

**CENTRAL BOSTON ELDER SERVICES, INC.**

Consolidated Financial Statements  
and  
Independent Auditors' Report

June 30, 2015

**Central Boston Elder Services, Inc.**  
June 30, 2015

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## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

### *Independent Auditors' Report*

The Board of Directors  
**Central Boston Elder Services, Inc.**

We have audited the accompanying consolidated financial statements of Central Boston Elder Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Consolidated Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Boston Elder Services, Inc. as of June 30, 2015, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Daniel Dennis & Company LLP*

*November 5, 2015*

**Central Boston Elder Services, Inc.**  
Consolidated Statement of Financial Position  
June 30, 2015 with Comparative Totals for June 30, 2014

<b>Assets:</b>	<i>2015</i>	<i>2014</i>
<i>Current Assets:</i>		
Cash	\$ 7,397,234	\$ 8,050,665
Accounts receivable, net	8,665,812	9,032,291
Investments	1,671,132	1,668,098
Prepaid expenses	44,259	39,952
Total current assets	<u>17,778,437</u>	<u>18,791,006</u>
<i>Fixed Assets:</i>		
Land	2,511,164	2,511,164
Buildings, less accumulated depreciation of \$1,771,721 in 2015 and \$1,588,164 in 2014	5,095,687	5,279,243
Furniture and equipment, less accumulated depreciation of \$784,781 in 2015 and \$734,296 in 2014	109,540	97,485
Total fixed assets	<u>7,716,391</u>	<u>7,887,892</u>
<i>Other Assets:</i>		
Notes receivable and accrued interest, net	1,956,165	1,956,165
Investment in limited liability company	145,000	145,000
Debt service reserve	-	94,159
Cash restricted for endowment	72,307	72,241
Assets held in trust	195,415	166,416
Development costs	-	24,241
Financing fees - net	35,885	43,310
Total other assets	<u>2,404,772</u>	<u>2,501,532</u>
Total assets	<u>\$ 27,899,600</u>	<u>\$ 29,180,430</u>

*See accompanying notes to consolidated financial statements.*

**Central Boston Elder Services, Inc.**  
Consolidated Statement of Financial Position - *continued*  
June 30, 2015 with Comparative Totals for June 30, 2014

<b>Liabilities and Net Assets:</b>	<i>2015</i>	<i>2014</i>
<i>Current Liabilities:</i>		
Accounts payable	\$ 6,281,799	\$ 5,713,493
Accrued expenses	778,235	1,697,110
Note payable - current	<u>-</u>	<u>278,429</u>
Total current liabilities	<u>7,060,034</u>	<u>7,689,032</u>
<i>Other Liabilities:</i>		
Note payable	-	1,236,308
Deferred compensation payable	<u>195,415</u>	<u>166,416</u>
Total other liabilities	<u>195,415</u>	<u>1,402,724</u>
Total liabilities	<u>7,255,449</u>	<u>9,091,756</u>
<i>Net Assets:</i>		
Unrestricted Net Assets		
Designated:		
Program	621,976	207,081
Board	200,000	200,000
Undesignated	<u>19,749,868</u>	<u>19,609,352</u>
Total unrestricted net assets	20,571,844	20,016,433
Temporarily restricted net assets	1,307	1,241
Permanently restricted net assets	<u>71,000</u>	<u>71,000</u>
Total net assets	<u>20,644,151</u>	<u>20,088,674</u>
Total liabilities and net assets	<u>\$ 27,899,600</u>	<u>\$ 29,180,430</u>

*See accompanying notes to consolidated financial statements.*

**Central Boston Elder Services, Inc.**  
Consolidated Statement of Activities  
For the Year Ended June 30, 2015 with Comparative Totals for June 30, 2014

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2015 Total</i>	<i>2014 Total</i>
<i>Revenue and Other Support:</i>					
Federal and state grants	\$ 33,510,926	\$ -	\$ -	\$ 33,510,926	\$ 34,044,371
Investment/interest income	95,186	66	-	95,252	287,802
Cost sharing income	203,301	-	-	203,301	212,756
Other income	14,398,569	-	-	14,398,569	11,346,237
Total revenue and other support	<u>48,207,982</u>	<u>66</u>	<u>-</u>	<u>48,208,048</u>	<u>45,891,166</u>
<i>Program Expenses:</i>					
Community choices	16,739,160	-	-	16,739,160	17,226,709
Home care	5,543,373	-	-	5,543,373	7,090,395
Senior care options program	12,577,559	-	-	12,577,559	9,719,919
Group adult foster care	4,247,986	-	-	4,247,986	3,917,260
Enhanced program services	3,344,910	-	-	3,344,910	3,035,172
Corporate initiative	836,754	-	-	836,754	773,800
Clinical assessment & eligibility	643,311	-	-	643,311	755,997
Total program expenses	<u>43,933,053</u>	<u>-</u>	<u>-</u>	<u>43,933,053</u>	<u>42,519,252</u>
<i>Support Services Expenses:</i>					
Management and general	3,431,467	-	-	3,431,467	3,794,316
Total expenses	<u>47,364,520</u>	<u>-</u>	<u>-</u>	<u>47,364,520</u>	<u>46,313,568</u>
Change in net assets	<u>843,462</u>	<u>66</u>	<u>-</u>	<u>843,528</u>	<u>(422,402)</u>
Net assets at beginning of year	20,016,433	1,241	71,000	20,088,674	20,641,548
Other changes in net assets	<u>(288,051)</u>	<u>-</u>	<u>-</u>	<u>(288,051)</u>	<u>(130,472)</u>
Net assets at end of year	<u>\$ 20,571,844</u>	<u>\$ 1,307</u>	<u>\$ 71,000</u>	<u>\$ 20,644,151</u>	<u>\$ 20,088,674</u>

*See accompanying notes to consolidated financial statements.*

**Central Boston Elder Services**  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2015 with Comparative Totals for June 30, 2014

	<i>Program Expense</i>	<i>Manangement &amp; General</i>	<i>2015 Total Expenses</i>	<i>2014 Total Expenses</i>
Salaries	\$ 5,631,641	\$ 1,962,958	\$ 7,594,599	\$ 7,608,379
Fringe benefits	1,808,422	619,866	2,428,288	3,143,167
Contracted services	485,172	173,150	658,322	697,015
Support services	213,984	114,819	328,803	345,555
Occupancy	237,118	198,514	435,632	501,924
Travel	47,794	18,976	66,770	65,218
Equipment	9,516	9,985	19,501	38,444
Boston elder info	-	136,335	136,335	145,139
Elder expo/special event	134,947	-	134,947	212,771
Other expense	126,217	70,441	196,658	125,387
Bad debt	366,573	-	366,573	215,347
Purchased services	34,756,931	-	34,756,931	32,950,850
Depreciation and amortization	114,738	126,423	241,161	264,372
Total expenses	<u>\$ 43,933,053</u>	<u>\$ 3,431,467</u>	<u>\$ 47,364,520</u>	<u>\$ 46,313,568</u>

*See accompanying notes to consolidated financial statements.*



**Central Boston Elder Services, Inc.**  
**Consolidated Statement of Cash Flows**  
For the Year Ended June 30, 2015 with Comparative Totals as of June 30, 2014

	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 555,477	\$ (552,874)
<i>Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities:</i>		
Depreciation and amortization	241,161	264,372
Bad debt	366,573	215,347
Unrealized loss/(gain) on investments	57,189	(178,158)
<i>Change in current operating assets and liabilities:</i>		
Accounts receivable	(94)	(2,260,556)
Prepaid expenses	(4,307)	(6,704)
Accounts payable	568,306	304,273
Accrued expenses	<u>(894,634)</u>	<u>1,128,937</u>
Net cash provided by/(used in) operating activities	<u>889,671</u>	<u>(1,085,363)</u>
<b>Cash Flows from Investing Activities:</b>		
Decrease/(increase) in debt service reserve	94,159	(47)
Increase in restricted endowment	(66)	(7,565)
Purchases of development costs	-	(24,241)
Decrease in security deposit	-	14,877
Proceeds from sale of investments	259,539	799,613
Purchases of investments	(319,762)	(815,127)
Proceeds from sale of fixed assets	-	24,125
Purchase of fixed assets	<u>(62,235)</u>	<u>(90,770)</u>
Net cash provided by/(used in) investing activities	<u>(28,365)</u>	<u>(99,135)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on note payable	<u>(1,514,737)</u>	<u>(242,058)</u>
Net cash used in financing activities	<u>(1,514,737)</u>	<u>(242,058)</u>
Decrease in cash	(653,431)	(1,426,556)
<b>Cash:</b>		
Beginning of year	<u>8,050,665</u>	<u>9,477,221</u>
End of year	<u>\$ 7,397,234</u>	<u>\$ 8,050,665</u>
<b>Supplemental Disclosure:</b>		
Interest paid	<u>\$ 45,831</u>	<u>\$ 58,915</u>

*See accompanying notes to consolidated financial statements.*

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements  
June 30, 2015 with Comparative Totals as of June 30, 2014

**1. Nature of Operations**

Central Boston Elder Services, Inc. (CBES) is a Massachusetts not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CBES provides home care services, referrals and advocacy to the elderly population located in the Boston neighborhoods of Allston, Brighton, Back Bay, Fenway, South End, Roxbury, North Jamaica Plain, Mission Hill, and North Dorchester.

CBES' primary source of funding is from contracts with the Commonwealth of Massachusetts, Executive Office of Elder Affairs (EOEA) and Medicaid, which permits it to subcontract with vendors to provide home care and personal care services to eligible clients.

*Programs*

CBES operates the following programs:

*Community Choices* – Provides services to Medicaid eligible elders for the purpose of preventing nursing home placements. The *Case Management* component provides for administration of the program.

*Home Care* – Provides various components of services, the primary component is *Purchase Service* which permits CBES to subcontract with area vendors to provide various home care services for the elderly. The *Case Management* component provides for administration of the program.

*Senior Care Options Program (SCO)* – CBES contracts with Senior Care Options (SCO) organizations to provide Case Management Services and Purchased Services to SCO clients on a fee for service basis or on a unit basis.

*Group Adult Foster Care (GAFC)* – Provides personal services for Medicaid recipients living in a cluster setting.

*Enhanced Program* – Provides services that target frail elders for the purpose of preventing or delaying nursing home placement.

*Corporate Initiative* – Includes costs not paid by government funded programs and the implementation and operation of several small programs.

*Clinical Assessment & Eligibility* – Provides screening services for the placement of individuals into nursing home and community settings, as well as nursing home discharge planning for Medicaid eligible clients.

## Central Boston Elder Services, Inc.

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

### 2. *Summary of Significant Accounting Policies*

#### *Basis of Accounting*

The consolidated financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Under unit rate contracts, a fixed rate per client served becomes the basis for billing and recognizing revenue. Accordingly, excess (deficit) of revenue over expense can be recognized, subject to certain limitation on the use of those excess revenues; see Notes 6 and 7 for more information. Revenue from co-payments is recognized when services are provided. Under cost reimbursement contracts revenue equals expense up to the allowable contract award.

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of CBES and its wholly owned subsidiary, CBES Management LLC (CBESM). All material inter-company transactions have been eliminated in these consolidated financial statements. CBESM had no activity during the years ended June 30, 2015 and 2014.

CBESM was formed as a limited liability company under the laws of the Commonwealth of Massachusetts on November 30, 2009 for the purpose of becoming the managing member of CBES Development LLC (CBESD), which was created to plan, construct and operate low income independent elder housing in Roxbury, Massachusetts. As of June 30, 2015 and 2014, CBES and CBESM each held a .005% interest in CBESD.

#### *Fixed Assets*

Fixed assets acquired with unrestricted funds and capital budget grants that are greater than \$1,000 are carried at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the applicable estimated lives of 3, 5, 7, 10 and 40 years.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and all highly liquid investments with an original maturity of three-months or less. Cash and equivalents exclude cash restricted for the endowment fund and the debt service reserve. There were no cash equivalents held by CBES at June 30, 2015 and 2014, respectively.

#### *Investment in Limited Liability Company*

CBES and CBESM acquired a .01% interest in CBESD, amounting to \$145,000 at June 30, 2015 and 2014, respectively. Because CBES does not have the ability to exercise significant influence over the investment and due to the lack of information that can be used to approximate the fair value, CBES accounts for its investment at cost. Management annually performs an assessment of any possible impairment. As of June 30, 2015 and 2014 management has determined that no such impairment exists.

## Central Boston Elder Services, Inc.

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

### 2. *Summary of Significant Accounting Policies - Continued*

#### *Summarized Comparative Totals*

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CBES' consolidated financial statements for the year ended June 30, 2014, from which the summarized information was derived.

#### *Financial Statement Format/Contributions*

Accounting standards require classification of an entity's net assets, revenues, expenses, gains and losses into three classes of net assets - permanently restricted, temporarily restricted and unrestricted, based on the existence or absence of donor imposed restrictions.

Unrestricted net assets are further classified for display purposes as follows:

- *Designated Program* – includes EOEAs funds that have been designated for use in the purchase service component of Home Care and Enhanced Programs.
- *Designated Board* – includes net assets designated by the Board of Directors for a specific purpose.
- *Undesignated* – includes net assets not classified as Designated Program or Designated Board.

Contributions are recognized at their fair values in the period the contribution is received or promised, including distinguishing between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

Gifts of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purchase restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Consolidated Statement of Activities* as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue.

Gifts of land, building and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, CBES has adopted the policy of reporting the donation as unrestricted support in the year it is received.

**Central Boston Elder Services, Inc.**

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**2. *Summary of Significant Accounting Policies - Continued***

*Accounts Receivable*

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. CBES provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect collectability. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is CBES's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

*Functional Expenses*

Functional expenses are allocated to the various programs based on direct expenses which can be identified to the program and indirect expenses which are beneficial to more than one program. Indirect expenses are allocated based on various methods. Administrative expenses are allocated to the programs based on direct salary and fringe benefits within the programs.

*Investments*

Investments in marketable securities are recorded at fair value with unrealized gains and losses reported in the change in net assets for the year. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the *Consolidated Statement of Financial Position*. Realized gains and losses are included in the changes in net assets for the year. Realized gains and losses are accounted for on the specific identification method. Purchases and sales are recorded on a trade date basis. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

*Notes Receivable*

Notes receivable are carried at unpaid principal balances, less an allowance for losses. The allowance for note losses is increased by charges to bad debt and decreased by charge-offs (net of recoveries). CBES' periodic evaluation of the adequacy of the allowance is based on CBES' past note loss experience, specific impaired notes, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Notes are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. CBES' practice is to charge off any note or portion of a note when the note is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

*Amortization*

Financing costs and fees are amortized over the term of the related loan using the straight-line method.

**Central Boston Elder Services, Inc.**

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**2. *Summary of Significant Accounting Policies - Continued***

*Fair Value Measurements*

Accounting standards require using a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CBES has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

The availability of observable market data is monitored to assess the appropriate classification of investments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2015 and 2014, there were no transfers in or out of levels 1, 2, or 3.

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**2. *Summary of Significant Accounting Policies - Continued***

*Assets Held in Trust*

Assets held in trust represent amounts contributed to a 457(b) deferred compensation plan for key employees of CBES. The amounts are held in investments with an insurance company and are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. See note above for a discussion of fair value measurements.

*Use of Estimates*

The consolidated financial statements have been prepared in accordance with GAAP. In preparing the consolidated financial statements management is required to make estimates and assumptions that affect the reported amounts and disclosures of certain assets and liabilities as of the date of the consolidated financial statements. Accordingly, actual results could differ from those estimates.

**3. *Credit Risk***

At June 30, 2015 and 2014, the book balance of the cash was \$7,469,541 and \$8,217,065, respectively. CBES maintains its cash accounts at three financial institutions. These balances, at times, will exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. Management acknowledges the possibility of risk in this arrangement; however, they believe the size and longevity of the depository institutions minimizes such risk.

**4. *Accounts Receivable***

Accounts receivable consists of billings to EOEAs and other funding sources for services rendered and to clients who are required to pay a sliding fee under a co-payment provision. Accounts receivables are presented net of the allowance for doubtful accounts.

At June 30, 2015 and 2014, the accounts receivable consists of the following:

	<i>2015</i>	<i>2014</i>
EOEA	\$ 3,500,816	\$ 6,126,995
MassHealth (GAFC)	1,202,681	805,099
Co-payment	22,531	67,441
SCO and other	<u>4,203,778</u>	<u>2,160,036</u>
Total accounts receivable	8,929,806	9,159,571
Less: allowance for doubtful accounts	<u>(263,994)</u>	<u>(127,280)</u>
Total	<u>\$ 8,665,812</u>	<u>\$ 9,032,291</u>

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**5. *Retirement Savings Plan***

CBES provides for retirement benefits for its eligible employees through a defined contribution plan established under section 403(b) of the Internal Revenue Code. Employees become eligible to participate in the plan at hire and may contribute a percentage or amount of their annual salary up to IRS allowable limits. CBES matches the employees' contribution after six months of employment. CBES' match is between 2% and 7%, depending on years of service.

For the years ended June 30, 2015 and 2014 the total pension expense was \$254,881 and \$276,834, respectively.

In addition, during fiscal year 2014, CBES established a one time voluntary separation program (VSP) to supplement the retirement of eligible employees. Employees were eligible to participate in the program if they worked at CBES for at least five years as of February 28, 2014 and were at least 60 years of age as of December 31, 2014. Employees who were designated as "senior managers" were not eligible to participate in the program. Each eligible employee was required to elect to participate in the program no later than May 2, 2014. The benefits paid to each eligible employee were equal to three weeks of base pay for each full year of service that was completed with CBES as of December 31, 2013, up to a maximum of 75 weeks pay, plus \$5,000. For the year ended June 30, 2014 the total VSP expense was \$800,002. At June 30, 2014, the outstanding balance owed to eligible employees under this agreement totaled \$769,695, which is included in accrued expenses on the consolidated statement of financial position. During fiscal year 2015 the outstanding balance was paid in full.

**6. *Excess Revenue***

The excess revenues generated from the Commonwealth of Massachusetts Programs are calculated in accordance with the Commonwealth of Massachusetts 808 CMR 1.19(3), *Surplus Revenue Retention Policy*. In accordance with these requirements, CBES is entitled to retain up to five percent (5%) of the total revenue of the Commonwealth programs as unrestricted net assets to further its charitable purposes, but may not use these funds for non-reimbursable expenses as defined in CMR 808 1.15. For fiscal year 2015 and 2014 CBES did not generate any excess surplus revenue.

The cumulative amount over time may not exceed twenty percent (20%) of the prior year's total revenues for these programs. As of June 30, 2015 and 2014 the total surplus revenue earned is less than 20% of the total Commonwealth revenue from fiscal year 2014 and 2013, respectively. See Note 7 for more information.



**Central Boston Elder Services, Inc.**

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**7. *Designated Unrestricted Net Assets***

*Designated Program*

Surplus revenue earned within *Home Care Purchase Services* and *Enhanced Services Purchase Services* Programs are to be utilized for those program services only, in accordance with EOEA PI 93-20, or as approved by EOEA. The net assets of these programs are recorded as designated net assets as of June 30, 2015 and 2014. Current year activity includes current net income or deficit in the program and any allowable transfer. CBES also included the Commonwealth of Massachusetts excess surplus revenue generated in fiscal year 2007 as designated program.

EOEA has approved the following transfer activity during 2015 and 2014 under the designated program:

*Program Deficits*

EOEA has authorized CBES to transfer up to 3% of its *Home Care Purchase Services* and *Enhanced Services Purchase Services* contract revenue to cover program deficits in other EOEA programs. During fiscal year 2015, CBES transferred \$130,834 of *Home Care Purchase Services* and \$81,498 of *Enhanced Services Purchase Services* designated program net assets for use in covering the program deficit in the Clinical Assessment and Eligibility program, respectively.

In addition, during fiscal years 2015 and 2014, CBES was required to pay a portion of the support costs for the State Home Care client system out of their prior year designated net assets. CBES' portion for fiscal years 2015 and 2014, was \$288,051 and \$130,472, respectively, and is included in other changes in net assets on the consolidated statement of activities for the years ended June 30, 2015 and 2014.

During fiscal year 2014, CBES transferred \$133,664 of *Home Care Purchase Services* and \$72,138 of *Enhanced Services Purchase Services* designated program net assets for use in covering program deficits in the Home Care Case Management and Enhanced Services Case Management programs, respectively.

*Designated Board*

CBES' board of directors voted in 2006 to designate \$200,000 of unrestricted net assets as a discretionary fund for use by CBES. As of June 30, 2015 and 2014, there has been no change in these net assets.

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**7. Designated Unrestricted Net Assets - Continued**

The following is a summary of designated net assets as of June 30, 2015 and 2014:

<i>Description</i>	<i>2014 Total</i>	<i>2015 Activity</i>	<i>2015 Total</i>
Home Care Purchase Services	\$ 110,848	\$ 251,510	\$ 362,358
Enhanced Services Purchased Services	75,421	163,385	238,806
Surplus revenue	20,812	-	20,812
Discretionary fund	200,000	-	200,000
Total	<u>\$ 407,081</u>	<u>\$ 414,895</u>	<u>\$ 821,976</u>

**8. Concentrations**

*Revenue*

CBES' primary source of funding is from contracts with the Commonwealth of Massachusetts, Executive Office of Elder Affairs (EOEA) and MassHealth, which permits it to subcontract with vendors to provide home care services to eligible clients. This funding represented 70% and 74% of revenue for fiscal years 2015 and 2014, respectively and 53% and 76% of accounts receivable as of June 30, 2015 and 2014, respectively.

*Labor*

CBES maintains a collective bargaining agreement with some of its employees and the current contract will expire on June 30, 2017. The bargaining unit represents approximately 35% and 31% of the payroll expense as of June 30, 2015 and 2014, respectively.

**9. Related Party**

*Provider Services*

During fiscal year 2015 and 2014, the President of Suburban Homemaking and Maternity Agency, Inc. (SHMA), a for-profit organization, was a member of CBES' Board of Directors. As of June 30, 2015 and 2014, SHMA provided specialized caregiver services to CBES in the amount of \$8,035,408 and \$8,693,382, respectively. At June 30, 2015 and 2014, CBES owed SHMA \$1,346,708 and \$1,306,682, respectively.

*Eldercare Alliance, Inc.*

CBES entered into a collaborative agreement with the two other Boston home care agencies (the Boston Elder Agencies) to fund Eldercare Alliance, Inc. (EA) a Massachusetts not for profit agency. The purpose of which is to provide services under the Boston Elder INFO program on behalf of the Boston Elder Agencies.

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**9. *Related Party - Continued***

During fiscal years 2015 and 2014, the Boston Elder Agencies provided their support for a proportional share of the cost of each of the Alliance's activities. As of June 30, 2015 and 2014, CBES share of the costs for these programs was \$136,335 and \$145,139, respectively. At June 30, 2015 and 2014, CBES owed EA \$59,041 and \$46,630, respectively.

*CBES Development LLC*

CBESM and CBES have a .01 percent interest in *CBES Development LLC* (CBESD) and CBES had the following transactions with CBESD:

*Acquisition Loan*

CBES sold CBESD the land to construct the elderly housing project for \$1,450,000 in 2009 and provided permanent financing of \$1,305,000, as part of the sale in the form of a note. See Note 18 for more information.

*Sponsor Loan*

CBES has provided financing of \$651,165 to CBESD to support the construction of the elderly housing project in the form of a note. See Note 18 for more information.

*Due from affiliate*

CBES has provided short term cash advances to CBESD to support the development costs of the elderly housing project. As of June 30, 2015 and 2014, CBESD owed CBES \$179,712. Due to the uncertainty of the collectability of this receivable, CBES has established an allowance of \$179,712 at June 30, 2015 and 2014, respectively.

**10. *Note Payable***

On July 23, 2004, CBES executed a bond purchase agreement in the amount of \$3,474,000 for the construction of its office building. The loan payable under this agreement has a fifteen year term with an interest rate of 5.77% per annum. The interest rate was amended effective September 30, 2013 to a base interest rate of 3.10% per annum. The loan is secured by the assets of CBES and a first mortgage on the office building. During fiscal year 2015 the outstanding balance was paid in full. At June 30, 2014, the outstanding balance was \$1,514,737.

**11. *Commitments***

*Guarantor*

CBES has executed a guaranty agreement with CBESD to guaranty full performance of CBESM, and funding of payments under the operating agreement.

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**12. Investments**

As of June 30, 2015, CBES' investment accounts are maintained at two financial institutions. The investments are subject to market fluctuations and due to the level of risk associated with investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the consolidated financial statements. See Note 16 for more information.

As of June 30, 2015 and 2014, the fair value of the investments is summarized as follows:

<i>Investment</i>	<i>2015</i>	<i>2014</i>
Money market mutual funds	\$ 7,484	\$ 10,235
Short term investments	6,138	35,615
Equity securities	978,774	1,157,634
Fixed income securities	<u>678,736</u>	<u>464,614</u>
Total	<u>\$ 1,671,132</u>	<u>\$ 1,668,098</u>

For the years ended June 30, 2015 and 2014, the following are the components of investment income:

<i>Components of Investment Income</i>	<i>2015</i>	<i>2014</i>
Investment income	\$ 43,837	\$ 29,647
Investment fees	(16,410)	(15,448)
Net realized gains on investments	40,843	1,313
Net unrealized (loss)/gain on investments	<u>(57,189)</u>	<u>178,158</u>
Total	<u>\$ 11,081</u>	<u>\$ 193,670</u>

**13. Endowment**

On July 2, 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in Massachusetts and was effective for endowments held as of June 30, 2009. As of June 30, 2015 and 2014, CBES has received permanently restricted net assets totaling \$71,000, respectively, which consist of donor restricted funds to be held in perpetuity.

The board of directors of CBES 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, CBES classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**13. *Endowment – Continued***

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CBES in a manner consistent with the standard of prudence prescribed by UPMIFA. Therefore the interest and dividends from these funds are recorded as temporarily restricted net assets, until appropriated by a vote of the CBES board of directors. These funds are invested in a money market fund to reduce risk.

The following is a summary of the endowment related activity for the years ended June 30, 2015 and 2014:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets - July 1, 2013	\$ 1,176	\$ 63,500	\$ 64,676
Contributions	-	7,500	7,500
Interest income	65	-	65
	<u>1,241</u>	<u>71,000</u>	<u>72,241</u>
Endowment net assets - June 30, 2014	<u>\$ 1,241</u>	<u>\$ 71,000</u>	<u>\$ 72,241</u>
Endowment net assets - July 1, 2014	\$ 1,241	\$ 71,000	\$ 72,241
Interest income	66	-	66
	<u>1,307</u>	<u>71,000</u>	<u>72,307</u>
Endowment net assets - June 30, 2015	<u>\$ 1,307</u>	<u>\$ 71,000</u>	<u>\$ 72,307</u>

**14. *Deferred Compensation Plan***

During fiscal year 2009, CBES established a deferred compensation plan under Internal Revenue Code Section 457(b) to provide retirement benefits for key employees. Under the terms of the plan, the funds are held by an insurance company within a guaranteed variable annuity contract and are the property of CBES until released to the employee. According to the provisions of the plan, all contributions are made on behalf of the employees by the employer. During fiscal years 2015 and 2014, CBES contributed \$14,723 and \$14,237, respectively. The funds are recorded in the *Consolidated Statement of Financial Position* as assets held in trust and the related liability is recorded as deferred compensation and both are carried at fair value of \$195,415 and \$166,416 at June 30, 2015 and 2014, respectively.

## Central Boston Elder Services, Inc.

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

### 15. *Income Taxes*

CBES is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the years ended June 30, 2015 and 2014, would be subject to Federal and state income taxes. Consequently, the accompanying consolidated financial statements do not reflect any provision for income taxes.

CBES evaluates its tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. CBES has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2015 returns and believe they are *more-likely-than-not* of being sustained if examined by Federal or state tax authorities. Fiscal years 2012 through 2014 remain subject to examination by Federal and state tax authorities.

### 16. *Fair Value Measurements*

The following is a description of the valuation methodologies used for assets at fair value and there have been no changes from the prior year in the valuation techniques and related inputs as of June 30, 2015 and 2014:

#### *Annuity Contract*

The reported values for fixed annuity options are reported daily based on the valuation method disclosed in the annuity contract as calculated by the annuity provider. In determining the reasonableness of the methodology, CBES evaluates a variety of factors including review of existing contract, economic conditions, industry and market developments and overall credit ratings.

#### *Short Term Investments*

Valued at a stable net asset value per share held at year end reported on the active market on which the individual investments are traded.

#### *Equity Securities*

Valued at the closing price reported on the active market on which the individual securities are traded.

#### *Fixed Income Securities*

Valued at the net asset value of shares held at year end reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CBES believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Central Boston Elder Services, Inc.**

Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**16. Fair Value Measurements - Continued**

Fair value of the assets is measured on a recurring basis and at June 30, 2015 and 2014 were as follows:

<i>Description</i>	<i>June 30, 2015 Fair Value</i>	<i>Inputs Level 1</i>	<i>Inputs Level 2</i>
Annuity contract	\$ 195,415	\$ -	\$ 195,415
Money market mutual funds	7,484	7,484	-
Short term investments	6,138	6,138	-
Equity securities:			
<i>Blend funds</i>	140,398	140,398	-
<i>Trust funds</i>	251,039	251,039	-
<i>Domestic funds</i>	328,850	328,850	-
<i>International funds</i>	160,345	160,345	-
<i>Multi-alternative funds</i>	98,142	98,142	-
Fixed income securities	678,736	678,736	-
Total	<u>\$ 1,866,547</u>	<u>\$ 1,671,132</u>	<u>\$ 195,415</u>

<i>Description</i>	<i>June 30, 2014 Fair Value</i>	<i>Inputs Level 1</i>	<i>Inputs Level 2</i>
Annuity contract	\$ 166,416	\$ -	\$ 166,416
Money market mutual funds	10,235	10,235	-
Short term investments	35,615	35,615	-
Equity securities:			
<i>Growth funds</i>	31,217	31,217	-
<i>Value funds</i>	33,941	33,941	-
<i>Index funds</i>	73,199	73,199	-
<i>Trust funds</i>	274,139	274,139	-
<i>Domestic</i>	291,543	291,543	-
<i>International</i>	125,181	125,181	-
<i>Balanced funds</i>	296,462	296,462	-
<i>Multi-alternative</i>	31,952	31,952	-
Fixed income securities	464,614	464,614	-
Total	<u>\$ 1,834,514</u>	<u>\$ 1,668,098</u>	<u>\$ 166,416</u>

**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**17. Contingencies**

*Surplus Revenue*

The excess revenue generated from the Commonwealth of Massachusetts Programs, as indicated in Note 6, resulted in an excess surplus of \$28,012 as of June 30, 2007. During fiscal year 2013, EOEА directed the use of \$7,200 of these funds to be used with in the Enhanced Services program, leaving a balance of \$20,812. The final resolution of the remaining funds will be determined by EOEА and as of the date of this report no determination has been made. Accordingly, as of June 30, 2015 no provision for any liability that may result has been made in the consolidated financial statements and the amount is contained within designated net assets-programs.

*Grant Funding*

CBES' various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with these grantor agencies. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined although management does not anticipate any. Therefore, no adjustment has been made to the consolidated financial statements.

**18. Notes Receivable**

*Acquisition Loan*

CBES provided a loan of \$1,305,000 to CBESD, dated November 30, 2009. The loan will mature August 27, 2051 and is secured by a shared second mortgage on the elderly housing project. The loan accrues interest at the rate of 4.0% compounded annually. Payment of principal and interest shall be paid from cash flow as defined in the loan agreement, or at maturity. At June 30, 2015 and 2014, the outstanding balance was \$1,305,000 and accrued interest on the loan was \$319,507 and \$254,870, respectively. Due to the uncertainty of the collectability of the loan, management has elected to establish an allowance for doubtful accounts for \$319,507 and \$254,870 at June 30, 2015 and 2014, respectively.

*Sponsor Loan*

CBES provided a loan of \$651,165 to CBESD, dated August 27, 2010. The loan will mature on August 27, 2051 and is secured by a shared second mortgage on the elderly housing project. The loan accrues interest at the rate of 3.0% simple interest. Payment of principal and interest shall be paid from cash flow as noted in the agreement or at maturity. At June 30, 2015 and 2014, the outstanding balance was \$651,165 and accrued interest on the loan was \$98,772 and \$79,237, respectively. Due to the uncertainty of the collectability of the loan, management has elected to establish an allowance for doubtful accounts for \$98,772 and \$79,237 at June 30, 2015 and 2014, respectively.



**Central Boston Elder Services, Inc.**  
Notes to Consolidated Financial Statements – *Continued*  
June 30, 2015 with Comparative Totals as of June 30, 2014

**19. Subsequent Events**

CBES has performed an evaluation of subsequent events through November 5, 2015, which is the date the consolidated financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 that requires recognition or disclosure in these consolidated financial statements.