

GENESIS CLUB HOUSE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

O'CONNOR, MALONEY & COMPANY, P.C.

Certified Public Accountants

446 MAIN STREET, WORCESTER, MASSACHUSETTS 01608-2370

Telephone 508/757-6391 Facsimile 508/797-9307

INDEPENDENT AUDITOR'S REPORT

November 7, 2016

The Board of Directors
Genesis Club House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Genesis Club House, Inc., which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Genesis Club House, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2016, on our consideration of Genesis Club House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Genesis Club House, Inc.'s internal control over financial reporting and compliance.

O'Connor, Maloney and Company

Certified Public Accountants

**GENESIS CLUB HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
Assets		
Cash	266,721	215,113
Accounts Receivable	206,053	223,252
Pledges Receivable, Net	65,363	135,242
Prepaid Expenses	20,866	18,945
Property, Plant and Equipment, Net	<u>1,506,719</u>	<u>1,525,860</u>
Total Assets	<u><u>2,065,722</u></u>	<u><u>2,118,412</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	8,955	19,694
Deferred Revenue	31,250	23,250
Accrued Expenses	108,790	132,338
Long-Term Debt	<u>305,985</u>	<u>349,302</u>
Total Liabilities	<u>454,980</u>	<u>524,584</u>
Net Assets:		
Unrestricted	1,305,081	1,181,822
Temporarily Restricted	<u>305,661</u>	<u>412,006</u>
Total Net Assets	<u>1,610,742</u>	<u>1,593,828</u>
Total Liabilities and Net Assets	<u><u>2,065,722</u></u>	<u><u>2,118,412</u></u>

See accompanying notes to financial statements.

GENESIS CLUB HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Grants and Donations	205,087	137,624	342,711	178,539	286,500	465,039
Program Service Fees	1,174,403		1,174,403	1,088,906		1,088,906
Interest Income	83		83	126		126
Other	212,912		212,912	239,305		239,305
Net Assets Released from Restrictions	243,969	(243,969)	-	266,937	(266,937)	-
Total Support and Revenue	<u>1,836,454</u>	<u>(106,345)</u>	<u>1,730,109</u>	<u>1,773,813</u>	<u>19,563</u>	<u>1,793,376</u>
Expenses						
Program Services:						
Club House	1,020,089		1,020,089	986,362		986,362
Supported Housing	39,346		39,346	48,862		48,862
Competitive Integrated Employment Services	99,826		99,826	91,913		91,913
Colleague Training	89,444		89,444	108,141		108,141
Supported Housing-HUD	139,855		139,855	133,251		133,251
Peer Support in Aftercare	64,970		64,970	69,549		69,549
Total Program Services	<u>1,453,530</u>	<u>-</u>	<u>1,453,530</u>	<u>1,438,078</u>	<u>-</u>	<u>1,438,078</u>
Supporting Services:						
Fundraising Expense	16,097		16,097	21,277		21,277
Management and General	243,568		243,568	251,823		251,823
Total Expenses	<u>1,713,195</u>	<u>-</u>	<u>1,713,195</u>	<u>1,711,178</u>	<u>-</u>	<u>1,711,178</u>
Change in Net Assets	<u>123,259</u>	<u>(106,345)</u>	<u>16,914</u>	<u>62,635</u>	<u>19,563</u>	<u>82,198</u>
Net Assets, Beginning	<u>1,181,822</u>	<u>412,006</u>	<u>1,593,828</u>	<u>1,119,187</u>	<u>392,443</u>	<u>1,511,630</u>
Net Assets, Ending	<u>1,305,081</u>	<u>305,661</u>	<u>1,610,742</u>	<u>1,181,822</u>	<u>412,006</u>	<u>1,593,828</u>

See accompanying notes to financial statements.

GENESIS CLUB HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Club House	Supported Housing	Competitive Integrated Employment Services - State	Competitive Integrated Employment Services - West	Colleague Training	Supported Housing- HUD	Peer Support in Aftercare	Total Program Services	Fund-raising Expenses	Management and General	Total
Salaries and Related Costs	611,929	20,715	46,222	33,935	53,960	137,896	60,909	965,569	15,510	192,153	1,173,229
Occupancy	181,398	6,848	1,190	874	17,542		859	208,711		5,104	213,815
Other Program/Operating Expenses	113,796	667	8,270	6,072	10,334	379	374	139,892		399	140,291
Administrative Expenses	68,342	3,810	568	416	4,509		583	78,438	587	37,045	116,070
Subtotal	975,465	32,040	56,250	41,297	86,445	138,275	62,835	1,392,607	16,097	234,701	1,643,405
Depreciation and Amortization	43,925	7,305	1,314	965	2,999	1,690	950	59,039		8,867	67,906
Bad Debt Expense	939						1,185	1,894			1,894
Total	1,020,289	39,345	57,564	42,262	89,444	139,865	64,970	1,453,530	16,097	243,568	1,713,195

See accompanying notes to financial statements.

GENESIS CLUB HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Club House	Supported Housing	Competitive Integrated Employment Services - State	Competitive Integrated Employment Services - West	Colleague Training	Supported Housing - HUD	Peer Support In-Aftercare	Total Program Services	Fund-raising Expenses	Management and General	Total
Salaries and Related Costs	577,202	28,763	44,466	31,154	59,827	130,279	66,464	937,955	21,277	193,669	1,152,901
Occupancy	190,483	8,259	1,514	1,061	35,965		1,071	238,373		8,559	246,932
Other Program/Operating Expenses	110,698	494	6,183	4,332	4,848	1,379	589	128,493			128,493
Administrative Expenses	69,538	4,051	545	382	4,549	16	508	78,587		38,568	117,155
Subtotal	946,921	41,567	52,708	36,929	105,009	131,674	68,600	1,383,408	21,277	240,796	1,645,481
Depreciation and Amortization	39,441	7,295	1,338	938	3,132	1,577	949	54,670		11,027	65,697
Total	986,362	48,862	54,046	37,867	108,141	133,251	69,549	1,438,078	21,277	251,823	1,711,178

See accompanying notes to financial statements.

GENESIS CLUB HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

INCREASE (DECREASE) IN CASH

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	<u>16,914</u>	<u>82,198</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	67,906	65,697
(Increase) Decrease in Accounts Receivable	17,199	(53,463)
(Increase) Decrease in Pledges Receivable, Net	69,879	(70,511)
(Increase) Decrease in Prepaid Expenses	(1,921)	3,224
Increase (Decrease) in Accounts Payable	(10,739)	3,888
Increase (Decrease) in Deferred Revenue	8,000	(6,750)
Decrease in Accrued Expenses	<u>(23,548)</u>	<u>(48,388)</u>
Total Adjustments	<u>126,776</u>	<u>(106,303)</u>
Net Cash Provided by (Used in) Operating Activities	<u>143,690</u>	<u>(24,105)</u>
Cash Flows from Investing Activities		
Capital Expenditures	<u>(48,765)</u>	<u>(30,794)</u>
Cash Flows from Financing Activities		
Repayments of Amounts Borrowed	<u>(43,317)</u>	<u>(281,613)</u>
Net Increase (Decrease) in Cash	51,608	(336,512)
Cash, Beginning	<u>215,113</u>	<u>551,625</u>
Cash, Ending	<u><u>266,721</u></u>	<u><u>215,113</u></u>

See accompanying notes to financial statements.

GENESIS CLUB HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1. Organization

Genesis Club House, Inc. (the Organization) is a not-for-profit organization located in Worcester, Massachusetts. It provides comprehensive services, including vocational and social training, to individuals with long term psychiatric illnesses. The Organization also offers training services to the staff members of other similar organizations.

Note 2. Summary of Significant Accounting Policies

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Grants and other contributions are reported as temporarily 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

As of June 30, 2016 and 2015, temporarily restricted net assets include funds restricted for capital expenditures. The Organization implies a time restriction that expires over the estimated useful lives of the capital assets acquired with funds restricted for their acquisition. Temporarily restricted net assets are also subject to time restrictions.

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

GENESIS CLUB HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 2. Summary of Significant Accounting Policies (cont.)

Property, Plant and Equipment are stated at cost or, if donated, at the estimated market value at the date of donation, and are depreciated on a straight-line basis over their estimated useful lives.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required. Donors may deduct contributions made to the Organization within the Internal Revenue Code regulations. Management does not believe the Organization's financial statements include any uncertain tax positions. Generally, the Organization's tax returns remain subject to examination for a period of three years.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 3. Pledges Receivable

	2016	2015
Pledges Receivable consist of:		
Unconditional promises scheduled to be received in:		
Less than one year	63,700	68,500
One to five years	4,000	76,900
	<u>67,700</u>	<u>145,400</u>
Less: Allowance for Uncollectibles and Unamortized Discount to Present Value	<u>2,337</u>	<u>10,158</u>
Net	<u><u>65,363</u></u>	<u><u>135,242</u></u>

GENESIS CLUB HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 4. Property, Plant and Equipment

	2016	2015
Property, Plant and Equipment consists of:		
Land	114,409	114,409
Buildings	1,843,997	1,843,997
Building Improvements	151,223	151,223
Furniture and Equipment	225,568	225,568
Motor Vehicles	67,901	21,895
	2,403,098	2,357,092
Less: Accumulated Depreciation	896,379	831,232
Net	1,506,719	1,525,860

Furniture and equipment with a net book value of \$342 at June 30, 2016 were acquired with funds provided by the Commonwealth of Massachusetts through a capital budget. The title to these assets remains with the state.

Note 5. Line of Credit

The Organization has \$100,000 of borrowings available under a line of credit agreement with a bank that is secured by substantially all assets of the Organization. Interest is payable monthly at the bank's prime lending rate. There were no outstanding amounts on the line of credit as of June 30, 2016.

GENESIS CLUB HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 6. Long-Term Debt

	2016	2015
Long-Term Debt consists of:		
Mortgage note payable to a bank, due in monthly installments of \$5,387, including interest at 6.75% through September 2012. During September 2012, the note was modified extending the term of payments on the note to monthly installments, beginning in October 2012, of \$4,867, including interest at 4.50% through June 15, 2022. The note is secured by a mortgage on real estate.	<u>305,985</u>	<u>349,302</u>

The following are maturities of Long-Term Debt for each of the next five years and thereafter:

Year Ending June 30:	
2017	45,614
2018	47,710
2019	49,902
2020	52,194
2021	54,592
Thereafter	<u>55,973</u>
Total	<u><u>305,985</u></u>

The above long-term bank note carries with it provisions requiring the Organization to maintain certain financial covenants. At June 30, 2016, all covenants were met by the Organization.

Interest expense incurred and paid on all corporate obligations totaled \$15,327 in 2016 and \$21,630 in 2015.

GENESIS CLUB HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 7. Pension Plan

The Organization maintains a qualified 401(k) retirement plan which covers substantially all employees. Employer matching and "profit sharing" contributions are determined by the Board of Directors annually and totaled \$15,459 for 2016 and \$14,978 for 2015.

Note 8. Operating Leases

The Organization leases office equipment under a non-cancelable operating lease that expires during 2019.

The following is a schedule of minimum future lease payments required under the lease, for each of the next three years, as of June 30, 2016:

Year Ending June 30:

2017	9,268
2018	9,268
2019	<u>9,268</u>
Total Minimum Future Lease Payments	<u><u>27,804</u></u>

Rent expense under the lease totaled \$8,867 in 2016 and \$12,505 in 2015.

Note 9. Temporarily Restricted Net Assets

	2016	2015
Temporarily Restricted Net Assets consist of:		
Purpose Restrictions		
Capital Campaign	235,798	269,746
Capital Improvements	4,500	4,500
Landscape and Beautification	<u>-</u>	<u>2,518</u>
	240,298	276,764
Time Restrictions		
Pledges Receivable	<u>65,363</u>	<u>135,242</u>
Total	<u><u>305,661</u></u>	<u><u>412,006</u></u>

GENESIS CLUB HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 10. Concentrations

The Organization receives a substantial amount of its support and revenue from the Commonwealth of Massachusetts. If a significant reduction in the level of this support and revenue were to occur, it may have an effect on the Organization's programs and activities.

The Organization also has financial instruments, consisting primarily of cash, which potentially expose the Organization to concentrations of credit and market risk. Cash is held at local banks. The Organization has not experienced any losses on its cash. In the ordinary course of business, the Organization has, at various times, cash deposits with a bank which are in excess of federally insured limits.

Note 11. Contingency

The Organization received financial assistance in the form of federal and state contracts. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of contracts and budgets and applicable regulations including the expenditures of the resources for eligible purposes. Substantially all contracts are subject to financial and compliance audits by each funding source. Any disallowance as a result of audits becomes a liability of the Organization. As of June 30, 2016, the Organization does not anticipate any material liabilities will result from such audits.

The Organization is a defendant in a complaint filed with the Massachusetts Commission Against Discrimination by one of its employees for alleged discrimination. The Organization's legal counsel has advised that, at this stage in the proceedings, he cannot offer an opinion as to the probable outcome or effect on the Organization's financial position, as a hearing date has not yet been set. The Organization's management believes the complaint is without merit and is vigorously defending its position.

Note 12. Date Through Which Subsequent Events Have Been Evaluated

The Organization has evaluated all material subsequent events from the end of the fiscal year through November 7, 2016, the date the financial statements were available to be issued.