</u>	<u>-</u>	<u>1,324,854</u>	<u>32,077</u>	<u>26,244</u>	<u>58,321</u>	<u>5,470</u>	<u>-</u>	<u>1,388,645</u>
<b>NET ASSETS, June 30, 2013</b>	37,647,795	11,996,938	5,000,000	54,644,733	9,577,134	998,696	10,575,830	887,658	(12,574,909)	53,533,312
Distributions	-	-	-	-	(1,005,945)	-	(1,005,945)	(8,915)	1,005,945	(8,915)
Changes in net assets	<u>3,511,853</u>	<u>804,621</u>	<u>-</u>	<u>4,316,474</u>	<u>37,289</u>	<u>30,510</u>	<u>67,799</u>	<u>6,057</u>	<u>70,088</u>	<u>4,460,418</u>
<b>NET ASSETS, June 30, 2014</b>	<u>\$ 41,159,648</u>	<u>\$ 12,801,559</u>	<u>\$ 5,000,000</u>	<u>\$ 58,961,207</u>	<u>\$ 8,608,478</u>	<u>\$ 1,029,206</u>	<u>\$ 9,637,684</u>	<u>\$ 884,800</u>	<u>\$ (11,498,876)</u>	<u>\$ 57,984,815</u>

*The accompanying notes are an integral part of these combining statements.*

**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>BHCHP, INC. AND AFFILIATES</b>	<b>BHCHP, LLC</b>	<b>BHCHP MT, LLC</b>	<b>ELIMI- NATIONS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Changes in net assets	\$ 4,316,474	\$ 67,799	\$ 6,057	\$ 70,088	\$ 4,460,418
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Depreciation and amortization	318,999	903,360	-	(70,088)	1,152,271
Net realized and unrealized gains on investments	(4,561,476)	-	-	-	(4,561,476)
Bad debt	510,618	-	-	-	510,618
Changes in operating assets and liabilities:					
Reserves - asset management fee	-	85,445	-	-	85,445
Patient services receivable	610,464	-	-	-	610,464
Contract, grant and other receivables	(37,703)	-	-	-	(37,703)
Pledges receivable	37,289	-	-	-	37,289
Due from affiliates	-	(137,827)	20,543	117,284	-
Inventory	(10,876)	-	-	-	(10,876)
Prepaid expenses and deposits	(184,670)	-	-	-	(184,670)
Accounts payable	52,569	-	-	-	52,569
Accrued expenses	240,961	(391)	-	-	240,570
Due to affiliates	134,973	-	(17,689)	(117,284)	-
Net cash provided by operating activities	<u>1,427,622</u>	<u>918,386</u>	<u>8,911</u>	<u>-</u>	<u>2,354,919</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Acquisition of property and equipment	(251,476)	-	-	-	(251,476)
Deposits to reserves	-	(42,947)	-	-	(42,947)
Distributions from affiliates	1,005,945	-	-	(1,005,945)	-
Purchase of investments and reinvested investment return	(6,723,826)	-	-	-	(6,723,826)
Proceeds from sale of investments	5,496,764	-	-	-	5,496,764
Net cash used in investing activities	<u>(472,593)</u>	<u>(42,947)</u>	<u>-</u>	<u>(1,005,945)</u>	<u>(1,521,485)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Distributions	-	(1,005,945)	(8,915)	1,005,945	(8,915)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	955,029	(130,506)	(4)	-	824,519
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>6,127,717</u>	<u>601,763</u>	<u>4,044</u>	<u>-</u>	<u>6,733,524</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 7,082,746</u>	<u>\$ 471,257</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$ 7,558,043</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>					
Cash paid for interest	<u>\$ -</u>	<u>\$ 866,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,735</u>
Unrealized gain on investments	<u>\$ 3,385,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,385,766</u>

*The accompanying notes are an integral part of these combining statements.*



**THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>BHCHP, INC. AND AFFILIATES</b>	<b>BHCHP, LLC</b>	<b>BHCHP MT, LLC</b>	<b>ELIMI- NATIONS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Changes in net assets	\$ 1,324,854	\$ 58,321	\$ 5,470	\$ -	\$ 1,388,645
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Depreciation and amortization	363,402	903,360	-	-	1,266,762
Net realized and unrealized gains on investments	(2,025,518)	-	-	-	(2,025,518)
Bad debt	281,384	-	-	-	281,384
Changes in operating assets and liabilities:					
Reserves - asset management fee	-	85,401	-	-	85,401
Patient services receivable	(13,743)	-	-	-	(13,743)
Contract, grant and other receivable	1,394,567	-	-	-	1,394,567
Pledges receivable	68,867	-	-	-	68,867
Due from affiliate	-	(28,721)	(27,970)	56,691	-
Inventory	7,888	-	-	-	7,888
Prepaid expenses and deposits	413,406	-	-	-	413,406
Accounts payable	(51,493)	-	-	-	(51,493)
Accrued expenses	(755,645)	391	-	-	(755,254)
Due to affiliates	27,486	-	29,205	(56,691)	-
	<u>1,035,455</u>	<u>1,018,752</u>	<u>6,705</u>	<u>-</u>	<u>2,060,912</u>
Net cash provided by operating activities					
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Acquisition of property and equipment	(230,274)	-	-	-	(230,274)
Deposits to reserves	-	(41,694)	-	-	(41,694)
Distribution from affiliates	969,948	-	-	(969,948)	-
Purchase of investments and reinvested investment return	(3,393,695)	-	-	-	(3,393,695)
Proceeds from sale of investments	2,142,232	-	-	-	2,142,232
	<u>(511,789)</u>	<u>(41,694)</u>	<u>-</u>	<u>(969,948)</u>	<u>(1,523,431)</u>
Net cash used in investing activities					
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Distributions	-	(969,948)	(8,915)	969,948	(8,915)
	<u>-</u>	<u>(969,948)</u>	<u>(8,915)</u>	<u>969,948</u>	<u>(8,915)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	523,666	7,110	(2,210)	-	528,566
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>5,604,051</u>	<u>594,653</u>	<u>6,254</u>	<u>-</u>	<u>6,204,958</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 6,127,717</u>	<u>\$ 601,763</u>	<u>\$ 4,044</u>	<u>\$ -</u>	<u>\$ 6,733,524</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>					
Cash paid for interest	<u>\$ -</u>	<u>\$ 866,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,735</u>
Cost of fully depreciated property and equipment disposed	<u>\$ 32,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,196</u>
Unrealized loss on investments	<u>\$ 1,846,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,846,423</u>

*The accompanying notes are an integral part of these combining statements.*

THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES

COMBINING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Comparative Totals for the Year Ended June 30, 2013)

	2014													2013		
	BHCHP, INC. AND AFFILIATES															
	MCINNIS MEDICAL RESPITE	ADULT OUTREACH	BOSTON MEDICAL CENTER CLINIC	FAMILY TEAM	MENTAL HEALTH	DENTAL SERVICES	RESEARCH	PHARMACY	DEVELOP- MENT	GENERAL AND ADMINIS- TRATIVE	TOTAL BHCHP, INC. AND AFFILIATES	BHCHP, LLC	BHCHP MT, LLC	ELIMI NATIONS	TOTAL	TOTAL
<b>PERSONNEL AND RELATED:</b>																
Salaries	\$ 8,248,672	\$ 5,256,475	\$ 2,530,434	\$ 837,852	\$ 1,328,359	\$ 741,894	\$ 117,592	-	\$ 648,142	\$ 3,519,703	\$ 23,229,123	\$ 10,989	\$ -	\$ -	\$ 23,240,112	\$ 22,445,910
Fringe benefits	1,193,811	920,009	417,115	143,752	209,117	150,850	18,484	-	92,740	741,272	3,887,150	2,034	-	-	3,889,184	3,626,334
Contracted services	5,978	348,469	-	21,125	101,877	-	68,451	1,265,514	-	660	1,812,074	-	-	-	1,812,074	1,602,478
Payroll taxes	666,710	413,458	198,735	69,405	101,872	55,736	9,706	-	53,131	375,233	1,943,986	869	-	-	1,944,855	1,909,678
Malpractice insurance	-	-	-	-	-	-	-	-	-	82,921	82,921	-	-	-	82,921	80,375
Total personnel and related	10,115,171	6,938,411	3,146,284	1,072,134	1,741,225	948,480	214,233	1,265,514	794,013	4,719,789	30,955,254	13,892	-	-	30,969,146	29,664,775
<b>OCCUPANCY:</b>																
Mortgage interest	-	-	-	-	-	-	-	-	-	-	-	866,735	-	-	866,735	866,735
Contracted services - security	361,376	-	146,045	-	-	-	-	-	-	-	507,421	-	-	-	507,421	526,272
Utilities	305,648	227	18,772	1,930	1,552	5,563	1,249	2,309	2,346	38,868	378,464	-	-	-	378,464	402,144
Building maintenance and repairs	113,201	2,541	21,978	2,480	1,939	21,945	1,917	2,064	2,992	48,558	219,615	-	-	-	219,615	161,892
Facilities rent	1,030,474	2,996	222,643	25,349	20,008	72,790	16,205	22,040	30,664	518,031	1,961,200	-	1,939,536	(3,887,987)	12,749	11,690
Total occupancy	1,810,699	5,764	409,438	29,759	23,499	100,298	19,371	26,413	36,002	605,457	3,066,700	866,735	1,939,536	(3,887,987)	1,984,984	1,968,733
<b>OTHER:</b>																
Pharmacy supplies	57,758	1,463	51,298	255	-	-	-	3,714,701	-	3,978	3,829,453	-	-	-	3,829,453	2,775,882
Purchased services	174,699	630,122	29,627	2,230	111,179	243,981	8	1,200	182,526	252,659	1,628,231	-	-	-	1,628,231	1,542,425
Equipment rental and maintenance	218,497	39,457	52,146	7,011	4,690	33,161	2,993	8,303	16,352	383,345	765,955	-	-	-	765,955	670,401
Bad debt	262,093	109,340	36,536	9,361	36,330	43,048	-	13,910	-	-	510,618	-	-	-	510,618	281,384
Medical supplies	199,136	97,114	45,023	12,141	-	91,942	-	863	-	165	446,384	-	-	-	446,384	514,491
Patient food and supplies	333,555	20,234	13,219	8,788	3,182	-	40	-	4,644	6,450	390,112	-	-	-	390,112	342,720
Miscellaneous	28,870	12,592	5,451	5,156	6,488	3,797	2,378	21,802	53,331	202,350	342,215	529	532	-	343,276	310,500
Staff conferences and travel	23,922	49,647	8,658	32,701	21,255	7,659	113	-	16,421	142,262	302,638	-	-	-	302,638	303,454
Patient transportation	59,824	62,024	19,878	56,368	2,911	920	-	-	63	1,548	203,536	-	-	-	203,536	210,722
Office supplies	24,022	19,940	9,691	2,108	4,857	1,642	999	1,014	9,071	119,566	192,910	-	-	-	192,910	162,371
Professional fees	-	-	-	-	-	-	-	-	-	186,007	186,007	2,379	2,333	-	190,719	163,439
Communication costs	58,490	43,507	13,350	10,269	4,884	3,672	1,933	1,544	1,962	25,583	165,194	-	-	-	165,194	207,245
Insurance	32,220	-	-	-	-	-	-	-	-	82,435	114,655	-	-	-	114,655	100,060
Total other	1,473,086	1,085,440	284,877	146,388	195,776	429,822	8,464	3,763,337	284,370	1,406,348	9,077,908	2,908	2,865	-	9,083,681	7,585,094
Total expenses before depreciation and amortization and general and administrative allocation	13,398,956	8,029,615	3,840,599	1,248,281	1,960,500	1,478,600	242,068	5,055,264	1,114,385	6,731,594	43,099,862	883,535	1,942,401	(3,887,987)	42,037,811	39,218,602
<b>DEPRECIATION AND AMORTIZATION</b>	119,368	15,674	13,781	431	340	34,852	276	3,512	522	130,243	318,999	903,360	-	(70,088)	1,152,271	1,266,762
Total expenses before general and administrative allocation	13,518,324	8,045,289	3,854,380	1,248,712	1,960,840	1,513,452	242,344	5,058,776	1,114,907	6,861,837	43,418,861	1,786,895	1,942,401	(3,958,075)	43,190,082	40,485,364
<b>GENERAL AND ADMINISTRATIVE ALLOCATION</b>	2,537,420	1,510,119	723,476	234,386	368,054	284,078	45,489	949,544	209,271	(6,861,837)	-	-	-	-	-	-
Total expenses	\$ 16,055,744	\$ 9,555,408	\$ 4,577,856	\$ 1,483,098	\$ 2,328,894	\$ 1,797,530	\$ 287,833	\$ 6,008,320	\$ 1,324,178	\$ -	\$ 43,418,861	\$ 1,786,895	\$ 1,942,401	\$ (3,958,075)	\$ 43,190,082	\$ 40,485,364

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

THE BOSTON HEALTH CARE FOR THE HOMELESS PROGRAM, INC. AND AFFILIATES

COMBINING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	BHCHP, INC. AND AFFILIATES														
	MCINNIS MEDICAL RESPIRE	ADULT OUTREACH	BOSTON MEDICAL CENTER CLINIC	FAMILY TEAM	MENTAL HEALTH	DENTAL SERVICES	RESEARCH	PHARMACY	DEVELOP- MENT	GENERAL AND ADMINIS- TRATIVE	TOTAL BHCHP, INC. AND AFFILIATES	BHCHP, LLC	BHCHP MT, LLC	ELIMI NATIONS	TOTAL
<b>PERSONNEL AND RELATED:</b>															
Salaries	\$ 8,090,826	\$ 4,949,747	\$ 2,301,170	\$ 720,361	\$ 1,191,841	\$ 715,910	\$ 167,089	\$ -	\$ 608,302	\$ 3,688,024	\$ 22,433,270	\$ 12,640	\$ -	\$ -	\$ 22,445,910
Fringe benefits	1,171,395	838,216	364,581	141,894	169,967	128,584	22,287	-	91,893	695,729	3,624,546	1,788	-	-	3,626,334
Contracted services	274	307,857	-	17,875	56,206	-	66,902	1,147,152	-	6,212	1,602,478	-	-	-	1,602,478
Payroll taxes	666,501	401,808	186,146	59,176	93,797	55,835	13,104	-	55,014	377,270	1,908,651	1,027	-	-	1,909,678
Malpractice insurance	-	-	-	-	-	-	-	-	-	80,375	80,375	-	-	-	80,375
Total personnel and related	9,928,996	6,497,628	2,851,897	939,306	1,511,811	900,329	269,382	1,147,152	755,209	4,847,610	29,649,320	15,455	-	-	29,664,775
<b>OCCUPANCY:</b>															
Mortgage interest	-	-	-	-	-	-	-	-	-	-	-	866,735	-	-	866,735
Contracted services - security	363,744	-	162,528	-	-	-	-	-	-	-	526,272	-	-	-	526,272
Utilities	324,708	320	19,942	2,051	1,648	5,910	1,327	2,453	2,493	41,292	402,144	-	-	-	402,144
Building maintenance and repairs	81,430	10,212	16,935	1,951	1,488	5,553	1,205	1,870	2,693	38,555	161,892	-	-	-	161,892
Facilities rent	1,030,117	2,996	222,643	26,471	20,008	72,790	16,205	22,040	30,664	516,207	1,960,141	-	1,939,536	(3,887,987)	11,690
Total occupancy	1,799,999	13,528	422,048	30,473	23,144	84,253	18,737	26,363	35,850	596,054	3,050,449	866,735	1,939,536	(3,887,987)	1,968,733
<b>OTHER:</b>															
Pharmacy supplies	-	-	-	-	-	-	-	2,775,882	-	-	2,775,882	-	-	-	2,775,882
Purchased services	103,003	607,977	10,746	2,115	105,171	246,811	6	2,945	146,131	317,520	1,542,425	-	-	-	1,542,425
Equipment rental and maintenance	217,045	34,506	42,004	8,729	5,607	19,223	2,665	5,682	10,150	324,790	670,401	-	-	-	670,401
Medical supplies	238,202	80,561	109,598	2,656	-	82,161	-	-	53	1,260	514,491	-	-	-	514,491
Bad debt	83,300	85,164	29,655	6,423	29,491	39,352	-	7,999	-	-	281,384	-	-	-	281,384
Patient food and supplies	294,988	17,480	15,583	5,828	2,002	-	98	-	2,005	4,736	342,720	-	-	-	342,720
Miscellaneous	21,086	20,339	9,933	1,417	7,176	1,760	470	4,761	45,069	197,419	309,430	540	530	-	310,500
Staff conferences and travel	13,569	48,492	16,466	26,062	16,165	5,571	3,957	-	12,859	160,313	303,454	-	-	-	303,454
Patient transportation	67,051	72,826	21,241	47,003	1,193	875	-	-	200	333	210,722	-	-	-	210,722
Office supplies	23,822	15,856	5,890	902	1,008	1,472	1,323	636	8,956	102,506	162,371	-	-	-	162,371
Professional fees	23,991	-	-	-	-	-	-	-	-	126,218	150,209	10,309	2,921	-	163,439
Communication costs	74,902	55,125	17,027	9,345	4,465	4,991	2,119	1,937	2,556	34,778	207,245	-	-	-	207,245
Insurance	23,456	1,170	-	-	-	-	-	-	-	75,434	100,060	-	-	-	100,060
Total other	1,184,415	1,039,496	278,143	110,480	172,278	402,216	10,638	2,799,842	227,979	1,345,307	7,570,794	10,849	3,451	-	7,585,094
Total expenses before depreciation and and amortization and general and administrative allocation	12,913,410	7,550,652	3,552,088	1,080,259	1,707,233	1,386,798	298,757	3,973,357	1,019,038	6,788,971	40,270,563	893,039	1,942,987	(3,887,987)	39,218,602
<b>DEPRECIATION AND AMORTIZATION</b>	129,164	15,848	15,420	699	552	34,783	447	3,743	847	161,899	363,402	903,360	-	-	1,266,762
Total expenses before general and administrative allocation	13,042,574	7,566,500	3,567,508	1,080,958	1,707,785	1,421,581	299,204	3,977,100	1,019,885	6,950,870	40,633,965	1,796,399	1,942,987	(3,887,987)	40,485,364
<b>GENERAL AND ADMINISTRATIVE ALLOCATION</b>	2,691,476	1,561,429	736,194	223,067	352,420	293,359	61,744	820,717	210,464	(6,950,870)	-	-	-	-	-
Total expenses	\$ 15,734,050	\$ 9,127,929	\$ 4,303,702	\$ 1,304,025	\$ 2,060,205	\$ 1,714,940	\$ 360,948	\$ 4,797,817	\$ 1,230,349	\$ -	\$ 40,633,965	\$ 1,796,399	\$ 1,942,987	\$ (3,887,987)	\$ 40,485,364

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

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

The Boston Health Care for the Homeless Program, Inc. (the Agency) and its Affiliates (see below) (collectively, the Agency and Affiliates) provides primary and episodic care utilizing multidisciplinary teams of MDs, NPs, PAs, RNs, behavioral health professionals and case managers/community support workers. In addition, the Agency provides dental care and medical respite services to homeless persons in the Greater Boston, Massachusetts area.

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

**SIGNIFICANT ACCOUNTING POLICIES**

The Agency and Affiliates prepare their combining 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 footnotes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combining financial statements include the accounts of the Agency and BHCHP Developer, LLC (the Developer), BHCHP Manager, Inc. (the Corporation), BHCHP, LLC (the Company) and BHCHP MT, LLC (the Master Tenant) (see Note 3) (collectively, the Affiliates). The activities and financial position of the Developer and the Corporation have been combined with the Agency in the accompanying combining financial statements. The Corporation has significant management control over the operations of the Master Tenant and the Company. Accordingly, the Company and the Master Tenant are consolidated with the Corporation and therefore, are included in the combining financial statements of the Agency.

All significant balances between classes of equity, intercompany balances, and transactions have been eliminated in the accompanying combining financial statements.

Estimates

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

Expense Allocations

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

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 combining financial statement 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 combining financial statements at June 30, 2014 and 2013. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

The Corporation's income tax expense is based on pre-tax financial accounting income. As of June 30, 2014 and 2013, the Corporation has a net operating loss carryforward of approximately \$192,000 and \$186,000 for Federal tax purposes, respectively. The Corporation has a net operating loss carryforward of approximately \$188,000 and \$185,000 for Massachusetts tax purposes as of June 30, 2014 and 2013, respectively. The loss carryforwards expire at various dates through 2033. Following ASC Topic *Income Taxes* did not have a material effect on the combining financial statements for the years ended June 30, 2014 and 2013, since the tax benefit of the net operating loss carryforwards has been fully reserved.

Patient Services Receivable

Patient services receivable is recorded net of contractual allowances (see page 14) and an allowance for doubtful accounts. Management estimates the allowance for doubtful accounts based on its analysis of specific accounts and payors. Accounts are written off when they are determined to be uncollectible.

Pledges Receivable

Pledges receivable at June 30, 2014 and 2013, consist of outstanding contributions that were committed to the capital campaign (see Note 4), which ended in February, 2009. Pledges are recorded at their net present value when unconditionally committed. There was no restriction on these pledges as of June 30, 2014 and 2013. All pledges are due within one year. Pledges are written off when they are determined to be uncollectible. As of June 30, 2014 and 2013, there was no reserve for doubtful pledges.

Inventory

Inventory consists of medicine and medical supplies from an in-house pharmacy. This inventory is accounted for at the lower of cost (as determined by the first-in, first-out method) or market.

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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Property and equipment with estimated useful lives in excess of one year and values greater than \$5,000 are capitalized at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and leasehold improvements	20 - 39 years
Equipment and furnishings	3 - 7 years
Vehicles	5 years

The Agency and Affiliates account for the carrying value of their long-lived assets in accordance with the U.S. GAAP requirements for ASC Topic, *Accounting for the Impairment or Disposal of Long-Lived Assets*. As of June 30, 2014 and 2013, the Agency and Affiliates have not recognized any reduction in the carrying value of their property and equipment when considering this requirement.

Intangible Assets and Amortization

Intangible assets consist of financing, legal and loan origination fees totaling \$260,240 and are being amortized over fifteen and thirty years. Amortization expense was \$14,820 for the years ended June 30, 2014 and 2013. Annual amortization expense is approximately \$15,000.

Investments

Investments consist of the Agency's holdings of marketable securities held for purposes of financial returns. The Agency records investments at fair value (see page 14). Investment income is recorded as earned. Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains and losses are recognized based on market value changes during the period. Investment income of unrestricted investment funds is available for operations and is therefore reflected in unrestricted net assets. Investment income on permanently restricted net assets is restricted for the Agency's facilities and is therefore reflected in temporarily restricted net assets (see page 16).

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(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets 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.

Revenue Recognition

Contract revenue is recorded over the contract period as services are provided and costs are incurred. Unrestricted grants and contributions are recorded as unrestricted revenue and net assets upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as temporarily restricted revenues and net assets when received or when unconditionally committed by the donor. Temporarily restricted grants and contributions are transferred to unrestricted support and revenues and unrestricted net assets as services are performed and costs are incurred, or pro-rata over the period covered by the grant or contribution as time restrictions lapse.

Gross patient service revenue is recorded at the full value of those services as assigned by the Agency. Net patient service revenue reflects the provision for contractual allowances and free care. Contractual allowances are accrued in the period the related services are rendered. Net patient service revenue is adjusted as required based on final settlements. Contractual allowances for the years ended June 30, 2014 and 2013, aggregated approximately \$42,950,000 and \$38,808,000, respectively, including contractual allowances related to free care of approximately \$7,531,000 and \$7,230,000, respectively.

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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

The Agency has a policy of providing free care services to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient prior to services being rendered. The Agency provided approximately \$8,850,000 and \$8,760,000 of free care during the years ended June 30, 2014 and 2013, respectively. The cost of providing these services was approximately \$5,490,000 and \$5,450,000 for the years ended June 30, 2014 and 2013, respectively. The cost of providing free care was calculated by dividing the total cost (including general and administrative allocation) of providing patient services by gross patient charges and multiplying the percentage by gross free care charges. The Agency adjudicates claims for these services; therefore, charges for free care have been included in net patient service revenue in the accompanying combining statements of activities. The Agency received partial reimbursement from third-party payors for free care services of approximately \$1,601,000 and \$1,077,000 during the years ended June 30, 2014 and 2013, respectively.

Donated Goods and Services

The Agency records donated goods and services based on the estimated value assigned to them by the donors or by management. For the years ended June 30, 2014 and 2013, the Agency received donated goods and services of \$99,904 and \$24,655, respectively. This consisted of donated services related to the production of videos for the annual gala, donated food from the Boston Food Bank and donated wine for the gala. The fair value of these donated goods and services are included in interest income and other and in related expenses on the accompanying combining statements of activities and functional expenses for the years ended June 30, 2014 and 2013.

Net Assets

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

**Operating** represents funds available to carry on the operations of the Agency and Affiliates.

**Board designated – capital expenditures and others** represent funds designated by the Board of Directors for funding capital projects, including, without limitation, building acquisition, improvements, and the purchase of equipment and software. The funds consist of \$1,500,000 for the redevelopment of 461 Walnut Avenue (461 Walnut) (see Note 2) and \$300,000 for software and IT related operating costs. Their funds may only be used with the approval of the Board of Directors.

**Board designated – investments** represent funds designated by the Board of Directors for long-term investments and growth. Income earned on this fund is reinvested in the fund. Use of this fund and its income can only be made with the approval of the Board of Directors.



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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets (Continued)

**Debt repayment fund** (the Account) represents funds set aside to be used to repay \$12,500,000 of the Company's debt (see Note 5). Income earned on the Account is added to the Account. The unrestricted portion of this Account was funded by funds designated by the Board of Directors. The investment goals of the Account allow for the Account to appreciate in value sufficient to pay down \$12,500,000 of the Company's debt by fiscal year 2015.

**Property and Equipment** reflect and account for the activities relating to the Agency and Affiliates' property and equipment, net of any related debt and are adjusted by the non-controlling interest of the Company.

**Temporarily restricted net assets** represent contributions received or pledged that have not yet been expended for their designated purpose. Temporarily restricted net assets also include accumulated appreciation and investment earnings on permanently restricted net assets (see page 17).

Temporarily restricted net assets are available for donor-specified program activities and for capital improvements and equipment and are as follows:

<u>2014</u>	<u>Balance at June 30, 2013</u>	<u>Donor Restricted Income</u>	<u>Released From Restrictions</u>	<u>Balance at June 30, 2014</u>
Capital campaign -				
Debt repayment fund	\$ 9,166,205	\$ -	\$ -	\$ 9,166,205
Appreciation on Facilities				
Endowment	1,705,827	1,637,398	330,000	3,013,225
Outreach	994,857	536,098	991,547	539,408
Respite homes program	98,631	196,116	255,028	39,719
Dental clinic	17,500	77,840	67,369	27,971
Development	13,800	7,389	6,276	14,913
Pastoral service	118	-	-	118
	<u>\$11,996,938</u>	<u>\$2,454,841</u>	<u>\$1,650,220</u>	<u>\$12,801,559</u>

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(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets (Continued)

<u>2013</u>	<u>Balance at June 30, 2012</u>	<u>Donor Restricted Income</u>	<u>Released From Restrictions</u>	<u>Balance at June 30, 2013</u>
Capital campaign - Debt repayment fund	\$ 9,166,205	\$ -	\$ -	\$ 9,166,205
Appreciation on Facilities Endowment	1,127,197	875,630	297,000	1,705,827
Outreach	1,226,018	702,224	933,385	994,857
Respite homes program	119,712	147,020	168,101	98,631
Dental clinic	18,750	67,544	68,794	17,500
Development	-	14,962	1,162	13,800
Pastoral service	218	-	100	118
Time restricted - general support	<u>526,666</u>	<u>-</u>	<u>526,666</u>	<u>-</u>
	<u>\$12,184,766</u>	<u>\$1,807,380</u>	<u>\$1,995,208</u>	<u>\$11,996,938</u>

**Permanently restricted net assets** - The Agency's capital campaign, which ended in February, 2009, included funds to establish a \$5 million endowment for facilities (the Facilities Endowment). Earnings from the Facilities Endowment are to be used to support the operations and maintenance costs of the Agency's facilities, including future facilities.

Non-Controlling Interest

**Non-controlling interest** represents the non-controlling interests in BHCHP, LLC and BHCHP MT, LLC (see Note 3).

Subsequent Events

Subsequent events have been evaluated through November 11, 2014, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combining financial statements.

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**(2) 461 WALNUT AVENUE**

The Agency owns 461 Walnut Avenue, formerly the Barbara M. McInnis House (461 Walnut) which, until July, 2008, was used to house a Medical Recuperative Unit (MRU) for homeless individuals. This facility had ninety beds. A portion of the funding originally used to renovate 461 Walnut was provided by a \$300,000 forgivable loan from the City of Boston, Public Facilities Department in fiscal year 1996. This forgivable loan was non-interest bearing and was due in 2010. The loan was secured by MRU. Under the terms of this forgivable loan, the Agency is required to comply with certain operating requirements and other covenants described in the grant and regulatory agreements.

The City of Boston has the option to purchase 461 Walnut if any of the conditions are not met and has the right of first refusal to acquire the property under a bona fide third-party offer. The purchase price is the balance of all City approved outstanding debt to institutional lenders, if any. If the Agency complies with the requirements of the loan and regulatory agreements, the loan will be forgiven at maturity.

Since this loan bears no interest, the discounted present value is immaterial to the combining financial statements taken as a whole. In addition, the Agency is expected to comply with all requirements and covenants of the loan. Considering both of these factors, the loan was recorded as a grant in 1996.

During fiscal year 2011, the City of Boston agreed to discharge the mortgage and security agreement on 461 Walnut as specified in the regulatory agreement and relieved the Agency of all obligations to the City. This is contingent upon the Agency closing on the sale of 461 Walnut and financing for the redevelopment of 461 Walnut into a single-room occupancy residential and respite care facility.

The Agency has accepted a proposal and signed a purchase and sale agreement with Jamaica Plain Neighborhood Development Corporation (JPNDC), a not-for-profit organization, to redevelop 461 Walnut into permanent affordable housing to serve individuals who are medically vulnerable and chronically homeless. JPNDC has agreed to acquire the property for \$1,575,000. At closing, under the purchase and sale agreement, which is expected to occur in late 2014, the Agency and JPNDC will enter into a ninety-nine year lease to lease the first floor to the Agency. Annual rent will be \$1, plus the Agency's proportionate share of certain operating expenses. The Agency will be responsible for renovations and leasehold improvements to the first floor. The Agency will use the space to provide respite services for homeless people. The signed purchase and sale agreement will be subject to releases from the above encumbrances. The Agency has completed pre-development work on the first floor of 461 Walnut, however, upon obtaining competitive bids for the renovation, the Agency and JPNDC have found that the projected cost for renovation has increased significantly since their initial projections. The Agency has incurred pre-development costs of \$144,522 on the first floor, which are recorded as construction in progress and included in property and equipment (see Note 6) in the accompanying combining statements of financial position at June 30, 2014. At June 30, 2014 and 2013, 461 Walnut is shown as assets held for redevelopment or sale in the accompanying combining statements of financial position.

During fiscal years 2014 and 2013, the Agency incurred approximately \$66,000 and \$58,000, respectively, of carrying costs relating to 461 Walnut. The Agency's recovery of those costs are not certain; accordingly, the Agency has expensed these costs as non-operating expense, carrying costs - assets held for redevelopment or sale in the accompanying combining statements of activities for the years ended June 30, 2014 and 2013.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
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**(3) RELATED PARTY TRANSACTIONS**

The Agency and all affiliates are related to the following entities:

**BHCHP Manager, Inc. (the Corporation)** is a for-profit corporation organized under the laws of the Commonwealth of Massachusetts on November 29, 2006, to engage in the business of owning and operating real estate. The Corporation is a wholly-owned subsidiary of the Agency and holds an 89.99% membership interest in the Company (see below) as the managing member. The Corporation had committed and made \$8,205,188 (originally \$10,205,188) in capital contributions to the Company from capital campaign funds raised by the Agency.

**BHCHP Developer, LLC (the Developer)** is a limited liability company (treated as a partnership for income tax purposes) organized under the laws of the Commonwealth of Massachusetts on December 26, 2006. The Agency holds a 98% interest in the capital, income, losses, and cash flow of the Developer. The Agency made \$98 in capital contributions to the Developer. The Developer had no activities during fiscal years 2014 and 2013.

**BHCHP, LLC (the Company)** is a limited liability company (treated as a partnership for income tax purposes) organized under the laws of the Commonwealth of Massachusetts on December 26, 2006, for the purpose of acquiring the leasehold interest in a building and rehabilitating the building (the Property) and leasing the Property to BHCHP MT, LLC (see below). The Property consists of 77,653 square feet of office space located in Boston, Massachusetts. The Company operates the Property in a manner intended to enable the Company to qualify as a qualified low-income community business for the purpose of the New Markets Tax Credits (NMTC). The Agency holds a 0.01% interest in the capital, income, losses, and cash flow of the Company as a non-managing member. The Agency made a total capital contribution of \$5,324,000 using the proceeds from the sale of state historic tax credits. The Company allocates 45% and 55% of its profit to the Master Tenant (see below) and Corporation (see above), respectively. Net distributable cash flow, cash from sale or refinancing and others is allocated to members as specified in the Company's operating agreement.

**BHCHP MT, LLC (the Master Tenant)** is a single-member limited liability company and has elected to be disregarded for tax purposes. The Master Tenant was organized under the laws of the Commonwealth of Massachusetts on November 29, 2006, to lease the Property (see above) from the Company (see above) for a term of not less than thirty-two years and sublease the Property to the Agency (see page 20) and other qualified businesses and make loans to and investments in the Company. MHIC New Markets CDE III LLC, Series 1 (see page 20) holds a 100% interest in the capital, income, losses, and cash flow of the Master Tenant. The Master Tenant holds a 10% membership interest in the Company as an investor member. The Master Tenant made \$891,489 in capital contributions to the Company. A portion of the capital contributions was used to fund the asset management reserve (see Note 12). The Master Tenant's interest in the Company as of June 30, 2014 and 2013, was \$1,029,206 and \$998,696, respectively, which is reflected as a non-controlling interest as a component of net assets in the accompanying combining statements of financial position. The Master Tenant's share of income in the Company is reflected as changes in net assets attributable to non-controlling interest in the accompanying combining statements of activities.

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(Continued)**

**(3) RELATED PARTY TRANSACTIONS (Continued)**

**MHIC New Markets CDE III LLC, Series 1 (the CDE)** is a limited liability company (treated as a partnership for income tax purposes) organized under the laws of the State of Delaware. The CDE is a certified qualified community development entity. MHIC New Markets Fund III (the Fund) holds a 99.99% membership interest in the CDE. The CDE is the sole member of the Master Tenant. The CDE's interest in the Master Tenant is reflected as non-controlling interest in the accompanying combining financial statements as of and for the years ended June 30, 2014 and 2013.

The Agency entered into the following transactions with its related parties:

- The Company leases the entire building of the Property (the Master Lease) to the Master Tenant with an understanding that the Master Tenant will lease back a portion of building to the Agency. The Master Lease commenced on May 28, 2008, and expires on December 31, 2027. The Master Lease may be terminated automatically upon termination of the Prime Lease (see Note 7). Annual base rent is fixed at an amount as set forth below, plus the Master Tenant's proportionate share of the real estate taxes and certain operating expenses. Rental income is calculated using the straight-line method over the terms of the lease. Rental income under this agreement was \$1,939,536 for each of the years ended June 30, 2014 and 2013. Annual fixed rent payments are \$1,949,976 through the expiration of the lease.
- The Master Tenant has a sublease agreement (the Sublease) with the Agency to sublease a portion of the building of the Property to the Agency. The Sublease commenced on May 28, 2008, and expires May 28, 2023. However, the Sublease will automatically terminate upon termination of the Prime Lease (see Note 7). Annual base rent from the Agency to the Master Tenant is fixed at an amount set forth below, plus the Agency's proportionate share of the real estate taxes and certain operating expense. Rental expense is calculated using the straight-line method over the term of the lease. Rent expense under this agreement was \$1,948,451 for each of the years ended June 30, 2014 and 2013 and is included in facilities rent in the accompanying statements of functional expenses. Annual fixed rent payments are \$1,958,891 through the expiration of the lease.
- As of June 30, 2014 and 2013, due from/to affiliates consist of certain operating costs paid for by the Agency on behalf of its affiliates and rent outstanding under the Master Lease and Sublease (see above).
- See Note 5 for related party note agreements.
- A member of the Agency's Investment Committee and a Board member is a principal at the investment company providing investment consulting services to the Agency. During fiscal years 2014 and 2013, the investment company billed the Agency approximately \$119,000 and \$93,000, respectively, for consulting services. These amounts are netted against investment income (see Note 10).
- A Board member of the Agency is a managing principal at a health care consulting firm providing alternative reimbursement options in the future to the Agency. During fiscal year 2013, the health care consulting firm billed the Agency \$60,000 for consulting services. The Agency was not billed for any services during fiscal year 2014.
- Two board members of the Agency are executives of the company that the Agency hired as their health insurance provider in fiscal year 2014. This health insurance provider was chosen through a competitive bid process. Also, the wife of one of these board members is a partner at a law firm the Agency uses for legal counsel. The Agency performed a competitive bid process from five legal firms.

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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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**(3) RELATED PARTY TRANSACTIONS (Continued)**

The Agency and its related parties have entered into the following agreements:

Right of Removal of the Managing Member

The Master Tenant has the right to remove and replace the Corporation, if material default occurs in accordance with the provision of the agreement and such default is not addressed within the time period set forth as specified in the agreement. If removed, the Company shall pay the Corporation in the manner set forth in the agreement.

Purchase Option Agreement

The Corporation has the right and option to purchase the Master Tenant's interest in the Company for a period of one year following the seventh anniversary or the date the Master Tenant pays the final installment of its capital contribution. The purchase price under this agreement is the fair value of the Master Tenant's interest as determined by an independent appraiser. If the Corporation elects to purchase the Master Tenant's interest, the Corporation is required to provide a written notice to the Master Tenant.

Operating Deficit

Under this agreement, the Corporation is required to make additional capital contributions (operating deficit capital contributions) to the Company to fund operating deficits. The Corporation will not be required to make additional capital contributions to pay principal on any loan or interest in excess of 20% of the total interest accruing and payable under any loan.

**(4) ENDOWMENT FUNDS**

Massachusetts follows the Uniform Prudent Management of Institutional Funds Acts (UPMIFA). The Agency has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the Facilities Endowment, (b) the original value of subsequent gifts to the Facilities Endowment, and (c) accumulations to the Facilities Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any accumulated appreciation and unspent investment return related to the donor-restricted endowment fund, if any, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Agency will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Agency and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Agency
- (7) The investment policies of the Agency

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**(4) ENDOWMENT FUNDS (Continued)**

The Agency has adopted an investment spending policy for the Facilities Endowment. Under the policy, annual withdrawals of investment earnings and endowment appreciation will not be more than 5% of the average market value of the Facilities Endowment (see page 17) over a rolling thirty-six month period. During fiscal years 2014 and 2013, the Agency appropriated \$330,000 and \$297,000, respectively, of total investment return for operations based on this calculation. Transfers to the operating net assets, in accordance with the spending policy, are reflected as investment return (facilities endowment) appropriated for operations in the accompanying combining statements of activities for the year ended June 30, 2014 and 2013.

Changes in endowment net assets by class are as follows for the years ended June 30, 2014 and 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2012	<u>\$1,127,197</u>	<u>\$5,000,000</u>	<u>\$6,127,197</u>
Investment returns:			
Realized gain	49,423	-	49,423
Net unrealized loss on investments	683,465	-	683,465
Interest and dividends, net of fees	<u>142,742</u>	<u>-</u>	<u>142,742</u>
Total investment returns	<u>875,630</u>	<u>-</u>	<u>875,630</u>
Investment return designated for operations	<u>(297,000)</u>	<u>-</u>	<u>(297,000)</u>
Endowment net assets, June 30, 2013	<u>1,705,827</u>	<u>5,000,000</u>	<u>6,705,827</u>
Investment returns:			
Realized gain	443,015	-	443,015
Net unrealized gain on investments	1,048,568	-	1,048,568
Interest and dividends, net of fees	<u>145,815</u>	<u>-</u>	<u>145,815</u>
Total investment returns	<u>1,637,398</u>	<u>-</u>	<u>1,637,398</u>
Investment return designated for operations	<u>(330,000)</u>	<u>-</u>	<u>(330,000)</u>
Endowment net assets, June 30, 2014	<u>\$3,013,225</u>	<u>\$5,000,000</u>	<u>\$8,013,225</u>

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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(Continued)**

**(4) ENDOWMENT FUNDS (Continued)**

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. The investments are to be split between equity and fixed income investments to accomplish these goals. Under this policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced, if necessary, according to the Agency's investment policy. The Agency relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). While it is understood that the endowment assets are to be managed with a long-term focus, the Agency routinely monitors current and historical investment performance against applicable benchmarks.

**(5) NOTES PAYABLE**

	<u>2014</u>	<u>2013</u>
Two notes payable to the CDE for \$12,500,000 (Note A) and \$3,125,000 (Note B) (collectively, the Notes). The Notes mature on December 28, 2021 (the maturity date). Beginning on January 1, 2015, principal and interest for both notes are due in monthly installments based on a twenty-five (25) year amortization schedule through the maturity date. The Notes cannot be prepaid in whole or in part prior to January 1, 2015, without penalty. Thereafter, Note A may be prepaid in whole or in part and Note B may be prepaid in whole at any time provided the Agency provides the CDE with a thirty (30) day written notice of prepayment. The Notes are secured by a first mortgage on the Property and a guaranty of 80% of the Notes' principal balances for the life of the Notes by the Health Resources and Services Administration (HRSA), a Federal agency.		
<ul style="list-style-type: none"> <li>• Note A bears interest at a fixed rate of 6.163% through the maturity date and interest only is due monthly through December 31, 2014.</li> <li>• Note B bears interest at a rate of 1% through the maturity date.</li> </ul>	<p>\$12,500,000</p> <p>3,125,000</p>	<p>\$12,500,000</p> <p>3,125,000</p>
Note payable to the CDE for \$5,323,717. This note matures on December 31, 2036 (the maturity date). The note bears interest at 1% beginning on January 1, 2009, through the maturity date. The note is secured by a second mortgage on the Property.	<p><u>5,323,717</u></p> <p>20,948,717</p> <p>162,057</p>	<p><u>5,323,717</u></p> <p>20,948,717</p> <p>-</p>
Less - current portion	<p><u>\$20,786,660</u></p>	<p><u>\$20,948,717</u></p>



**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(5) NOTES PAYABLE** (Continued)

Future principal payments are due as follows:

2015	\$162,057
2016	\$335,058
2017	\$350,372
2018	\$366,596
2019	\$351,205

The notes payable agreements contain various covenants with which the Agency and Affiliates must comply. The Agency and Affiliates was in compliance with these covenants at June 30, 2014 and 2013.

**(6) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Buildings and leasehold improvements	\$32,666,349	\$32,552,299
Equipment and furnishings	3,006,590	2,972,736
Vehicles	64,083	64,047
Construction in progress	<u>144,522</u>	<u>40,986</u>
	35,881,544	35,630,068
Less - accumulated depreciation	<u>8,122,595</u>	<u>6,985,144</u>
	<u>\$27,758,949</u>	<u>\$28,644,924</u>

Depreciation expense was \$1,137,451 and \$1,251,942 for the years ended June 30, 2014 and 2013, respectively, and includes \$41,026 relating to property and equipment acquired under capital lease (see Note 7).

Construction in progress represents costs for pre-development work on the first floor of 461 Walnut Avenue (see Note 2).

**(7) CAPITAL LEASE OBLIGATION**

The Company has a lease agreement (the Prime Lease) with the Boston Public Health Commission for a long-term leasehold interest in the Property. The Prime Lease was assigned to the Company, and the Company assumed all the obligations of the Prime Lease in 2008 (see Note 3). The initial term of the Prime Lease is forty-two years, with two twenty-four year options to renew under the same terms as the initial term.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
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**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(7) CAPITAL LEASE OBLIGATION (Continued)**

The lease payments were \$1,600,000 for the initial forty-two year term, which were due in three installments through fiscal year 2009. Annual payments under the option terms will be \$1.

The Agency and Affiliates must use the Property solely for the purpose of operating a health care facility for homeless individuals. The Agency is responsible for all operating costs and utilities and maintaining certain levels of insurance. See Note 3 for various sublease agreements.

The terms of the lease, including extension periods, exceed the economic life of the Property and, as such, the lease meets the criteria of a capital lease in accordance with U.S. GAAP. Accordingly, the \$1,600,000 was capitalized and is included in building and leasehold improvements in the accompanying combining statements of financial position.

**(8) CONTINGENCIES AND COMMITMENTS**

The Agency, from time-to-time, is the defendant in lawsuits. It is management's belief that the Agency will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combining financial statements for any potential liability resulting from these lawsuits.

**(9) NOTE RECEIVABLE**

In December, 2006, the Agency entered into a loan agreement with the Fund (see Note 3) to loan the Fund \$1,856,674. The Fund used the loan proceeds to make equity investments in the CDE, an affiliate of the Fund and sole member of the Master Tenant (see Note 3). The CDE used the proceeds from the equity investments from the Fund to fund a portion of Note B made to the Company (see Note 5). The note bears interest at 1% per annum through December 31, 2036. Monthly payments of interest only is due commencing on May 1, 2008, through maturity date. Interest income on the note as of June 30, 2014 and 2013, was \$18,825. The entire principal balance and all accrued interest are due and payable on December 31, 2036. The note can be prepaid in part or whole at any time without premium and penalty. There was \$1,856,674 outstanding on this note as of June 30, 2014 and 2013.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(10) INVESTMENTS**

The Agency reflects investments at fair market value using Level 1 inputs (see Note 1).  
Investments are comprised of the following as of June 30:

<u>2014</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Government money market	\$ 4,819,917	\$ 4,819,917	\$ -
U.S. Treasury notes and bond	12,372,269	12,462,888	90,619
Equities			
Chemicals	2,418,835	3,346,195	927,360
Consumer	2,033,986	2,930,625	896,639
Transportation	1,663,211	2,783,065	1,119,854
Technology	1,951,234	2,531,231	579,997
Materials	1,319,118	1,807,100	487,982
Utilities	1,056,665	1,790,020	733,355
Other	<u>4,250,674</u>	<u>5,522,670</u>	<u>1,271,996</u>
	<u>\$31,885,909</u>	<u>\$37,993,711</u>	6,107,802
Unrealized appreciation as of June 30, 2013			<u>2,722,036</u>
Net unrealized gains for the year ended June 30, 2014			<u>\$3,385,766</u>
<u>2013</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Government money market	\$ 358,410	\$ 358,410	\$ -
U.S. Treasury notes and bond	12,279,365	12,350,750	71,385
Equities			
Chemicals	2,035,585	2,442,069	406,484
Consumer	2,847,043	3,594,775	747,732
Transportation	1,512,037	2,117,915	605,878
Technology	2,414,337	2,475,350	61,013
Health	1,339,021	1,678,385	339,364
Utilities	2,654,874	2,951,575	296,701
Other	<u>4,042,465</u>	<u>4,235,944</u>	<u>193,479</u>
	<u>\$29,483,137</u>	<u>\$32,205,173</u>	2,722,036
Unrealized appreciation as of June 30, 2012			<u>875,613</u>
Net unrealized gains for the year ended June 30, 2013			<u>\$1,846,423</u>

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(10) INVESTMENTS** (Continued)

Investments are not insured and are subject to ongoing market fluctuations. Investments are held for long-term purposes and, accordingly, are classified as non-current assets in the accompanying combining statements of financial position.

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

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 257,079	\$ 193,272
Net realized gains	1,175,710	179,095
Net unrealized gains	3,385,766	1,846,423
Investment fees	<u>(119,122)</u>	<u>(93,074)</u>
	<u>\$4,699,433</u>	<u>\$2,125,716</u>

**(11) CONCENTRATION OF CREDIT RISK**

The Agency and Affiliates maintains its cash balances in a bank in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency and Affiliates has not experienced any losses in such accounts. The Agency and Affiliates believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company's sole asset is the Property (see Note 3) and the Company leases to a single tenant, the Master Tenant (see Note 3). The Company derives substantially all of its revenues from rental activities.

**(12) RESERVES**

Replacement Reserve

Pursuant to the operating agreement, the Company is required to establish a replacement reserve account to be used to fund future repairs and replacements of the Property. Monthly deposits into this account are \$3,163, and increase 4% annually. As of June 30, 2014 and 2013, the balances in the account were \$245,704 and \$202,757, respectively, which is included in reserves in the accompanying combining statements of financial position.

Asset Management Reserve

Pursuant to the operating agreement, the Company is required to establish an asset management reserve account to be used to fund annual asset management fees of \$85,500 due to the Master Tenant (see Note 3) beginning 2008 through 2014. The initial deposit into this account was \$598,500, funded by the proceeds from the Master Tenant's second installment of capital contributions (see Note 3). As of June 30, 2014 and 2013, the balance in this account was \$88,974 and \$174,419, respectively, which is included in reserves in the accompanying combining statements of financial position. The current portion of the reserves was \$85,500 as of June 30, 2014 and 2013, and represents the annual asset management fees.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

(Continued)

**(12) RESERVES** (Continued)

Contingency Reserve

The Corporation has a right to establish a contingency reserve using available funds of the Company to be used for specific needs or anticipated needs of the Property. The contingency reserve will not be available for distribution unless the Corporation determines that it is no longer necessary to hold the contingency reserve. As of June 30, 2014 and 2013, there was no balance in the contingency reserve.

**(13) FUNDING**

Patient Service Revenue

Approximately 54% and 58% of net patient service revenue was from the Commonwealth of Massachusetts, Office of Health and Human Services, the MassHealth program (Medicaid) for the years ended June 30, 2014 and 2013, respectively. Charges made to most third-party payors for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effect of such cost determinations or adjustments, if any, will not have a material effect on the combining financial position of the Agency as of June 30, 2014 and 2013, or on the changes in their net assets for the years then ended.

Approximately 29% and 46% of patient services receivable in the accompanying combining statements of financial position are due from Medicaid as of June 30, 2014 and 2013, respectively. Approximately 30% and 34% of patient services receivable in the accompanying combining statement of financial position are due from the Massachusetts Executive Office of Health and Human Services Health Safety Net program as of June 30, 2014 and 2013, respectively.

Contracts

Approximately 59% and 62% of the Agency's grant and contract revenue is for services provided under agreements with the Health Resources and Services Administration (HRSA), a department of the U.S. Department of Health and Human Services, for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, approximately 22% and 26% respectively, of contract, grant, and other receivables in the accompanying combining statements of financial position was due from HRSA. These contracts are subject to possible audits by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Agency as of June 30, 2014 and 2013, or on its combining changes in net assets for the years then ended.

PCPRI

Effective March 1, 2014, the Agency entered into a Primary Care Payment Reform Initiative (PCPRI) contract with the Commonwealth of Massachusetts, Executive Office of Health and Human Services for services provided to certain MassHealth patients. PCPRI combines a shared savings/risk arrangement with quality incentives. PCPRI is a pilot program for the period March 1, 2014 to December 31, 2016. Year one is for the period March 1, 2014 to December 31, 2014, year two is for the period January 1, 2015 to December 31, 2015 and year three is for the period January 1, 2016 to December 31, 2016.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(13) FUNDING (Continued)**

PCPRI (Continued)

Under PCPRI, the Agency receives reimbursement from MassHealth under the following payment model:

- 1) Comprehensive Primary Care Payment (CPCP) – a risk adjusted per panel enrollee, per month payment.
- 2) Quality Incentive Payment (QIP) – Annual incentive for reporting and performance on pre-defined primary care quality metrics.
- 3) Shared Savings Payment (SSP) – Annual payment to the Agency based upon savings on non-primary care spending by MassHealth, including hospitalizations and specialty services.

During fiscal year 2014, the Agency received CPCP payments of approximately \$1,081,000, which are included in net patient service revenue in the accompanying combining statement of activities for the year ended June 30, 2014. The Agency is eligible for a Hold Harmless settlement if the Agency's CPCP payments are less than what the reimbursement has been under traditional fee for service reimbursement from MassHealth, as defined in the PCPRI contract. The Hold Harmless settlements are determined on a quarterly basis beginning with the period ended June 30, 2014. The Agency is not owed a Hold Harmless settlement at June 30, 2014.

The QIP is an annual incentive payment based upon the Agency's pool performance on pre-defined primary care metrics. For year one of the pilot program, the QIP will be based upon the Agency's reporting of certain quality metrics. In years two and three the QIP will also incorporate performance on certain quality metrics.

The SSP is calculated annually based upon the difference between the actual spending and targeted spending as determined by MassHealth. During year one, the Agency is entitled to a settlement due from MassHealth if the actual spending is less than the targeted spending. In years two and three, the Agency could be subject to a settlement owed to MassHealth if the actual spending is more than the targeted spending based upon certain criteria as defined in the PCPRI contract.

The QIP and SSP are paid retrospectively at the end of each contract year, once sufficient time has elapsed for calculation and processing by MassHealth. Since any QIP and SSP settlements for 2014 cannot be determined as of June 30, 2014, there have been no settlements recorded in the accompanying combining financial statements.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**NOTES TO COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(14) RETIREMENT PLANS**

The Agency maintains a profit sharing plan for employees who complete one year of employment and have worked at least 1,000 hours in twelve consecutive months. The Agency may make annual contributions as approved by the Board of Directors. Contributions vest over five years. Contributions made for the years ended June 30, 2014 and 2013, were \$947,320 and \$941,257, respectively, and are included in fringe benefits in the accompanying combining statements of functional expenses.

The Agency also maintains a tax sheltered annuity plan under Section 403(b) of the IRC. Employees can make voluntary contributions to the plan through salary reductions. The Agency does not contribute to this plan.

**(15) RECLASSIFICATION**

Certain amounts in the June 30, 2013 combining financial statements have been reclassified to conform with the June 30, 2014 presentation.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>	<u>EXPENDITURES TO SUBRECIPIENTS</u>
<b><u>U.S. Department of Health and Human Services:</u></b>				
Direct Programs:				
Health Centers Cluster:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS00006-11 H80CS00006-12 H80CS00006-13	\$ 2,952,663	\$ -
Health Resources and Services Administration, Bureau of Primary Health Care:				
National Health Services Corps Loan Repayment Program	93.162	N/A	12,500,000	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00707-12	293,541	-
Special Projects of National Significance	93.928	H97HA22718-02 H97HA22718-03	(1) 15,865	-
Passed-through City of Boston, Boston Public Health Commission:				
Healthy Start Initiative	93.926	H49MC00128	110,249	-
HIV Emergency Relief Project Grants	93.914	FY12010603A	142,230	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	FY13010208 FY14013165	306,580	-
Passed-through Commonwealth of Massachusetts, Department of Public Health:				
HIV Prevention Activities – Health Department Based	93.940	INTF4942MM3	90,000	-
HIV Care Formula Grants	93.917	INTF4942MM3	65,570	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2351MM3	35,068	9,996
Passed-through Boston University:				
Special Projects of National Significance	93.928	N/A	(1) 95,082	-
Passed-through City College of San Francisco:				
Health Care Innovation Awards (HCIA)	93.610	N/A	124,603	-



**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**U.S. Department of Agriculture**

Passed-through Greater Boston Food Bank:

Food Distribution Cluster:

Emergency Food Assistance Program (Food Commodities)	10.569	N/A	63,219	-
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**U.S. Department of Housing and Urban Development**

Passed-through City of Boston, Public Facilities Department:

Continuum of Care Program	14.267	36976-13	202,335	-
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<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 16,997,005	\$ 9,996
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**Total for the following CFDA number:**

93.928 (1)			\$ 110,947	
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**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2. LOANS OUTSTANDING**

The National Health Service Corps Loan Repayment Program includes a HRSA guarantee on 80% of outstanding loan balances of \$15,625,000 at June 30, 2014.

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Combining Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?       Yes       No
- Significant deficiency identified?       Yes       None reported

Noncompliance material to combining financial statements noted?       Yes       No

*Federal Awards*

Internal control over major programs:

- Material weakness identified?       Yes       No
- Significant deficiency identified?       Yes       None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       Yes       No

Identification of major programs:

<u>Program or Cluster Title</u>	<b>Federal CFDA Number</b>
National Health Service Corps Loan Repayment Program	93.162
Health Centers Cluster	93.224
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

Auditee qualified as low-risk auditee?       Yes       No

**THE BOSTON HEALTH CARE FOR THE HOMELESS  
PROGRAM, INC. AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014  
(Continued)**

**II. COMBINING FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None