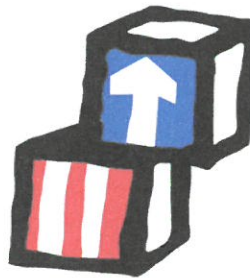




Early Learning Program
2015-2016 Annual Report

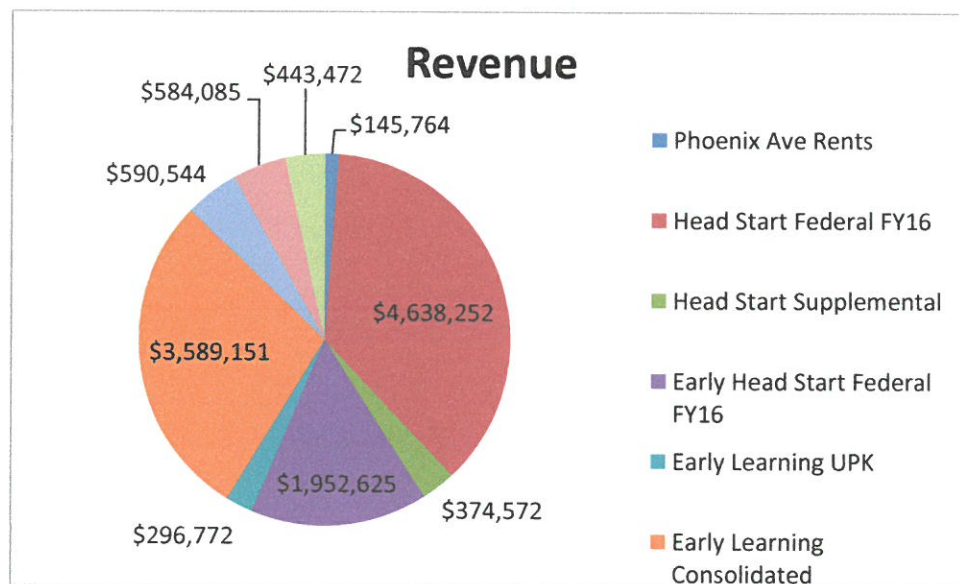


In accordance with Sec. 644 {42 U.S.C. 9839} of the Head Start Act, Community Teamwork's Early Head Start/Head Start program is required to complete an annual report that outlines the following:

- I. Total amount of public and private funds received and the amount from each source.
- II. An explanation of budgetary expenditures and proposed budget for the fiscal year.
- III. The total number of children and families served, the average monthly enrollment and the percentage of eligible children served.
- IV. The results of the most recent review by the Secretary and the financial audit.
- V. The percentage of enrolled Children that received medical and dental exams.
- VI. Information about parent involvement activities.
- VII. The agency's efforts to prepare children for kindergarten
- VIII. Any other information required by the secretary.

Below is the summation of these areas:

I. Public and Private funding received from July 1, 2015 to October 31, 2016



II. An explanation of budgetary expenditures and proposed budget for the fiscal year.

Revenue Assumptions:

The budget assumptions are built upon the current grant awards. We do not anticipate seeing additional funds during the 2017 grant year, nor do we foresee any reductions in the funding.

2017 Expense Assumptions

Personnel:

The Early Learning Program proposed to reduce its overall enrollment in Early Head Start and Head Start by 10%. In total the program will reduce 17 EHS Home Based, 36 HS Home Based, 15 HS Center Based for a total of 68 seats, (10.3%). The cuts will mean a reduction of 7 total Full Time Employees: 6

in direct care (4 home visitors and 2 educators) and 1 to a management position. The cost savings of reducing our enrollment will be re-distributed to all positions, with the majority of the funds being used to increase Teacher compensation. With the realized cost saving, we were able to institute a 3% increase to all staff in the program in July of 2016. Additionally, this increase will bring the pay of Teachers in line with the Preschool Expansion Grant and the Lowell Public School. The new teacher wage scale will be:

Head Start	HS	CDA	AA	AA +5	AA +10	BA	BA +5	BA +10	MA	MA +5	MA +10
Preschool Lead Teacher			\$18.75	\$19.71	\$20.67	\$20.67	\$21.63	\$22.60	\$22.60	\$23.56	\$24.52
Preschool Teacher		\$15.87	\$16.83	\$17.79	\$18.75	\$18.75					
Early Head Start	HS	CDA	AA	AA +5	AA +10	BA	BA +5	BA +10	MA	MA +5	MA +10
Infant Toddler Lead Teacher			\$18.75	\$19.71	\$20.67	\$20.67	\$21.63	\$22.60	\$22.60	\$23.56	\$24.52

The Early Learning Program began the 2015-2016 program year with vacancies in the Assistant Early Learning Director, Family Support Director and the Budget Coordinator roles. The Leadership Team paused before filling these positions to take a close look at program and staff needs, assessing how to best fill these positions, ensuring an organizational structure that supports the accomplishment of program goals and requirements. The new management organizational chart and program operations organizational chart depicting program size reduction and new staffing patterns is included in the Appendix.

Fringe Benefits:

The 2017 grant assumes a 5% increase to Health insurance based on historical trends.

Indirect Rate:

Community Teamwork has maintained its Federally Approved indirect rate from of 11.5%.

Equipment, Materials and Supplies:

The 2017 assumes similar spending patterns for program supplies, educational materials and offices supplies as in 2016.

Contractual:

Contractual funds will be used to support building operations, maintenance of the buses, and education and mental health consultants to support teachers and children in the classroom. Additional proposed positions will allow us to lower the cost of this line item.

Other:

In 2017, Community Teamwork will purchase Toddler Corner, which currently provides offices space for our Home Based program and classroom space for 12 toddlers. Beyond this, there are no planned changes to our centers and facilities during the 2016-2017 program year.

Non-Federal Share:

The budget plan for the NFS budget with details and activities will be as follows:

2017 In-Kind Budget			
	Early Head Start	Head Start	Total
Head Start Supplemental Grant	\$93,276	\$279,828	\$373,104
Rental income-Phoenix Ave.	\$12,743	\$38,230	\$50,974
Health and Wellness Grant	\$2,500	\$7,500	\$10,000
Parent/Community Volunteer Hours	\$222,206	\$666,618	\$888,824
MVTS	\$8,750	\$26,250	\$35,000
Anne Sullivan	\$80,480		\$80,480
IEP Transportation Services		\$18,000	\$18,000
Training and Technical Assistance	\$46,142	\$42,311	\$88,453
Parking Spaces	\$2,000	\$4,000	\$6,000
Parker Ave. Lease		\$29,995	\$29,995
Admin Loss	\$24,138	\$72,413	\$96,550
Total In-Kind	\$492,335	\$1,195,145	\$1,677,980
In-Kind Obligation	\$496,845	\$1,190,436	\$1,677,881
	-\$4,710	\$4,709	-\$1

III. The total number of children and families served, the average monthly enrollment and the percentage of eligible children served.

In 2015-2016, The Early Learning program saw unprecedented turnover within our teacher ranks. This was primarily a result of the community receiving the Preschool Expansion Grant, which hired 12 of our highest qualified teachers. In addition, the opening of our Parker Ave. School was delayed during the program year, but received its EEC license in April of 2016.

As a result, the program did not meet 100% of funded enrollment. Funded enrollment was 145 in Early Head Start and 518 in Head Start. We realized a total of 139 children in Early Head Start and 470 children in Head Start.

The cumulative number of children served during the program year:

EHS:

226 children, 12 pregnant women
196 families
10 total participants were over-income (4%)

HS:

571 children
526 families
57 total participants were over-income (10%)

IV. The results of the most recent review by the Secretary and the financial audit.

See addendum A and B

V. The percentage of enrolled Children that received medical and dental exams.

EHS:

Medical –90 %
Dental –81%

HS:

Medical –96 %
Dental –92%

VI. Information about parent involvement activities.

Each center and the home based program held monthly parent committee meetings, as well as other family engagement and parent education opportunities. Events with particularly high participation included: CPR and First Aid Training, Teen Parent Cafes, Family Fun Night “Circus”, and our Kindergarten Registration Information Session

Each classroom in center-based programs holds a monthly father-involvement event in which dads are invited into the classroom to participate in educational activities for children. These events are generally well-attended.

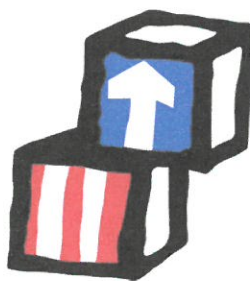
Policy Council had excellent parent participation this year, with an average of parents at each meeting.

IX. The agency’s efforts to prepare children for kindergarten

See 2015-2016 School Readiness Executive Summary Report.



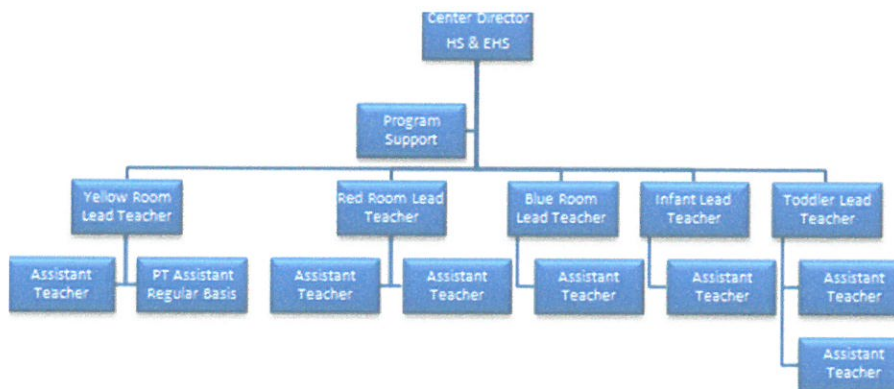
Early Learning Program
2015-2016 Annual Report
Appendix



Early Learning Program Leadership:

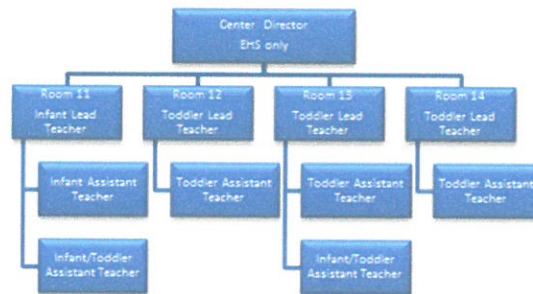
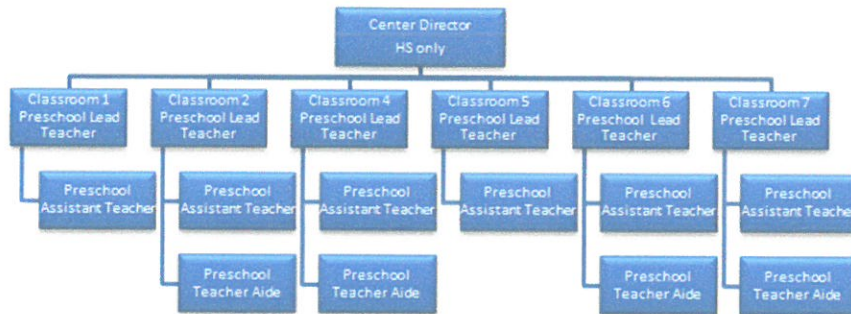


Children's Village at the Mill:

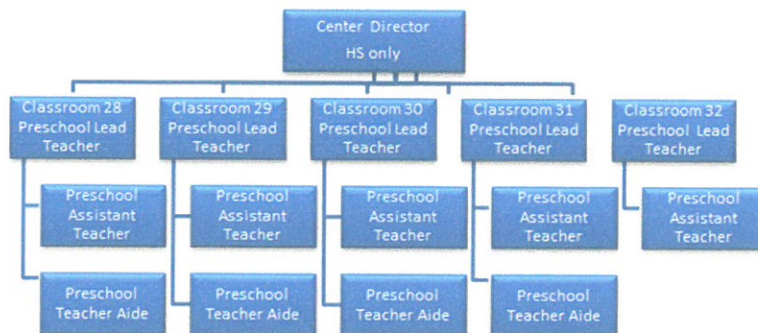
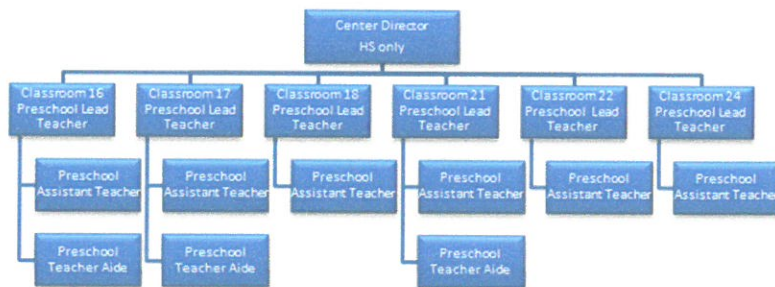


James Houlares Center:

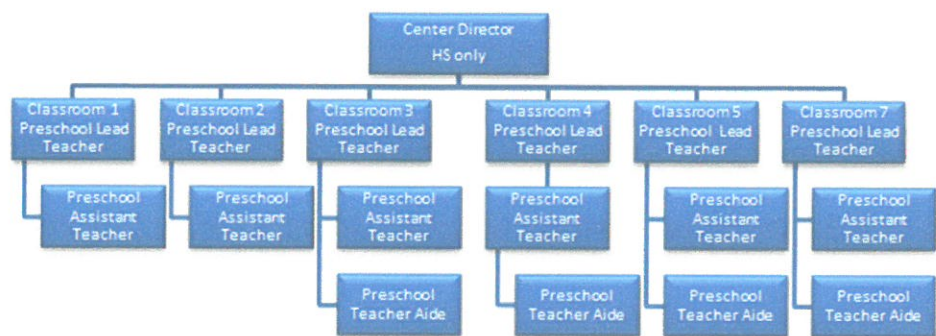
Floor 1



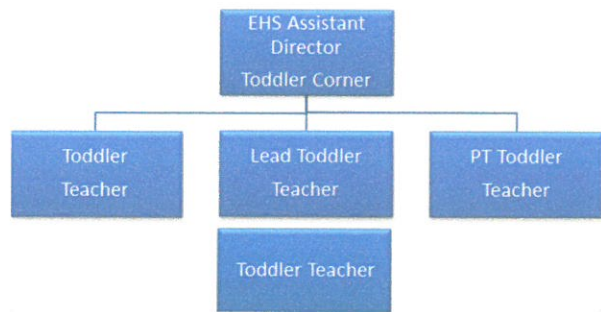
Floor 2



Parker Ave:



Toddler Corner:

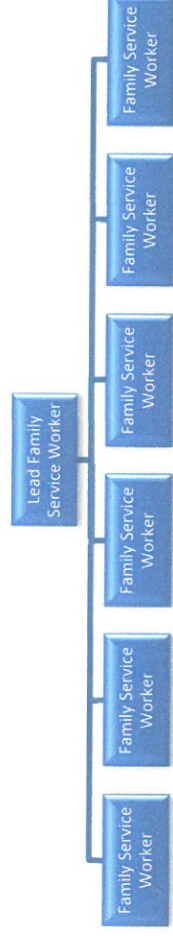


Home Based Program:

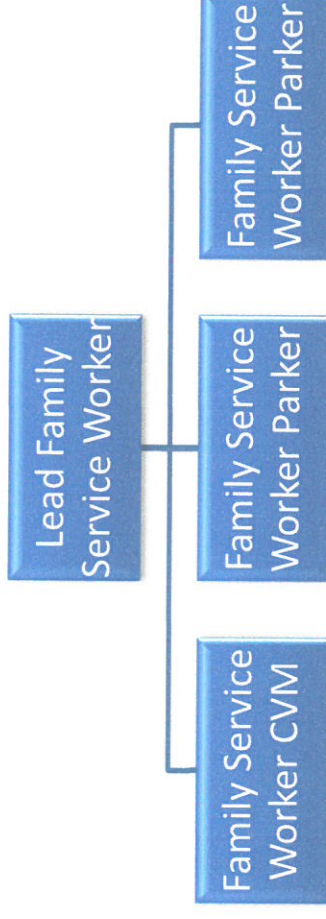


Family Support Workers

Center 1:



Parker/Village:



ANSTISS

CERTIFIED
PUBLIC
ACCOUNTANTS

Community Teamwork, Inc.

Consolidated Financial Statements

June 30, 2015 and 2014

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

Community Teamwork, Inc.
Consolidated Financial Statements
June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
Community Teamwork, Inc.

We have audited the accompanying consolidated financial statements of Community Teamwork, Inc. and its affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated 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 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 audits. We conducted our audits 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 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 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 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 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 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 financial position of Community Teamwork, Inc. and its affiliates as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Anstiss & Co., P. C.

Lowell, MA

November 9, 2015

Community Teamwork, Inc.
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 5,068,357	\$ 5,005,479
Short-term investment	20,513	10,175
Accounts receivable	3,541,706	4,796,233
Prepaid expenses and other current assets	490,686	515,508
Total current assets	<u>9,121,262</u>	<u>10,327,395</u>
Fixed assets - net	<u>15,604,372</u>	<u>14,944,708</u>
Other assets		
Escrow deposits and construction reserves	842,509	835,709
Notes receivable - net	4,241,600	3,861,690
Development property	1,002,015	184,362
Beneficial interest in assets held by GLCF	162,842	162,769
Intangible assets	442,728	448,073
Other assets	76,975	78,612
Total other assets	<u>6,768,669</u>	<u>5,571,215</u>
Total assets	<u>\$ 31,494,303</u>	<u>\$ 30,843,318</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,446,825	\$ 1,820,062
Accrued vacation	749,342	750,203
Line of credit	249,931	-
Notes payable	993,233	172,184
Advances on contracts	2,897,220	3,641,324
Other current liabilities	1,456,551	1,379,099
Total current liabilities	<u>7,793,102</u>	<u>7,762,872</u>
Long-term liabilities		
Notes payable	12,441,754	11,563,811
Other long-term liabilities	307,415	147,690
Total long-term liabilities	<u>12,749,169</u>	<u>11,711,501</u>
Total liabilities	<u>20,542,271</u>	<u>19,474,373</u>
Net assets		
Unrestricted		
Controlling interest	47,346	529,986
Noncontrolling interest	2,278,505	2,425,411
Total unrestricted net assets	<u>2,325,851</u>	<u>2,955,397</u>
Temporarily restricted	8,626,181	8,413,548
Total net assets	<u>10,952,032</u>	<u>11,368,945</u>
Total liabilities and net assets	<u>\$ 31,494,303</u>	<u>\$ 30,843,318</u>

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

Community Teamwork, Inc.
Consolidated Statements of Activities
For the Years Ended June 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	2015 Total	Unrestricted	Temporarily Restricted	2014 Total
Revenue and Support						
Contract revenue	\$ 72,468,129	\$ -	\$ 72,468,129	\$ 74,444,343	\$ -	\$ 74,444,343
Service fees and grants	6,651,366	428,128	7,079,494	6,015,095	620,762	6,635,857
Rental income	1,762,120	-	1,762,120	1,690,621	-	1,690,621
Other income	409,124	-	409,124	406,832	-	406,832
Contribution - 0% financing	-	150,347	150,347	-	-	-
Local revenue	14,681	-	14,681	21,793	-	21,793
Net assets released from restriction	948,525	(948,525)	-	293,501	(293,501)	-
Total revenue and support	82,253,945	(370,050)	81,883,895	82,872,185	327,261	83,199,446
Expenses						
Program services						
Housing and homeless services	42,942,559	-	42,942,559	47,344,077	-	47,344,077
Child and family services	22,545,483	-	22,545,483	18,954,728	-	18,954,728
Energy and community resources	11,952,591	-	11,952,591	12,272,424	-	12,272,424
Local initiative	1,004,891	-	1,004,891	812,363	-	812,363
Total program services	78,445,524	-	78,445,524	79,383,592	-	79,383,592
Supportive services						
Management and general	3,329,990	-	3,329,990	3,050,565	-	3,050,565
Fundraising	201,413	-	201,413	68,064	-	68,064
Total expenses	81,976,927	-	81,976,927	82,502,221	-	82,502,221
Change in Net Assets from Operations						
Before Transfer of Program Assets	277,018	(370,050)	(93,032)	369,964	327,261	697,225
Transfer of Program Assets	(323,881)	-	(323,881)	-	-	-
Change in Net Assets from Operations	(46,863)	(370,050)	(416,913)	369,964	327,261	697,225
Other Net Asset Transfers	(582,683)	582,683	-	(519,769)	519,769	-
Change in Net Assets	(629,546)	212,633	(416,913)	(149,805)	847,030	697,225
Capital Contributed, net of syndication costs	-	-	-	557,353	-	557,353
Net Assets - Beginning of Year	2,955,397	8,413,548	11,368,945	2,547,849	7,566,518	10,114,367
Net Assets - End of Year	\$ 2,325,851	\$ 8,626,181	\$ 10,952,032	\$ 2,955,397	\$ 8,413,548	\$ 11,368,945

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

Community Teamwork, Inc.
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2015 and 2014

	Housing and Homeless Services	Child and Family Services	Energy and Community Resources	Local Initiative	Total Program Services	Management and General	Fundraising	2015 Total
Client payments	\$ 34,316,764	\$ 7,206,649	\$ 8,903,971	\$ 358,220	\$ 50,785,604	\$ -	\$ 195	\$ 50,785,799
Salaries	3,494,321	8,511,236	1,639,689	378,593	14,023,839	1,728,532	64,268	15,816,639
Taxes and benefits	1,149,619	3,148,803	579,341	106,225	4,983,988	434,535	13,626	5,432,149
Occupancy	964,118	905,198	129,150	64,089	2,062,555	173,738	310	2,236,603
Contract services	980,911	611,789	219,232	11,325	1,823,257	352,109	338	2,175,704
Other expenses	221,278	1,382,080	225,961	30,092	1,859,411	95,786	75,276	2,030,473
Other administrative expenses	754,868	405,131	167,723	48,824	1,376,546	468,988	47,147	1,892,681
Depreciation	568,626	345,375	36,659	5,723	956,383	56,359	-	1,012,742
Interest expense	490,944	28,712	22,335	-	541,991	12,690	149	554,830
Consultants	1,110	510	28,530	1,800	31,950	7,253	104	39,307
Total expenses	\$ 42,942,559	\$ 22,545,483	\$ 11,952,591	\$ 1,004,891	\$ 78,445,524	\$ 3,329,990	\$ 201,413	\$ 81,976,927

	Housing and Homeless Services	Child and Family Services	Energy and Community Resources	Local Initiative	Total Program Services	Management and General	Fundraising	2014 Total
Client payments	\$ 37,344,994	\$ 4,743,001	\$ 9,356,794	\$ 123,384	\$ 51,568,173	\$ -	\$ -	\$ 51,568,173
Salaries	3,502,149	7,827,698	1,575,706	398,665	13,304,218	1,661,370	32,134	14,997,722
Taxes and benefits	1,232,523	2,907,470	550,892	92,936	4,783,821	363,331	8,012	5,155,164
Occupancy	1,059,000	871,212	118,581	77,403	2,126,196	163,374	284	2,289,854
Contract services	2,119,494	523,638	79,240	16,268	2,738,640	291,239	1,772	3,031,651
Other expenses	277,386	1,485,214	325,991	36,884	2,125,475	105,891	16,566	2,247,932
Other administrative expenses	732,330	272,953	179,564	59,666	1,244,513	395,596	9,296	1,649,405
Depreciation	565,654	303,760	32,369	6,807	908,590	56,770	-	965,360
Interest expense	500,798	19,557	23,105	-	543,460	11,954	-	555,414
Consultants	9,749	225	30,182	350	40,506	1,040	-	41,546
Total expenses	\$ 47,344,077	\$ 18,954,728	\$ 12,272,424	\$ 812,363	\$ 79,383,592	\$ 3,050,565	\$ 68,064	\$ 82,502,221

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

Community Teamwork, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (416,913)	\$ 697,225
Adjustments to reconcile change in net assets to net cash provided by (utilized in) operating activities:		
Non-cash contributions - 0% financing	(150,347)	-
Non-cash interest expense - 0% financing	78,784	73,819
Depreciation	1,012,742	965,360
Amortization	16,841	16,553
Bad debt expense	119,663	9,618
<i>Changes in Assets and Liabilities</i>		
Decrease (increase) in accounts receivable	1,134,864	(1,822,898)
Decrease (increase) in prepaid expenses	24,822	(59,731)
Increase in escrow deposits and construction reserves	(6,800)	(189,519)
Increase in notes receivable	(379,910)	(250,612)
Increase in beneficial interest in assets held by GLCF	(73)	(21,113)
Decrease in other assets	1,637	1,638
(Decrease) increase in accounts payable	(373,237)	333,199
(Decrease) increase in accrued vacation	(861)	74,146
Decrease in advances on contracts	(744,104)	(285,805)
Increase in other liabilities	77,452	87,997
Increase in other long-term liabilities	159,725	127,416
Net Cash Provided by (Utilized in) Operating Activities	<u>554,285</u>	<u>(242,707)</u>
Cash Flows from Investing Activities		
Purchase of short-term investment	(10,338)	(40)
Purchase of fixed assets and development property	(2,490,059)	(736,463)
Net Cash Utilized in Investing Activities	<u>(2,500,397)</u>	<u>(736,503)</u>
Cash Flows from Financing Activities		
Payment of financing fees	(11,496)	-
Proceeds from (payments to) line of credit - net	249,931	(55,000)
Proceeds from notes payable	2,431,885	219,168
Payments on notes payable	(661,330)	(450,490)
Capital contributed, net of syndication costs	-	557,353
Net Cash Provided by Financing Activities	<u>2,008,990</u>	<u>271,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,878	(708,179)
Cash and Cash Equivalents - Beginning	5,005,479	5,713,658
Cash and Cash Equivalents - Ending	<u>\$ 5,068,357</u>	<u>\$ 5,005,479</u>
Supplemental Data:		
Interest paid	\$ 471,527	\$ 477,769
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 1 – Organization

Community Teamwork, Inc. ("CTI") was organized in the Commonwealth of Massachusetts as a not-for-profit organization. The Organization provides economic assistance, through Community Action Programs funded by various federal, state and local agencies, to eligible clients within its service area. The service area of the Organization includes the City of Lowell, Massachusetts and its surrounding communities.

Note 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of CTI and its affiliates (collectively the "Organization"); Merrimack Valley Housing Services, Inc. ("MVHS"), Mechanics Hall Corporation ("MHC"), Common Ground Development Corporation ("CGDC"), Towne School Limited Partnership ("TSLP"), CGDC, LLC ("LLC"), Towne School GP, LLC ("TSGP"), SB2 Housing Limited Partnership ("SB2"), SB2 Housing GP, LLC ("SB2GP"), and Community Housing, Inc. ("CHI"). Inter-company transactions and balances have been eliminated in consolidation. The Organization provides economic assistance, through Community Action Programs funded by various federal, state and local agencies, to eligible clients within its service area. The service area of the Organization includes the City of Lowell, Massachusetts and its surrounding communities. CGDC owns a 100% interest in LLC.

TSLP and TSGP are entities created to develop a 15-unit low and moderate income rental project in the Town of Acton, Massachusetts. CGDC owns a 79% interest in TSGP. CGDC also owns a 1% interest (through TSGP) in TSLP but is considered to be in control of the entity for financial and operational reporting purposes. TSLP and TSGP have complex operating, ownership and governance structures relating to the allocation of tax credits and administration of private equity investment into the project.

SB2 and SB2GP are entities created to develop a 36-unit low income housing in the Town of Westford, Massachusetts. CGDC owns a .51% interest in SB2, through its 100% interest in SB2GP. CGDC is considered to be in control of the entity for financial and operational reporting purposes. SB2 and SB2GP have complex operating, ownership and governance structures relating to the allocation of tax credits and administration of private equity investment into the project.

The Organization's noncontrolling interests in TSGP, TSLP, SB2, and SB2GP are reported in unrestricted net assets on the statement of financial position and in the change in net assets on the consolidated statement of activities (Note 13).

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual method, income and expenses are recognized when earned or accrued. The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the ASC 958-205, “*Presentation of Financial Statements*.” Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and contract receivables. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management considers credit risk to be minimal. Credit risk with receivables is concentrated among Federal and State agencies which comprise substantially all of the receivable balances as of June 30, 2015 and 2014.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Organization’s bank accounts and certificates of deposit with maturities of three months or less.

Accounts Receivable

Revenue is accounted for at established rates on the accrual basis, less an allowance for contractual, charitable, and other arrangements for services provided at less than established rates. The Organization’s policy is to not accrue interest on trade receivables. The Organization records its accounts receivable at the outstanding principal amount less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts based on the history of past write-offs, collections, and current credit conditions. As of June 30, 2015 and 2014, there was an allowance for doubtful accounts of approximately \$244,000 and \$172,000, respectively.

Fixed Assets

The Organization capitalizes major purchases of fixed assets (with a cost of \$5,000 or more), which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance, and repairs are charged to expense as incurred.

Capitalized assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized.

The Organization reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. There was no impairment loss recorded during the years ended June 30, 2015 and 2014.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the current year change in net assets.

Fair Value of Financial Instruments

The Organization follows the provisions of ASC 820-10, “*Fair Value Measurements and Disclosures*.” ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, “*Financial Instruments*” permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis.

Classification of Net Assets

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

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions whose restrictions were met in the same reporting period as unrestricted support in accordance with ASC 958-605 "Revenue Recognition."

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2015 and 2014, the Organization had no permanently restricted net assets.

Revenue and Expenses

Certain grants and contracts received from government agencies are cost reimbursement agreements. Accordingly, grant and contract income equals expenses incurred; therefore, the excess (deficit) is carried as a liability (advance on contracts) or as an asset (accounts receivable), respectively. Revenue is recognized from fixed price or unit based contracts when services have been rendered. The majority of the Organization's revenue is from government contracts that provide for possible review and audit by the contracting agencies. Management has determined that the results of any potential audit would not result in adjustments that would be material to the financial statements.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

Income Taxes and Uncertain Tax Positions

CTI, MVHS, CGDC, and CHI have each been recognized as non-profit organizations exempt from income taxes under Internal Revenue Code Section 501(c)(3), and MHC has been recognized as a non-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)(2). These organizations are, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying consolidated financial statements.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes and Uncertain Tax Positions (continued)

CGDC, LLC, Towne School Limited Partnership, Towne School GP, LLC, SB2 Housing Limited Partnership, and SB2 Housing GP, LLC account for income taxes using ASC 740-10, which requires recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC 740-10, “*Income Taxes*” requires the Organization to evaluate and disclose tax positions that could have an effect on the Organization's financial statements. The Organization reports its activities to the Internal Revenue Service and the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing.

Substantially all of the Organization's income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt not-for-profit entity.

ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, “*Accounting for Income Taxes*.” ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 requires that CGDC, LLC, Towne School Limited Partnership, and Towne School GP, LLC, SB2 Housing Limited Partnership, and SB2 Housing GP, LLC determine whether the benefits of CGDC, LLC, Towne School Limited Partnership, Towne School GP, LLC, SB2 Housing Limited Partnership, and SB2 Housing GP, LLC's tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. The provisions of ASC 740-10 also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure. CGDC, LLC, Towne School Limited Partnership, Towne School GP, LLC, SB2 Housing Limited Partnership, and SB2 Housing GP, LLC did not have any unrecognized tax benefits and there was no effect on the financial condition or results of operations as a result of implementing ASC 740-10. CGDC, LLC, Towne School Limited Partnership, Towne School GP, LLC, SB2 Housing Limited Partnership, and SB2 Housing GP, LLC do not have any interest and penalties in the consolidated statement of activities for the years ended June 30, 2015 and 2014.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Expense Allocation

Expenses are allocated among program and supporting services directly based or based on time records and utilization estimates made by management. Management and General expense includes those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization. These expenses are allocated based on an approved indirect cost rate using a modified direct cost base.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

During 2015 certain amounts from the prior year financial statements were reclassified to conform to the current year's presentation.

Note 3 – Fixed Assets

Fixed assets consisted of the following as of June:

	2015	2014
Land	\$ 1,802,158	\$ 1,802,158
Buildings and improvements	22,639,021	21,253,422
Equipment	2,383,791	2,096,985
Total Fixed assets	26,824,970	25,152,565
Less: Accumulated depreciation	(11,220,598)	(10,207,857)
Fixed assets – net	<u>\$15,604,372</u>	<u>\$14,944,708</u>

Depreciation expense was \$1,012,741 and \$965,360 for the years ended June 30, 2015 and 2014, respectively.

Buildings and improvements includes costs for *The Residence at Stony Brook*, a fifteen family rental housing development in Westford, Massachusetts. The project is being operated on land leased by the Organization from the Town of Westford. The majority of the Organization's land, buildings and improvements are subject to deed restrictions based on agreements with various government agencies which limit their use to specific programs.

Note 4 – Development Property

Development property consisted of the following as of June 30th:

	2015	2014
The Residence at Stony Brook - Phase II	\$ 932,157	\$ 113,426
Broadway – Phase II	69,858	70,936
Total development property	<u>\$ 1,002,015</u>	<u>\$ 184,362</u>

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 5 – Capital Lease Obligations

The Organization leases buses under multiple capital lease agreements. The buses have been recorded at an estimated fair value of \$400,166 and \$149,246 as of June 30, 2015 and 2014, respectively, and are being depreciated over their estimated useful lives of 5 years. As of June 30, 2015 and 2014, accumulated depreciation on the buses was \$59,123 and \$27,362, respectively.

As of June 30, 2015 and 2014, the current and long-term portions of the capital lease liabilities were as follows:

	<u>2015</u>	<u>2014</u>
Current portion of capital lease liabilities	\$ 75,737	\$ 27,355
Long-term portion of capital lease liabilities	265,254	117,453
Total capital lease liabilities	<u>\$ 340,991</u>	<u>\$ 144,808</u>

As of June 30, 2015, the Organization had minimum capital lease commitments as follows with imputed interest rates ranging from 4.14% to 4.67%:

	Total Payment	Imputed Interest	Lease Liability
2016	\$ 88,978	\$ 13,241	\$ 75,737
2017	\$ 88,978	\$ 9,887	\$ 79,091
2018	\$ 88,978	\$ 6,385	\$ 82,593
2019	\$ 83,390	\$ 2,738	\$ 80,652
2020	\$ 23,155	\$ 237	\$ 22,918

Note 6 – Escrow Deposits and Construction Reserves

Escrow deposits consist of real estate tax, insurance, and replacement reserve escrow accounts which the Organization is required to maintain and are restricted for the purposes for which they were established.

Note 7 – Notes Receivable

The Organization has an agreement with the Community Economic Development Assistance Corporation (“CEDAC”) to offer loans of \$30,000 or less to eligible property owners under the Home Modification Loan Program (“HMLP”). The loan pool has been treated as a fund of the Organization and as such is included in temporarily restricted net assets. These loans have been recorded at face value, are secured by mortgages on the related property, and provide for annual interest rates ranging from zero to three percent. The majority of these loans have been issued on an interest free basis with repayment required upon the sale of the property.

The outstanding balance of the HMLP loan pool at June 30, 2015 and 2014 was \$4,222,294 and \$3,982,049, respectively, less an allowance for uncollectible loans of \$170,000. On a periodic basis, the Organization evaluates its notes receivable and establishes an allowance for doubtful accounts based on the history of past write-offs, collections and current credit conditions. This loan pool is subject to various operating restrictions under the CEDAC agreement.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 8 – Beneficial Interest in Assets Held by GLCF

The Organization has established an endowment fund for its benefit at the Greater Lowell Community Organization, Inc. (“GLCF”). The fund, subject to a variance power, provides for discretionary distributions to the Organization based on the current spending policy of GLCF, (presently 5% per year). The Organization has not yet adopted a formal investment policy for its endowment funds. Under the GLCF investment policy, 50-80% of endowment assets are invested in equities, and 20-50% are invested in fixed income securities, and cash and cash equivalents. In accordance with ASC 958-605 “*Revenue Recognition*,” the fund has been reported as an asset of the Organization. Net earnings (losses) of the fund have been included in Other Income.

Endowment net asset composition by fund type as of June 30th:

	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted Total
Board-created endowment funds	\$ 162,842	\$ -	\$ 162,842
	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted Total
Board-created endowment funds	\$ 162,769	\$ -	\$ 162,769

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 8 – Beneficial Interest in Assets Held by GLCF (continued)
Changes in endowment net assets for the years ended June 30th:

	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted Total
Endowment net assets at beginning of year	\$ 162,769	\$ -	\$ -
Investment return:			
Interest and dividends	4,297	-	-
Net appreciation (depreciation) – realized and unrealized	(1,209)	-	-
Investment management fees	(975)	-	-
Total investment return	2,113	-	-
Administrative fees	(2,040)	-	-
Endowment net assets at end of year	\$ 162,842	\$ -	\$ -
			\$ 162,769

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted Total
Endowment net assets at beginning of year	\$ 141,656	\$ -	\$ -
Investment return:			
Interest and dividends	4,134	-	-
Net appreciation (depreciation) – realized and unrealized	19,727	-	-
Investment management fees	(842)	-	-
Total investment return	23,019	-	-
Administrative fees	(1,906)	-	-
Endowment net assets at end of year	\$ 162,769	\$ -	\$ -
			\$ 141,656

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 9 – Fair Value of Financial Instruments

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures (Note 2). The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30:

2015				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Beneficial interest in assets held by GLCF	\$ 162,842	\$ -	\$ -	\$ 162,842
Total investments	<u>\$ 162,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,842</u>
2014				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Beneficial interest in assets held by GLCF	\$ 162,769	\$ -	\$ -	\$ 162,769
Total investments	<u>\$ 162,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,769</u>

Level 3 investments consist of a beneficial interest in assets held by GLCF which is valued at the quoted prices of the underlying assets. The change in value of the beneficial interest in assets held by GLCF in the amounts of \$73 and \$21,113 for the years ended June 30, 2015 and 2014, respectively, has been included in Other Income.

The change in the value of Level 3 investments for the years ended June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Balance at beginning of year	\$ 162,769	\$ 141,656
Change in value - net	73	21,113
Balance at end of year	<u>\$ 162,842</u>	<u>\$ 162,769</u>

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 10 – Intangible Assets

The Organization follows the policy of charging to expense annual amounts of amortization that allocates the cost of intangible assets over their estimated useful lives utilizing the straight-line method of amortization. Intangible assets include financing fees of \$524,821 which are being amortized over 40 years, financing fees of \$19,671 which are being amortized over 30 years, tax credit fees of \$41,652 which are being amortized over 15 years, and refinancing fees of \$11,496 which are amortized over 10 years. Accumulated amortization was \$154,912 and \$138,071 as of June 30, 2015 and 2014, respectively. Amortization expense was \$16,841 and \$16,553 as of June 30, 2015 and 2014, respectively.

Future estimated amortization expense for years ending June 30th:

2016	\$ 17,704
2017	17,704
2018	17,704
2019	17,704
2020	17,704
Thereafter	<u>354,208</u>
Total	<u>\$ 442,728</u>

Note 11 – Line of Credit

The Organization maintained a line of credit at Enterprise Bank and Trust Company in the amount of \$2,000,000 and \$1,000,000 as of June 30, 2015 and 2014. The interest rate applied to the outstanding principal balance is 1% above the prime rate (4.25% at June 30, 2015 and 2014). The line is collateralized by substantially all of the Organization's assets, except real property. There was no outstanding balance on the line as of June 30, 2013. There was no outstanding balance on the line as of June 30, 2015 and 2014.

The Organization maintains a \$250,000 line of credit at Enterprise Bank and Trust Company. The interest rate applied to the outstanding principal balance is 1% above the prime rate (4.25% at June 30, 2015 and 2014). The line is collateralized by all of the Organization's assets. As of June 30, 2015, there was a \$249,931 balance outstanding on the line of credit. There was no balance outstanding on the line of credit as of June 30, 2015.

During 2015, SB2 obtained a line of credit from MHP's Housing Reserve Assurance Program with a maximum borrowing amount of \$161,012. The line of credit has an interest rate set at the Prime Rate of Bank of America, N.A., plus 4%. Each draw shall have interest-only payments due during the first year following the draw. Thereafter, in addition to interest, monthly principal payments equal to 3% of the outstanding principal balance of each draw shall be due. All principal and interest shall be due and payable on the earlier of 17 years from the loan closing or the prepayment in full of the MHP permanent loan. There was no balance outstanding on the line of credit as of June 30, 2015.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 12 – Notes Payable

	<u>2015</u>	<u>2014</u>
Mortgages payable by CGDC to Massachusetts Housing Partnership Fund in the original principal amounts of \$750,000 in an interest free suburban rental pilot production loan, \$650,000 in an interest free permanent plus loan, \$1,395,080 in a permanent loan, and a fourth note in the amount of \$1,805,000. The suburban rental pilot production loan matures on September 27, 2026, and has been reduced by \$367,339 to reflect the present value of the note utilizing a 6.00% interest rate. The interest free permanent plus loan matures on September 30, 2018, and has been reduced by \$74,845 to reflect the present value of the note utilizing a 6% interest rate. The permanent loan is payable in 240 installments maturing on September 27, 2026, and provides for an interest rate of 6.55%. The fourth note is payable in 118 monthly installments with the remaining balance due on September 30, 2018, and provides for an interest rate of 5.47%. All four notes are secured by the related properties.		
Total at face value	\$4,237,420	\$4,296,026
Less: deferred interest expense	(442,184)	(485,661)
Total - net of deferred interest expense	<u>3,795,236</u>	<u>3,810,365</u>
Note payable by MVHS to Massachusetts Housing Finance Agency in the original amount of \$3,323,928. The note provides for an interest rate of 6.21%, maturing in August 2044, and is subject to insurance under the HUD/HFA Risk Sharing Program and secured by the property.		
	3,032,667	3,068,455
Notes payable by CTI to Enterprise Bank & Trust Company in the original principal amounts of \$210,000, \$1,810,750, up to \$880,000, \$25,500 and \$1,000,000. The first note is payable in 120 monthly installments at an interest rate of 5.52%. The second note is payable in 300 monthly installments at an interest rate of 2.70%. The third note is payable in 306 monthly installments at an interest rate of 4.59%. The fourth note is payable in 48 monthly installments at an interest rate of 4.95%. The fifth note is payable in 120 monthly installments at an interest rate of 4.25%. All five notes are secured by the related property.		
	2,890,054	1,950,707

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 12 – Notes Payable (continued)

	<u>2015</u>	<u>2014</u>
Note Payable by CGDC to an individual in the original principal amount of \$350,000. The note provides for an interest of 4.00%, is payable 120 monthly installments with a balloon payment of \$140,000 due on October 1, 2018, and is secured by the related property.	316,301	321,821
Note payable by CGDC to the Department of Housing & Community Development in the principal amount of up to \$1,000,000. The loan is interest free and matures on March 11, 2035. The loan has been reduced by \$691,090 to reflect the present value of the note utilizing a 6.00% interest rate, and is secured by the related property.		
Total at face value	1,000,000	1,000,000
Less: deferred interest expense	(691,090)	(708,575)
Total - net of deferred interest expense	308,910	291,425
Notes Payable by CGDC to the Community Economic Development Assistance Corporation in the original principal amount of \$281,000 and \$252,548. The loans are interest-free and mature on February 27, 2039 and February 27, 2045, respectively. The loans have been reduced by \$143,338 and \$149,306, respectively, to reflect the present value of the note utilizing a 3.02% interest rate, and are secured by the related property.		
Total at face value	533,548	281,000
Less: deferred interest expense	(292,644)	(147,428)
Total - net of deferred interest expense	240,904	133,572
Notes payable by CTI to Community Economic Development Assistance Corporation in the original principal amount of \$249,222 (Note A) and \$700,000 (Note B). The notes are interest free and mature on June 2, 2035 and January 23, 2042, respectively. Note A has been reduced by \$173,557 and Note B has been reduced by \$557,225 to reflect the present value of the notes utilizing a 6% interest rate. The notes are secured by the related properties.		
Total at face value	949,222	949,222
Less: deferred interest expense	(730,782)	(743,472)
Total - net of deferred interest expense	218,440	205,750

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 12 – Notes Payable (continued)

	<u>2015</u>	<u>2014</u>
Note payable by CTI to the Small Business Administration to fund a microloan program in the original principal amount of up to \$200,000. The note provides for an interest rate of up to .75% depending on the average size of the microloans made through the program, subject to an annual recalculation. No payments are due during the first year, with the balance payable in monthly installments of \$1,998.	192,037	60,000
Notes Payable by CGDC to Massachusetts Housing Investment Corporation in the original principal amounts of \$294,400 and \$60,000. The notes provide for interest rates of 6% and 5.50%, respectively, and are payable 120 monthly installments, and are secured by the related property. The first note was due June 1, 2019 and repaid in 2015. The second note matures on February 27, 2025.	59,868	273,948
Notes payable by CTI to Eastern Bank in the original principal amount of \$50,000 in a demand note. The note requires monthly principal and interest payments over a twenty-eight (note B) year period. The note provides for interest at 5% and is secured by the related property.	47,190	48,872
TSLP obtained a loan from Massachusetts Housing Finance Agency in the amount of \$630,000. The loan is non-interest bearing. The loan requires no annual principal and interest payments and shall be due and payable on April 3, 2042.	620,853	620,853
TSLP obtained a loan from the Department of Housing and Community Development in the amount of \$675,000. The loan has an interest rate of 1.0% and shall accrue and compound annually. The loan requires no annual principal and interest payments and shall be due and payable on April 3, 2042. Deferred interest on the loan totaled \$14,458 and \$7,728 as of June 30, 2015 and 2014, respectively.	665,227	665,227

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 12 – Notes Payable (continued)

	<u>2015</u>	<u>2014</u>
TSLP obtained a loan from the Community Economic Development Assistance Corporation in the amount of \$300,000. The loan is non-interest bearing. The loan requires principal repayment based on cash flow on an annual basis. The entire principal balance shall be due and payable on April 3, 2042.	285,000	285,000
SB2 obtained a loan from Boston Financial Institutional Tax Credits XLI Limited Partnership, the substitute investor limited partner, in the amount of \$762,300. The loan is non-interest bearing and secured by the real estate and personal property of the project. The loan requires no payments until the maturity date, which will be the earliest to occur of (i) the first capital contribution, (ii) May 15, 2017, or (iii) any earlier date on which the unpaid principal balance becomes due and payable by acceleration or otherwise.	762,300	-
SB2 obtained a construction loan from Citizens Bank in the amount of \$6,300,000 which will convert to a permanent loan upon assignment to MHP at an amount of \$2,090,000. The loan is secured by the real estate and personal property of the project. The loan has an interest rate of the LIBOR advantage rate plus 2.15% prior to assignment and 5.3% which accrues and compounds annually after assignment. Prior to assignment, monthly payments of interest only on the total amount advanced shall be payable. After assignment, payments of principal and interest calculated so as to fully amortize the principal in thirty years shall be payable monthly, with the entire balance due on May 28, 2037.	-	-
SB2 obtained a loan from DHCD in the amount of \$1,000,000. The loan is secured by the real estate and personal property of the project. The loan accrues simple interest at 2% per annum. The loan requires no annual principal and interest payments and shall be due and payable on May 29, 2046.	-	-

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 12 – Notes Payable (continued)

	<u>2015</u>	<u>2014</u>
SB2 obtained a loan from DHCD in the amount of \$680,000. The loan is secured by the real estate and personal property of the project. The loan has an interest rate of 3.14% which accrues and compounds annually. The loan requires no annual principal and interest payments and shall be due and payable on May 29, 2046.		
Total Notes Payable –	-	-
Net of Deferred Interest Expense	13,434,987	11,735,995
Less: Current Portion of Notes Payable	<u>(993,233)</u>	<u>(172,184)</u>
Total Long-Term Portion of Notes Payable –		
Net of Deferred Interest Expense	<u>12,441,754</u>	<u>11,563,811</u>

Consistent with industry practices, TSLP and SB2 has not recorded a discount for the below market aspect of its tax credit loans.

The future minimum payments on notes payable at June 30th are as follows:

2016	\$ 993,233
2017	284,573
2018	294,497
2019	2,713,998
2020	271,230
Thereafter	<u>11,034,156</u>
Total	15,591,687
Less: Deferred Interest Expense	<u>(2,156,700)</u>
Total – Net of Deferred Interest Expense	<u>\$ 13,434,987</u>

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 13 – Unrestricted Net Assets

Unrestricted net assets consist of the following controlling and noncontrolling interests as of June 30, 2015 and 2014:

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance at July 1, 2013	\$ 523,543	\$2,024,306	\$ 2,547,849
Capital contributed, net of syndication costs	-	557,353	557,353
Change in unrestricted net assets	<u>6,443</u>	<u>(156,248)</u>	<u>(149,805)</u>
Balance at June 30, 2014	\$ 529,986	\$2,425,411	\$ 2,955,397
Change in unrestricted net assets	<u>(482,640)</u>	<u>(146,906)</u>	<u>(629,546)</u>
Balance at June 30, 2015	<u>\$ 47,346</u>	<u>\$ 2,278,505</u>	<u>\$ 2,325,851</u>

Note 14 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets relating to the Home Modification Loan Program (Note 7) and the Microloan Program that are restricted as to purpose, net assets relating to the Organization's property located on Phoenix Avenue in Lowell, MA that is restricted for use in the "Head Start" program, net assets restricted to use in Housing programs and net assets relating to interest-free debt that is restricted as to time.

Additional loans made through the Home Modification Loan Program and Microloan Program and capitalized improvements to the Phoenix Avenue property are reported as Other Net Asset Transfers on the Statement of Activities.

Note 15 – Contract Revenue and Client Payments

The Department of Public Health administers the Special Supplemental Food Program for Women, Infants, and Children ("WIC"). For the years ended June 30, 2015 and 2014, the value of food vouchers provided to WIC recipients was recorded as contract revenue and client payments at amounts of \$4,358,474 and \$2,105,054, respectively.

Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 16 – Rental Income

The Organization leases space to persons of low income and non-profit organizations under operating leases. Rental income for the years ended June 30, 2015 and 2014 was \$1,762,120 and \$1,690,621, respectively.

As of June 30, 2015, minimum future rentals on non-cancelable operating leases are as follows:

2016	\$ 119,170
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Note 17 – Leases

The Organization leases equipment and various facilities throughout the greater Lowell area under both short-term and long-term operating leases. Rent expense under all leases amounted to \$992,140 and \$940,042 for the years ended June 30, 2015 and 2014.

As of June 30, 2015, the Organization had minimum lease commitments as follows:

2015	\$ 1,046,906
2016	\$ 920,775
2017	\$ 925,726
2018	\$ 914,490
2019	\$ 756,904
Thereafter	\$ 812,693

Note 18 – Retirement Plan

The Organization provides retirement benefits for its full-time employees through the Community Teamwork, Inc. Retirement Plan. The plan provides for employer contributions of 5% of annual compensation. Employees become eligible to participate in the plan after six months of service with a vesting schedule graduated from one to three years of service. Retirement expense was \$694,026 and \$562,972 for the years ended June 30, 2015 and 2014, respectively.

Note 19 – Contingencies

From time to time, CTI may become involved in litigation relating to claims arising out of operations in the normal course of business, which are considered routine and incidental to the business. CTI is currently not a party to any legal proceedings which, in management's opinion, would have a material adverse effect on its financial condition.

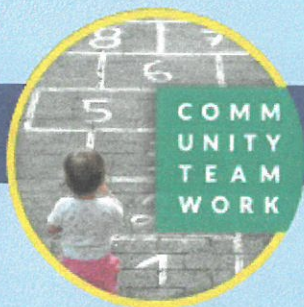
Community Teamwork, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 20 – Subsequent Events

ASC 855-10, "*Subsequent Events*" defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent from June 30, 2015 through November 9, 2015, which is the date the financial statements were available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

Note 21 – Surplus Revenue Retention

The Organization's contracts with the Commonwealth of Massachusetts are cost reimbursement and negotiated unit rate type contracts. The Commonwealth allows the Organization to retain a surplus of total revenues attributable to or generated by the Commonwealth funded social service programs to be utilized for the charitable purposes of the Organization. During the years ended June 30, 2015 and 2014, there were decreases in the deficit retention of \$246,443 and \$1,170,861, respectively. As of June 30, 2015 and 2014, the accumulated deficit was \$1,391,794 and \$1,638,237, respectively. This accumulated deficit can be utilized to offset surpluses generated in the future.



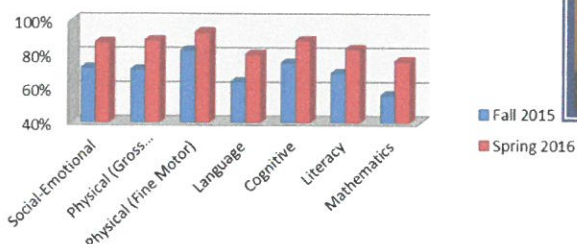
Early Learning Program



School Readiness Executive Summary Spring 2016

Child Development & Education

**% of Children that Meet or Exceed
Developmental Expectations**



The Early Learning Program conducted Teaching Strategies Gold developmental assessments on 572 children between September 2015 and May 2016. 369 children were assessed at all three quarterly checkpoints and included in this report. We saw significant gains made in their developmental progress across all domains.

Key Findings:

- 72% of 3 and 4 year old children in our program are meeting or exceeding developmental expectations in the Cognitive development domain. We have identified that a vast majority of these children have strong comparison and measurement skills (83%) and are highly adept at demonstrating emergent writing skills (73%).
- 86% of 1-2 year olds and 80% of 2-3 year olds are meeting or exceeding developmental expectations in the Literacy Domain.
- 87% of all children (ages 1-5) are meeting or exceeding expectations in the Social Emotional developmental domain. This is up from just 72% of children in the program meeting expectations in the fall.
- The most significant improvement was seen in the area of mathematics where 76% of the children meet or exceed developmental expectations.

Disabilities

At least 50% of the children with disabilities in EHS and HS are meeting expectations in each developmental area.

Early Head Start Disabilities:

Individual Family Service Plans: 62 (cumulative)

*Of these 62, 3 have received an autism diagnosis.

The significant increase in IFSP numbers (39 fall/62 Spring) is reflective of the turnover in enrollment in EHS, particularly in Home Based, as well as the number of EHS children who transitioned into HS in Fall 2015.

Head Start Disabilities:

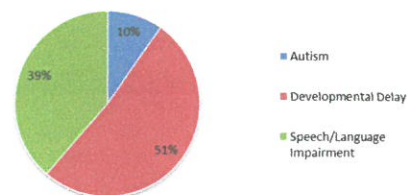
Individual Education Plans: 40 (cumulative)

7 children referred to LEA

4 children qualified for services

2 children still in process 1 family withdrew from process

Head Start Disabilities by Category

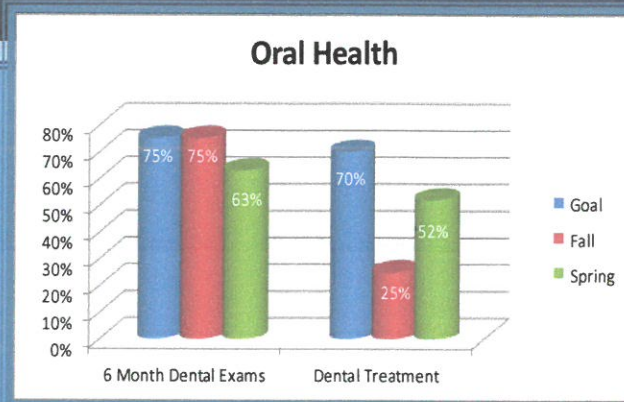


Health & Nutrition

63% of children that have maintained their enrollment in the program throughout the year have remained up to date on their oral health care. In years past we have relied heavily on the Tufts Mobile Dentist as a means for families to access routine dental care. We are pleased to find that this outcome was achieved by families independently seeking dental care for their children. Families are relying less on us to bring services to them and are actively seeking out the health care to support their children.

The percentage of children receiving routine care dropped 8% since the Fall. The expectation in the Fall was that families had the dental exam completed prior to entry. This was a new practice this year and is why our fall outcomes were so positive. We have identified a need to build in additional supports and educational opportunities to aid families in maintaining ongoing dental care.

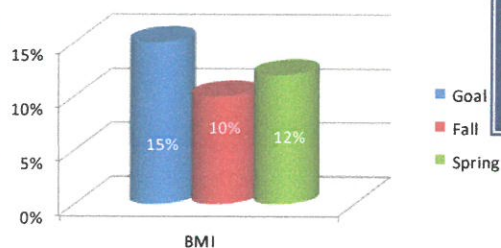
Out of the 63% of children that have maintained 6 month dental exams 52% have received the necessary follow-up treatment. This percentage doubled from the Fall and is more than halfway to our goal. We will continue to work with the remaining families to achieve improved oral health care.



Community Partnerships

For several years we have partnered with Middlesex Community College, welcoming dental hygiene and nursing students into our program to support teachers with gathering heights and weights, conducting hearing and vision screenings, and extending on our oral health education in the classroom. This year we were able to expand their work and the students were able to interact with families, providing resources and education to them as well. The nursing students created visual aids and resources that were used during parent events to promote awareness of Oral Health and Nutrition.

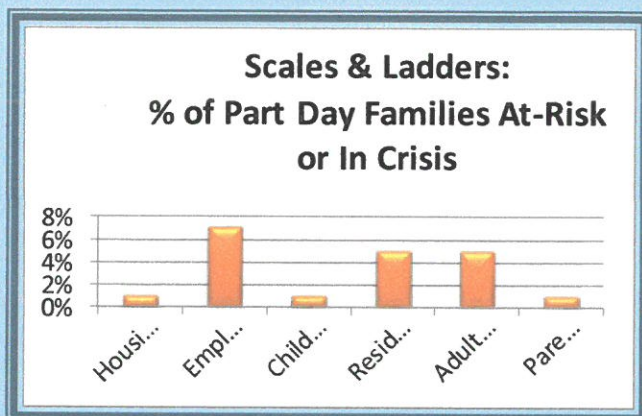
Body Mass Index (BMI)



The percentage of children who exceed the 95th percentile for their Body Mass Index was below 15% this entire year. Not only did we meet our goal, this is the lowest we have seen this percentage in the past 2 years. We did however, see a 2% increase in the BMI outcomes from Fall to Spring.

The number of classrooms competing for gross motor space at the James Houlares Center proved to be a challenge this year with the delayed opening of classrooms at Parker Ave. This may have influenced these outcomes. A review of the nutritional components that are incorporated in the curriculum was completed and it was determined that this is an area to strengthen. In response to these outcomes, we have expanded our offerings of the Farmer's Market to all Centers beginning this summer. Chef Nick will also begin visiting all of our preschool classrooms and will hold demonstration cooking classes for families at the Markets. Professional development in this area has been included in the training and technical assistance plan for our next program year.

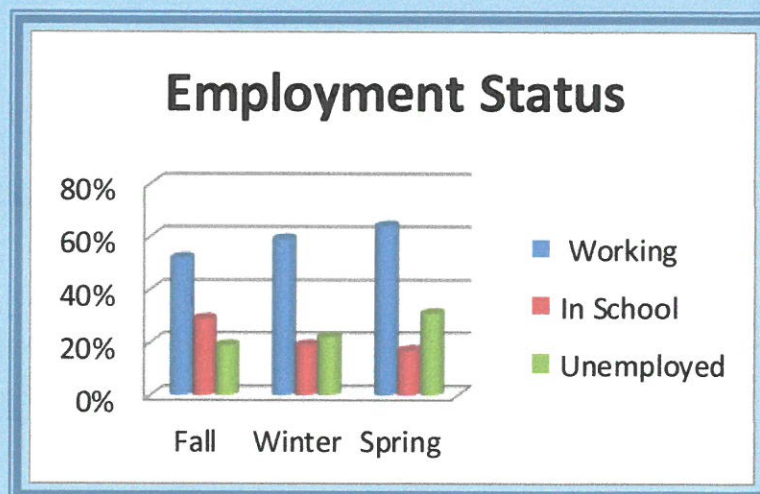
Family Development



During the Spring the Family Service Workers completed assessments for the second time for all families enrolled in the part day programming. Significant growth was seen across all Scales, the most notable being in the area of parent/child relationships. Teachers and FSWs have worked diligently with families to assist them in being able to identify and understand what healthy parent/child relationships look like and how to develop them. Families have been observed utilizing the skills staff model during home visits and parent engagement activities that are offered throughout the year. Only 2% of families identified are in crisis or at-risk in this area by the end of the program year.

Employment

We have seen a steady growth in the percentage of families obtaining employment throughout the program year. In the Fall of 2015, 59% of families were working. As of Spring 2016, this percentage increased to 64%. The number of children transitioning from part day programming to full day has steadily increased as well. This is a direct result of parents gaining employment. Family Service Workers have been conscientiously following up with families on their Individualized Family Partnership Agreements to ensure that those who have identified employment as a goal have achieved or made progress towards it. In addition, we offered resume writing and interviewing skills to support families in their job search efforts.



The percentage of families who are in school has decreased 12% since the Fall. This is a positive outcome as it is a direct result of families achieving their educational goals: 33 parents either completed job training or received a professional certificate or license during the program year. It does however create a new challenge for families as they now begin looking for jobs in their prospective fields of study. The percentage of unemployed families increased by exactly 12% as these families have moved from in school into the unemployed status. Family Service Workers, Teachers and Home Visitors will continue their efforts to support families and will complete further assessments to inform us on families evolving needs.

Mental Health

Early Head Start Resilience (DECA)			
Scale	Goal	Fall	Spring
Need	≤16%	8%	13%
Typical	≥68%	77%	79%
Strength	≥16%	15%	9%

Head Start Resilience (DECA)			
Scale	Goal	Fall	Spring
Need	≤16%	16%	6%
Typical	≥68%	79%	83%
Strength	≥16%	5%	11%
Behavior	<16%	8%	10%

Note: Due to the delayed start of the part day program, we did not complete DECA's in Head Start for the winter.

In Early Head Start, the DECA is now used as a screening tool only and is completed when children are enrolled. This data is not comparative however it does inform us of the impact that new enrollment may have on the general needs within the program. We have seen that a higher percentage of children entering our classrooms this Spring are presenting needs in the area of social emotional development. Our EHS teachers maintain the dual roles of teacher and family service worker. Several of the tasks that are completed by the FSW are more administrative in nature and can frequently take the teachers away from their focus on the education component of their work. We are addressing this issue through the creation of an Infant Toddler Family Service Worker position. The LFSW will provide Infant/Toddler Teachers with this support and allow them to focus on these individual needs of their children and maintain the integrity of the primary caregiving system.

We have seen a 2% increase in children presenting with behavioral concerns across the program. 85% of the children are enrolled in our full day classrooms. Multiple transitions in program, staffing needs and the ongoing challenges that our families encounter are factors that contribute to the increase.

The creation of the two Child Development Coach positions with a focus on Behavioral Health will improve staff's ability to identify children with behavioral health needs and implement classroom supports that are responsive to those needs. Continued training in CSEFEL for all staff, the incorporation of 3 teacher model when possible for full day classrooms, and the addition of individualized materials available to each classroom will support the behavioral health needs of these children.

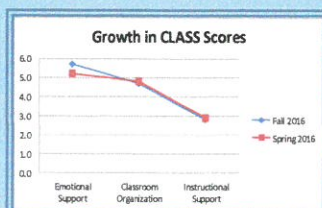
Beginning in August 2016, the program will develop a position paper that will be shared with Staff and families in the second year of the grant as a means to communicate the program's philosophy and approach to supporting behavioral health for children and families.

Teaching Practices

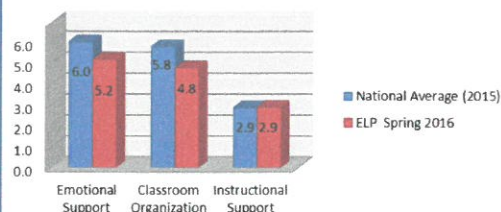
We continue to use the Classroom Assessment Scoring System (CLASS) to measure the effectiveness of teaching practices across the program. We strive for our scores to be equivalent to the National average Domain scores or higher. Scores are generated on a seven point continuum.

We meet the National average in one of the three Domains: Instructional support. This is significant as it is typically the most challenging Domain and set of skills for teachers to incorporate in their instruction.

As demonstrated in the graph, we are just shy of meeting our goal in the Emotional Support and Classroom Organization Domains. We saw growth in the Classroom Organization and Instructional Support domain however, there was regression in our Emotional Support scores. This is not entirely surprising as we have identified a significant need to support educators with behavior management. We also experienced several transitions in classroom space and teaching teams as a result of construction projects and the challenge we had in finding qualified staff. The development of Child Development Coach Positions, with a focus on both education services and behavioral health, and the implementation of targeted trainings will support educators in their individual growth, in curriculum development and individualization, etc. This will lead to a culture across all programs in which staff feel supported and ensure that each staff person meets the competencies expected for their positions. Ultimately these efforts will result in improved retention of high quality staff, higher CLASS scores and better school readiness outcomes.



Average Domain Scores Compared to National Average



As the program year came to an end we celebrated the accomplishments of staff who continue to further their education and pursue their degrees.

# of Employees that Completed Degrees/Coursework					
Master's Degree	Bachelor's Degree	Associate's Degree	CDA	INML Certificate	Coursework
0	0	1	1	3	26



**Institute for
Non-Profit Management & Leadership
Certificate Program Graduation
May 2016**

Content Area Specific Professional Development Held During the 2015-2016 Program Year:

Child Development:

- All Educators responsible for completing checkpoints have completed the TSG self-paced online Interrater Reliability Certification. This has increased the accuracy and consistency of their judgments as they use *Teaching Strategies GOLD®*. With this strong foundation we will expand on this to improve our planning for individual children by helping educators reflect and analyze child outcomes more effectively and identify professional development needs by using data collected during the certification process.
- We implemented a new approach to staff meeting this program year and introduced the concept of Communities of Practice (COP). The intent of COPs was for small groups of educators, program leaders and other staff to work collaboratively to effectively and consistently change practice within the centers. Due to organizational structure changes, we were not able to fully implement the COP's during the 2015-2016 school year. We are looking to ensure that we can adapt the COP's to fit into our new leadership structure for the 2016-2017 school year.

Family Development:

- All staff providing direct support to families have received training on a monthly basis for resources, within CTI and the community, in order to help families achieve their self-sufficiency goals. This included parenting workshops, health resources, interviewing and resume building workshops.
- Staff have a better understanding of our refugee population and have gained the knowledge in utilizing interpreter services so families are all receiving the same services. Our refugee enrollment has grown as a result and has fostered a sense of acceptance and inclusion for refugee families within our community.

Health and Wellness:

- Family Service Workers and Home Visitors participated in a year long self-care Healing Circle that was facilitated by Merrimack Valley Trauma Services. The Healing Circle is a series of seminars that grew out of the stress experienced by direct care staff in their daily work. Topics covered included: understanding the physiological and emotional impact of chronic long term stress, understanding boundaries, and the grief and loss related to trauma. Finding balance is vital and each participant learned coping strategies, the value of reflection and the importance of honoring their own wellness.
- Merrimack Valley Trauma Services facilitated two groups for children, one at Parker and one at Phoenix Ave. The goal of the group was to enhance teacher's skills in facilitation and developmentally appropriate approaches to working with whole classroom groups. The groups met once a week for 8 weeks and gradually the teaching teams became the primary facilitators as the consultant stepped back. A reflection and planning meeting was held after each group session. Center Directors monitor ongoing implementation of the newly developed skills and practices the teachers acquired.