

**Elizabeth Peabody House Association, Inc.**

*Financial Statements*

**June 30, 2009 and 2008**

---

**Elizabeth Peabody House Association, Inc.***Index to Financial Statements***June 30, 2009 and 2008**

---

	<b><u>Page</u></b>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19



**MILLER WACHMAN LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

### *Independent Auditors' Report*

To the Board of Directors  
Elizabeth Peabody House Association, Inc.  
Somerville, Massachusetts

We have audited the accompanying statements of financial position of Elizabeth Peabody House Association, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Elizabeth Peabody House Association, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elizabeth Peabody House Association, Inc. as of June 30, 2009 and 2008, 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.

*Miller Wachman LLP*

Boston, Massachusetts  
October 23, 2009

---

**Elizabeth Peabody House Association, Inc.***Statements of Financial Position***June 30, 2009 and 2008**

---

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 688,227	\$ 856,155
Accounts receivable (net of allowance for doubtful accounts of \$1,500 and \$5,500 in 2009 and 2008, respectively)	63,878	74,133
Note receivable	6,645	5,080
Employee loans receivable	-	1,801
Prepaid expenses	<u>10,847</u>	<u>3,874</u>
Total current assets	<u>769,597</u>	<u>941,043</u>
<b>Property and Equipment</b>		
Building and improvements	743,198	606,585
Land	14,792	14,792
Furniture and equipment	131,487	124,703
Motor vehicles	<u>90,946</u>	<u>70,783</u>
	980,423	816,863
Less - Accumulated depreciation	<u>461,915</u>	<u>432,325</u>
	<u>518,508</u>	<u>384,538</u>
<b>Other Assets</b>		
Note receivable	5,425	8,565
Investments	<u>1,947,965</u>	<u>2,290,017</u>
	<u>1,953,390</u>	<u>2,298,582</u>
<b>Total Assets</b>	<u>\$ 3,241,495</u>	<u>\$ 3,624,163</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 33,004	\$ 9,133
Accrued expenses	54,679	21,075
Deferred revenue	<u>10,543</u>	<u>7,170</u>
Total current liabilities	<u>98,226</u>	<u>37,378</u>
<b>Net Assets</b>		
Unrestricted	3,065,179	3,547,377
Temporarily restricted	72,065	33,383
Permanently restricted	<u>6,025</u>	<u>6,025</u>
Total net assets	<u>3,143,269</u>	<u>3,586,785</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,241,495</u>	<u>\$ 3,624,163</u>

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

---

# Elizabeth Peabody House Association, Inc.

## Statement of Activities

Year Ended June 30, 2009

---

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>				
Voucher	\$ 566,245	\$ -	\$ -	\$ 566,245
Early Education and Care	177,166	-	-	177,166
Bureau of Nutrition	21,231	-	-	21,231
Community partnership	13,917	-	-	13,917
Parent fees	216,023	-	-	216,023
Grants and donations	41,490	112,780	-	154,270
Contributions	7,988	2,820	-	10,808
United Way	68,367	-	-	68,367
Special events	30,675	900	-	31,575
Rental income	17,762	-	-	17,762
Investment income (net of fees of \$17,799)	67,867	-	-	67,867
Miscellaneous income	7,369	-	-	7,369
Net assets released from restrictions	<u>72,440</u>	<u>(72,440)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,308,540</u>	<u>44,060</u>	<u>-</u>	<u>1,352,600</u>
<b>Expenses</b>				
Program expenses	1,061,580	-	-	1,061,580
Administration	252,944	-	-	252,944
Fundraising	<u>98,602</u>	<u>-</u>	<u>-</u>	<u>98,602</u>
Total expenses	<u>1,413,126</u>	<u>-</u>	<u>-</u>	<u>1,413,126</u>
<b>Excess (Deficiency) of Operating Revenue and Support Over Operating Expenses</b>	<u>(104,586)</u>	<u>44,060</u>	<u>-</u>	<u>(60,526)</u>
<b>Nonoperating Expenses and Investment Losses</b>				
Realized and unrealized losses on investments	(381,462)	(5,378)	-	(386,840)
Realized gain on sale of property and equipment	<u>3,850</u>	<u>-</u>	<u>-</u>	<u>3,850</u>
	<u>(377,612)</u>	<u>(5,378)</u>	<u>-</u>	<u>(382,990)</u>
<b>Change in Net Assets</b>	(482,198)	38,682	-	(443,516)
<b>Net Assets, Beginning of Year</b>	<u>3,547,377</u>	<u>33,383</u>	<u>6,025</u>	<u>3,586,785</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,065,179</u>	<u>\$ 72,065</u>	<u>\$ 6,025</u>	<u>\$ 3,143,269</u>

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

---

# Elizabeth Peabody House Association, Inc.

## Statement of Activities

Year Ended June 30, 2008

---

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>				
Voucher	\$ 501,521	\$ -	\$ -	\$ 501,521
Early Education and Care	174,526	-	-	174,526
Bureau of Nutrition	12,347	-	-	12,347
Community partnership	23,343	-	-	23,343
Parent fees	220,907	-	-	220,907
Grants and donations	74,013	38,310	-	112,323
Contributions	13,752	7,600	-	21,352
United Way	66,588	-	-	66,588
Special events	840	-	-	840
Rental income	13,373	-	-	13,373
Investment income (net of fees of \$21,040)	93,602	-	-	93,602
Miscellaneous income	324	-	-	324
Net assets released from restrictions	<u>38,490</u>	<u>(38,490)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,233,626</u>	<u>7,420</u>	<u>-</u>	<u>1,241,046</u>
<b>Expenses</b>				
Program expenses	931,555	-	-	931,555
Administration	168,641	-	-	168,641
Fundraising	<u>49,176</u>	<u>-</u>	<u>-</u>	<u>49,176</u>
Total expenses	<u>1,149,372</u>	<u>-</u>	<u>-</u>	<u>1,149,372</u>
<b>Excess of Operating Revenue and Support Over Operating Expenses</b>	84,254	7,420	-	91,674
<b>Nonoperating Expenses and Investment Losses</b>				
Realized and unrealized losses on investments	<u>(182,956)</u>	<u>(6,179)</u>	<u>-</u>	<u>(189,135)</u>
<b>Change in Net Assets</b>	(98,702)	1,241	-	(97,461)
<b>Net Assets, Beginning of Year</b>	<u>3,646,079</u>	<u>32,142</u>	<u>6,025</u>	<u>3,684,246</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,547,377</u>	<u>\$ 33,383</u>	<u>\$ 6,025</u>	<u>\$ 3,586,785</u>

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

# Elizabeth Peabody House Association, Inc.

## Statement of Functional Expenses

Year Ended June 30, 2009

	Toddler Program	Pre School	Camp Gannet	After School Program	Total Program Expenses	Fundraising Administration	Theatre Administration	2009 Total
Salaries	\$ 209,707	\$ 250,614	\$ 87,035	\$ 96,286	\$ 643,642	\$ 59,467	\$ 3,828	\$ 840,104
Fringe benefits	22,562	25,809	790	7,096	56,257	1,473	34	68,106
Payroll taxes	19,246	22,100	8,094	8,527	57,967	4,843	355	74,511
Total	251,515	298,523	95,919	111,909	757,866	65,783	4,217	982,721
Household supplies	5,715	5,176	123	3,396	14,410	-	-	15,284
Bad debts	750	3,540	1,410	2,965	8,665	-	-	8,665
Depreciation	-	1,453	6,789	16,286	24,528	-	-	29,590
Special events	-	1,151	-	-	1,151	3,952	-	7,601
Dues and subscription	-	55	-	-	55	3,405	-	4,468
Rental/leased facility	12,000	1,954	-	-	13,954	-	-	13,954
Temporary support	14,727	-	-	-	14,727	-	-	14,727
Insurance	4,751	7,415	4,751	16,962	33,879	1,702	1,699	42,027
Food	7,281	7,430	685	3,618	19,014	-	-	19,481
Cleaning/disposal	5,229	4,514	1,737	4,567	16,047	-	83	17,826
Office expense	939	751	32	695	2,417	596	-	6,935
Program supplies	3,044	2,904	3,691	903	10,542	-	-	10,592
Staff development	1,055	2,905	500	1,864	6,324	1,440	-	7,799
Professional fees	3,744	4,344	8,924	3,743	20,755	-	-	31,930
Repairs and maintenance	4,059	5,594	26,707	5,258	41,618	-	2,689	54,618
Telephone	2,306	-	885	-	3,191	-	-	9,159
Transportation	-	-	24,796	10,831	35,627	-	-	35,627
Equipment	353	488	338	353	1,532	352	19	5,215
Building fees & licenses	300	335	195	525	1,355	-	-	2,445
Conferences and meetings	95	77	963	199	1,334	14,061	-	19,508
Marketing	20	20	1,011	100	1,151	1,218	100	2,920
Printing and publications	185	231	2,097	231	2,744	3,104	-	5,980
Postage and shipping	200	200	100	200	700	465	-	2,026
Payroll and accounting services	326	380	326	326	1,358	325	297	21,366
Recruitment	612	198	195	185	1,190	1,080	-	4,790
Utilities	1,881	7,246	6,002	7,709	22,838	-	2,761	30,147
Other	245	598	1,041	724	2,608	1,119	-	5,725
<b>Total Expenses</b>	<b>\$ 321,332</b>	<b>\$ 357,482</b>	<b>\$ 189,217</b>	<b>\$ 193,549</b>	<b>\$ 1,061,580</b>	<b>\$ 98,602</b>	<b>\$ 11,865</b>	<b>\$ 1,413,126</b>

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

## Elizabeth Peabody House Association, Inc.

### Statement of Functional Expenses

Year Ended June 30, 2008

	Toddler Program	Pre School Co-op	Peabody Ames Pre School	Camp Gannett	After School Program	Total Program Expenses	Fundraising Administration	Theatre Administration	Administration	2008 Total
Salaries	\$ 176,170	\$ 87,201	\$ 98,191	\$ 66,995	\$ 78,598	\$ 507,155	\$ 32,879	\$ 955	\$ 83,855	\$ 624,844
Fringe benefits	18,376	6,597	16,460	-	5,310	46,743	1,118	-	8,338	56,199
Payroll taxes	<u>16,996</u>	<u>7,362</u>	<u>10,214</u>	<u>7,242</u>	<u>7,214</u>	<u>49,028</u>	<u>2,827</u>	<u>210</u>	<u>8,205</u>	<u>60,270</u>
Total	211,542	101,160	124,865	74,237	91,122	602,926	36,824	1,165	100,398	741,313
Household supplies	4,245	2,586	-	1,293	2,449	10,573	-	-	351	10,924
Bad debts	5,007	7,580	1,813	1,953	12,436	28,789	-	-	-	28,789
Building fees & licenses	390	-	215	195	50	850	-	-	30	880
Depreciation	-	-	-	5,286	15,856	21,142	-	-	4,228	25,370
Dues and subscription	-	-	445	-	-	445	615	-	1,945	3,005
Rental/leased facility	11,100	-	21,206	-	-	32,306	-	-	-	32,306
Field trips	605	352	432	-	275	1,664	-	-	-	1,664
Insurance	5,556	5,556	5,556	6,073	19,014	41,755	-	-	2,897	44,652
Food	7,452	2,788	113	960	3,308	14,621	19	109	215	14,964
Cleaning/disposal	5,370	2,860	-	1,106	4,500	13,836	-	-	2,048	15,884
Office expense	785	344	281	708	566	2,684	194	-	2,384	5,262
Program supplies	1,005	839	530	3,629	978	6,981	-	-	-	6,981
Staff development	2,216	548	1,946	530	575	5,815	740	-	1,319	7,874
Professional fees	5,982	7,295	7,420	20,919	5,982	47,598	8,888	-	19,948	76,434
Repairs and maintenance	1,848	2,624	-	6,346	6,259	17,077	-	61	6,450	23,588
Telephone	-	-	-	-	-	-	-	-	6,272	6,272
Transportation	-	4	4	19,902	7,091	27,001	-	-	-	27,001
Equipment	329	311	329	332	329	1,630	329	-	348	2,307
Conferences and meetings	148	89	112	569	112	1,030	345	187	2,480	4,042
Printing and publications	32	32	32	623	32	751	305	-	318	1,374
Postage and shipping	36	36	48	100	204	424	615	-	1,258	2,297
Payroll and accounting services	5,270	5,270	5,270	5,269	5,270	26,349	302	-	5,520	32,171
Utilities	1,582	5,691	-	5,585	11,048	23,906	-	-	5,356	29,262
Other	<u>13</u>	<u>171</u>	<u>316</u>	<u>839</u>	<u>63</u>	<u>1,402</u>	<u>-</u>	<u>-</u>	<u>3,354</u>	<u>4,756</u>
<b>Total Expenses</b>	<u>\$ 270,513</u>	<u>\$ 146,136</u>	<u>\$ 170,933</u>	<u>\$ 156,454</u>	<u>\$ 187,519</u>	<u>\$ 931,555</u>	<u>\$ 49,176</u>	<u>\$ 1,522</u>	<u>\$ 167,119</u>	<u>\$ 1,149,372</u>

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



---

**Elizabeth Peabody House Association, Inc.***Statements of Cash Flows***Years Ended June 30, 2009 and 2008**

---

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (443,516)	\$ (97,461)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,590	25,370
Allowance for bad debts	(4,000)	(22,500)
Realized gain on sale of property and equipment	(3,850)	-
Realized and unrealized losses on investments	<u>386,840</u>	<u>189,135</u>
	(34,936)	94,544
Changes in operating assets and liabilities:		
Accounts receivable	14,255	40,311
Employee loans receivable	1,801	664
Prepaid expenses	(6,973)	(1,782)
Accounts payable	23,871	(13,238)
Accrued expenses	33,604	(157)
Deferred revenue	<u>3,373</u>	<u>7,170</u>
Net cash provided by operating activities	<u>34,995</u>	<u>127,512</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	3,850	-
Purchase of property and equipment	(163,560)	(32,238)
Proceeds from sale of investments	695,106	1,594,639
Purchase of investments	(739,894)	(1,353,771)
Payments received on note receivable	<u>1,575</u>	<u>1,200</u>
Net cash provided (used) by investing activities	<u>(202,923)</u>	<u>209,830</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(167,928)	337,342
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>856,155</u>	<u>518,813</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 688,227</u>	<u>\$ 856,155</u>

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

---

# **Elizabeth Peabody House Association, Inc.**

## *Notes to Financial Statements*

**June 30, 2009 and 2008**

---

### **Note 1 - Summary of Significant Accounting Policies**

#### *Purpose*

Elizabeth Peabody House Association, Inc. (the "Association") was founded in 1896. Its mission is to provide a broad array of educational, social and recreational services to address the essential and changing needs of families in the City of Somerville and surrounding communities. The Association receives funding from the Commonwealth of Massachusetts, United Way and from individual and corporate gifts and donations.

#### *Basis of Accounting and Presentation*

The financial statements of the Association have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred, and in accordance with Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, No 117, *Financial Statements of Not-for-Profit Organizations*, and No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

#### *Fund Accounting*

The Association maintains their underlying accounting records in separate funds for programs, administration and fundraising.

#### *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding accounts. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Accounts that are unpaid after management has used reasonable collection efforts are written off by a charge to the valuation allowance and a credit to accounts receivable.

#### *Cash and Cash Equivalents*

For purposes of the Statements of Cash Flows, the Association considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

---

## Elizabeth Peabody House Association, Inc.

### *Notes to Financial Statements*

June 30, 2009 and 2008

---

#### **Note 1 - Summary of Significant Accounting Policies** (Continued)

##### *Investments*

Investments are presented in the financial statements at fair market value.

##### *Income Taxes*

The Association is a nonprofit organization as described under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not subject to federal or Massachusetts income tax. Contributions to the Association qualify for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code. The Association has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

##### *Basis of Presentation*

These financial statements, which are presented on the accrual basis of accounting, are prepared to focus on the Association as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets as follows:

- \* **Unrestricted net assets** - Net assets not subject to donor-imposed stipulations.
- \* **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Association or the passage of time.
- \* **Permanently Restricted Net Assets** - Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

##### *Property and Equipment*

Property and equipment is stated at cost, or if donated, at the approximate fair value at date of donation. It is the Association's policy to capitalize expenditures for property and equipment in excess of \$1,000 with an estimated useful life of more than one year. Major improvements that extend the useful lives of the property are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight line method over the estimated useful lives of the various classes of assets, which range from 27 1/2 to 35 years for buildings and improvements, 5 to 10 years for furniture and equipment and 3 to 5 years for motor vehicles.

---

## **Elizabeth Peabody House Association, Inc.**

### *Notes to Financial Statements*

**June 30, 2009 and 2008**

---

#### **Note 1 - Summary of Significant Accounting Policies** (Continued)

##### *Revenue Recognition*

The Association operates its programs under various unit-rate contracts with the Commonwealth of Massachusetts. Under unit-rate programs, income is recognized when the services are provided.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions revenue is recognized at the fair value of the contribution in the period the contribution is received or promised. This statement also requires nonprofit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue. Expirations of temporary restrictions on net assets by fulfillment of donor stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

##### *Functional Expenses*

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

##### *Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

---

## Elizabeth Peabody House Association, Inc.

### *Notes to Financial Statements*

June 30, 2009 and 2008

---

#### **Note 1 - Summary of Significant Accounting Policies** (Continued)

##### *New Accounting Pronouncements*

The financial statements reflect the adoption of Statement on Financial Accounting Standards No. 157 (SFAS No. 157), *Fair Value Measurements*. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 established a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurement.

The financial statements also reflect the adoption of Financial Accounting Standards Board Staff Position No. FAS 117-1, *Endowment of Not-For-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FAS 117-1 also improves disclosure about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

#### **Note 2 - Unused Line of Credit**

The Association has a \$50,000 line of credit from a bank, secured by all assets of the Association, with interest at 1.0% over the bank's prime rate and is payable on demand. As of June 30, 2009 and 2008, there was no outstanding balance.

#### **Note 3 - Investments**

Investments at fair market value are comprised of the following:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<b><u>2009 Market Value</u></b>	<u>2008 Market Value</u>
Mutual fund	\$ 27,173	\$ (11,917)	\$ 15,256	\$ 20,751
Corporate bonds	698,397	30,705	729,102	505,753
Government notes and bonds	198,477	14,027	212,504	310,226
Government agency obligations	100,178	4,291	104,469	103,781
Corporate equity securities	<u>1,041,287</u>	<u>(154,653)</u>	<u>886,634</u>	<u>1,349,506</u>
	<u>\$ 2,065,512</u>	<u>\$ (117,547)</u>	<u>\$ 1,947,965</u>	<u>\$ 2,290,017</u>

---

## Elizabeth Peabody House Association, Inc.

### Notes to Financial Statements

June 30, 2009 and 2008

---

#### **Note 3 - Investments** (Continued)

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30, 2009 and 2008:

	2009		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 67,867	\$ -	\$ 67,867
Net realized and unrealized investment losses	<u>(381,462)</u>	<u>(5,378)</u>	<u>(386,840)</u>
Total investment return	<u>\$ (313,595)</u>	<u>\$ (5,378)</u>	<u>\$ (318,973)</u>

  

	2008		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 93,602	\$ -	\$ 93,602
Net realized and unrealized investment losses	<u>(182,956)</u>	<u>(6,179)</u>	<u>(189,135)</u>
Total investment return	<u>\$ (89,354)</u>	<u>\$ (6,179)</u>	<u>\$ (95,533)</u>

#### **Note 4 - Endowment Funds**

In August, 2008, The Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-For-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1).

The State of Massachusetts adopted UPMIFA effective June 30, 2009. The Association has adopted FAS 117-1 for the year ended June 30, 2009.

The Association's endowment consists of a donor-restricted fund established as the Hyman Tempkin Campership Fund. The income earned on this fund is to be used solely for the purpose of providing underprivileged children the opportunity of attending Camp Gannett. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

---

## **Elizabeth Peabody House Association, Inc.**

### *Notes to Financial Statements*

**June 30, 2009 and 2008**

---

#### **Note 4 - Endowment Funds** (Continued)

The purchasing power of permanent endowment funds has been maintained by the Association. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation on permanent endowment investments to permanent funds, the net appreciation on permanent funds is reported as increases in temporarily restricted net assets in accordance with Massachusetts trust law. The net appreciation of permanent funds reported as increases in temporarily restricted net assets remain as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by Massachusetts law. Absent donor imposed restrictions, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- ◆ The duration and preservation of the fund
- ◆ The purposes of the Association and the donor-restricted endowment fund
- ◆ General economic conditions
- ◆ The possible effect of inflation and deflation
- ◆ The expected total return from income and the appreciation of investments
- ◆ Other resources of the Association
- ◆ The investment policies of the Association

As a result of the ability to distribute corpus, the Board of Directors has determined that all endowment contributions received, absent donor specific restrictions and subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted, or unrestricted, depending on the specific terms of the agreement. Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as temporarily restricted, if the corpus never becomes available for spending it will be reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

Net appreciation on temporarily restricted net assets is reported as increases in unrestricted net assets.

---

## Elizabeth Peabody House Association, Inc.

### Notes to Financial Statements

June 30, 2009 and 2008

---

#### Note 4 - Endowment Funds (Continued)

The following schedule summarizes the endowment net asset composition by type of fund for the years ended June 30, 2009 and 2008:

	<u>2009</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ 6,025</u>

	<u>2008</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	<u>\$ 5,378</u>	<u>\$ 6,025</u>	<u>\$ 11,403</u>

The following schedule summarizes the changes in endowment net assets for the years ended June 30, 2009 and 2008:

	<u>2009</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	<u>\$ 5,378</u>	<u>\$ 6,025</u>	<u>\$ 11,403</u>
Unrealized losses on investments	<u>(5,378)</u>	<u>-</u>	<u>(5,378)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ 6,025</u>

	<u>2008</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	<u>\$ 11,557</u>	<u>\$ 6,025</u>	<u>\$ 17,582</u>
Unrealized losses on investments	<u>(6,179)</u>	<u>-</u>	<u>(6,179)</u>
Endowment net assets, end of year	<u>\$ 5,378</u>	<u>\$ 6,025</u>	<u>\$ 11,403</u>



---

## **Elizabeth Peabody House Association, Inc.**

### *Notes to Financial Statements*

**June 30, 2009 and 2008**

---

#### **Note 5 - Fair Value Measurements**

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (SFAS 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

---

## Elizabeth Peabody House Association, Inc.

### Notes to Financial Statements

June 30, 2009 and 2008

---

#### Note 5 - Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

*Investments:* Investments other than derivatives primarily include U.S. government and agency securities, corporate bonds, corporate equity securities, and mutual funds. In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 investments, such as domestic and international equities and exchange-traded mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of corporate bonds, U.S. government notes and bonds and government agency obligations.

The following table represents the Association's assets measured at fair value on a recurring basis at June 30, 2009:

	<u>Assets at Fair Value as of June 30, 2009</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual fund	\$ 15,256	\$ -	\$ 15,256
Corporate bonds	-	729,102	729,102
Government notes and bonds	-	212,504	212,504
Government agency obligations	-	104,469	104,469
Corporate equity securities	<u>886,634</u>	<u>-</u>	<u>886,634</u>
Totals	<u>\$ 901,890</u>	<u>\$ 1,046,075</u>	<u>\$ 1,947,965</u>

---

## Elizabeth Peabody House Association, Inc.

### Notes to Financial Statements

June 30, 2009 and 2008

---

#### **Note 6 - Temporarily Restricted Net Assets and Released from Restrictions**

Temporarily restricted net assets consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Program activities	\$ 72,065	\$ 28,005
Unrealized investment gains - permanent funds	<u>-</u>	<u>5,378</u>
	<u>\$ 72,065</u>	<u>\$ 33,383</u>

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2009</u>	<u>2008</u>
Program support	<u>\$ 72,440</u>	<u>\$ 38,490</u>

#### **Note 7 - Concentration of Credit Risk**

Effective October 3, 2008, the basic limit on federal deposit insurance coverage was temporarily increased from \$100,000 to \$250,000 through December 31, 2013. As of June 30, 2009 and 2008, cash and cash equivalents were \$688,227 and \$856,155, respectively, which included \$326,152 and \$450,490, respectively, of money market funds invested with Fidelity Investments. These funds are not FDIC insured.

The Association receives a portion of its funding from various agencies of the Commonwealth of Massachusetts. These contracts are subject to audit by the appropriate governmental agencies and could result in the recapture by the agencies of revenue previously reported by the Association.

In the opinion of management, the results of such audits, if any, will not have a material effect on the financial positions of the Association as of June 30, 2009 and 2008 or on its results of operations for the years then ended.

---

## Elizabeth Peabody House Association, Inc.

### Notes to Financial Statements

June 30, 2009 and 2008

---

#### Note 8 - Note Receivable

	<u>2009</u>	<u>2008</u>
During the fiscal year ended June 30, 2007, the Association discovered that a former employee misappropriated \$16,130 of assets. The Association immediately dismissed the employee. The Association reached an agreement with the individual whereby payments of \$785 would be made quarterly. During 2009 and 2008, the employee defaulted on the payments as scheduled and the original promissory note is still applicable in future years. During the years ended June 30, 2009 and 2008, the Association received payments of \$1,575 and \$1,200, respectively.	\$ 12,070	\$ 13,645
Less - Current portion	<u>6,645</u>	<u>5,080</u>
	<u>\$ 5,425</u>	<u>\$ 8,565</u>

#### Note 9 - 403(B) Thrift Plan

The Association replaced its previous 401(k) plan with the 403(b) Thrift Plan that became effective as of May 1, 2009. The 403(b) Plan requires no minimum service or minimum age for the enrollment of the Plan. All the employees are eligible to make contributions to the Plan once they are in service. Two conditions are required for all the employees to be eligible for receiving employer matching and base contributions: 1) no less than 21 years old, 2) 3 months of eligibility service. The Association makes an employer base contribution of \$150 for each participant who has satisfied the age and service requirements for each plan year. The Association contributed \$5,548 and \$120 to the Plan for the years ended June 30, 2009 and 2008, respectively.

#### Note 10 - Donated Goods and Services

Unpaid volunteers have made contributions of their time and services assisting the Association in organizing special events. The value of these contributed services is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

---

## **Elizabeth Peabody House Association, Inc.**

### *Notes to Financial Statements*

**June 30, 2009 and 2008**

---

#### **Note 11 - Operating Leases**

The Association has entered into an operating lease agreement dated October 1, 2004. The lease is for property at 35 Memorial Road at the rate of \$1,000 per month. The Association is currently a tenant at will. The lease can be terminated by either party by giving a written thirty day notice to that effect.

The Association had entered into an office lease agreement starting December 1, 2007. The lease is for property at 10 Winslow Avenue in Somerville at the rate of \$1,550 per month. The original lease expiration date was November, 30, 2008. The lease was terminated on July 31, 2008.

The Association has entered into an agreement to rent office equipment. The agreement requires a monthly payment of \$185 plus an excess charge for exceeding their monthly allowance.

Rent expense for years ended June 30, 2009 and 2008 was \$15,770 and \$32,820. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	<u>\$ 1,850</u>

#### **Note 12 - Subsequent Event**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 23, 2009, the date the financial statements were available to be issued.