

HEALTH  SERVICES
PARTNERSHIP

D/B/A DOTWELL

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)

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SEPTEMBER 30, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Health Services Partnership of Dorchester, Inc. d/b/a Dotwell:

We have audited the accompanying statements of financial position of Health Services Partnership of Dorchester, Inc. d/b/a Dotwell (a Massachusetts corporation, not for profit) as of September 30, 2008 and 2007, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Dotwell's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits 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 Health Services Partnership of Dorchester, Inc. d/b/a Dotwell as of September 30, 2008 and 2007, 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.

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
January 7, 2009

HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2008 AND 2007

ASSETS	2008		2007	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
CURRENT ASSETS:				
Cash and cash equivalents	\$ 995,452	\$ 444,845	\$ 1,351,460	\$ 587,720
Grants and accounts receivable	104,550	-	160,037	-
Due from Codman Square	62,000	-	-	-
Due from Dorchester House	3,519	-	-	-
Total current assets	<u>1,165,521</u>	<u>444,845</u>	<u>1,511,497</u>	<u>587,720</u>
FIXED ASSETS:				
Office equipment	217,830	-	217,830	-
Vehicle	57,510	-	57,510	-
	<u>275,340</u>	<u>-</u>	<u>275,340</u>	<u>-</u>
Less - accumulated depreciation	245,504	-	229,002	-
Net fixed assets	<u>29,836</u>	<u>-</u>	<u>46,338</u>	<u>-</u>
Total assets	<u>\$ 1,195,357</u>	<u>\$ 444,845</u>	<u>\$ 1,557,835</u>	<u>\$ 587,720</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable - Dorchester House	\$ 340,281	\$ -	\$ 557,141	\$ -
Accounts payable - Codman Square	41,740	-	49,734	-
Accounts payable and accrued expenses- other	77,126	-	70,282	-
Deferred revenue	706,374	-	834,340	-
Total current liabilities	<u>1,165,521</u>	<u>-</u>	<u>1,511,497</u>	<u>-</u>
NET ASSETS:				
Unrestricted -				
Fixed assets	29,836	-	46,338	-
Temporarily restricted	-	444,845	-	587,720
Total net assets	<u>29,836</u>	<u>444,845</u>	<u>46,338</u>	<u>587,720</u>
Total liabilities and net assets	<u>\$ 1,195,357</u>	<u>\$ 444,845</u>	<u>\$ 1,557,835</u>	<u>\$ 587,720</u>

The accompanying notes are an integral part of these statements.

HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	2008		2007	
	UNRESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED
OPERATING REVENUES:				
Member fees	\$ 2,215,966	-	\$ 2,041,226	-
Grants and contracts	347,937	1,380,095	374,422	1,038,909
Interest	28,553	-	20,858	-
Special event, net of expenses	-	25,226	-	126,879
Net assets released from program restrictions	1,548,196	(1,548,196)	1,240,160	(1,240,160)
Total operating revenues	4,140,652	(142,875)	3,676,666	(74,372)
OPERATING EXPENSES:				
Program Services -				
Community Based Services	2,031,184	-	1,798,773	-
Care Management and Quality Improvement	117,146	-	106,329	-
Information System Management	396,324	-	447,499	-
Data Management	504,035	-	289,449	-
Administrative and Financial Management Services	137,259	-	130,939	-
Development Services	277,642	-	384,207	-
Total program services	3,463,590	-	3,157,196	-
General and Administration	693,564	-	511,979	-
Total operating expenses	4,157,154	-	3,669,175	-
Changes in net assets	(16,502)	(142,875)	7,491	(74,372)
NET ASSETS, beginning of year	46,338	587,720	38,847	662,092
NET ASSETS, end of year	<u>\$ 29,836</u>	<u>\$ 444,845</u>	<u>\$ 46,338</u>	<u>\$ 587,720</u>
				<u>\$ 634,058</u>
				<u>\$ 634,058</u>

The accompanying notes are an integral part of these statements.

**HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (159,377)	\$ (66,881)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,502	17,509
Changes in operating assets and liabilities -		
Due from Codman Square	(62,000)	-
Due from Dorchester House	(3,519)	645,891
Grants and accounts receivable	55,487	89,963
Accounts payable - Dorchester House	(216,860)	6,659
Accounts payable - Codman Square	(7,994)	31,497
Accounts payable - other	6,844	70,282
Deferred revenue	<u>(127,966)</u>	<u>(592)</u>
Net cash provided by (used in) operating activities	(498,883)	794,328
CASH FLOWS FROM INVESTING ACTIVITY -		
Purchase of fixed assets	<u>-</u>	<u>(25,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(498,883)	769,328
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,939,180</u>	<u>1,169,852</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,440,297</u></u>	<u><u>\$ 1,939,180</u></u>

The accompanying notes are an integral part of these statements.

HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)

STATEMENT OF FUNCTIONAL OPERATING EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(With Summarized Comparative Totals for the Year Ended September 30, 2007)

	2008						2007		
	PROGRAM SERVICES						TOTAL		
	COMMUNITY BASED SERVICES	CARE MANAGEMENT AND QUALITY IMPROVEMENT	INFORMATION SYSTEM MANAGEMENT	ADMINISTRATIVE AND FINANCIAL MANAGEMENT SERVICES	DEVELOPMENT SERVICES	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS- TRATION	TOTAL	
PERSONNEL AND RELATED:									
Salaries	\$ 640,861	\$ 95,695	\$ 260,619	\$ 117,315	\$ 176,192	\$ 1,643,630	\$ 289,370	\$ 1,933,000	\$ 1,585,984
Payroll taxes and fringe benefits	134,456	20,082	54,693	19,944	36,975	340,219	75,828	416,047	354,601
Total personnel and related	775,317	115,777	315,312	137,259	213,167	1,983,849	365,198	2,349,047	1,940,585
OTHER:									
Professional fees	41,356	-	68,331	-	45,808	202,333	126,667	329,000	145,919
Program activities	153,393	-	-	-	-	153,393	-	153,393	289,174
Miscellaneous	48,066	558	52	-	1,094	49,908	11,907	61,815	77,054
Occupancy	-	-	-	-	66	66	60,495	60,561	52,405
Telephone	200	-	7,279	-	-	7,479	51,020	58,499	89,771
Marketing expenses	90	-	-	-	8,113	8,203	19,483	27,686	60,299
Recruiting	601	-	-	-	-	22,501	4,287	26,788	-
Legal and audit	-	-	-	-	-	4,905	21,500	26,405	23,844
Equipment	1,525	-	350	-	4,905	8,350	12,073	20,423	-
Conference and training	3,323	811	-	-	3,537	9,273	8,416	17,689	12,474
Depreciation	11,502	-	5,000	-	-	16,502	-	16,502	17,509
Printing and postage	526	-	-	-	952	1,543	5,038	6,581	10,257
Insurance	-	-	-	-	-	-	4,725	4,725	-
Office supplies	369	-	-	-	-	369	2,755	3,124	12,869
Administrative services	-	-	-	-	-	-	-	-	12,500
Total other expenses	260,951	1,369	81,012	-	64,475	484,825	328,366	813,191	804,075
Subtotal	1,036,268	117,146	396,324	137,259	277,642	2,468,674	693,564	3,162,238	2,744,660
GRANTS TO AND CONTRACTED SERVICES FROM MEMBERS									
Total operating expenses	\$ 2,031,184	\$ 117,146	\$ 396,324	\$ 137,259	\$ 277,642	\$ 3,463,590	\$ 693,564	\$ 4,157,154	\$ 3,669,175

The accompanying notes are an integral part of these statements.

HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)

STATEMENT OF FUNCTIONAL OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	PROGRAM SERVICES							GENERAL AND ADMINISTRATION	TOTAL
	COMMUNITY BASED SERVICES	CARE MANAGEMENT AND QUALITY IMPROVEMENT	INFORMATION SYSTEM MANAGEMENT	DATA MANAGEMENT	ADMINISTRATIVE AND FINANCIAL SERVICES	DEVELOPMENT SERVICES	PROGRAM SERVICES		
PERSONNEL AND RELATED:									
Salaries	\$ 440,138	\$ 87,193	\$ 279,691	\$ 238,003	\$ 107,663	\$ 232,243	\$ 201,053	\$ 1,585,984	
Payroll taxes and fringe benefits	94,341	19,136	60,513	51,446	23,276	50,657	55,232	354,601	
Total personnel and related	534,479	106,329	340,204	289,449	130,939	282,900	256,285	1,940,585	
OTHER:									
Professional fees	34,729	-	17,186	-	-	34,004	60,000	145,919	
Program activities	289,174	-	-	-	-	-	-	289,174	
Miscellaneous	-	-	-	-	-	-	77,054	77,054	
Occupancy	-	-	-	-	-	-	52,405	52,405	
Telephone	-	-	84,101	-	-	5,670	-	89,771	
Marketing expenses	-	-	-	-	-	60,299	-	60,299	
Legal and audit	-	-	-	-	-	-	23,844	23,844	
Conference and training	4,375	-	-	-	-	1,209	6,890	12,474	
Depreciation	11,501	-	6,008	-	-	-	-	17,509	
Printing and postage	-	-	-	-	-	125	10,132	10,257	
Office supplies	-	-	-	-	-	-	12,869	12,869	
Administrative services	-	-	-	-	-	-	12,500	12,500	
Total other expenses	339,779	-	107,295	-	-	101,307	255,694	804,075	
Subtotal	874,258	106,329	447,499	289,449	130,939	384,207	511,979	2,744,660	
GRANTS TO AND CONTRACTED SERVICES FROM MEMBERS									
Total operating expenses	\$ 1,798,773	\$ 106,329	\$ 447,499	\$ 289,449	\$ 130,939	\$ 384,207	\$ 511,979	\$ 3,669,175	
	924,515	-	-	-	-	-	-	924,515	

The accompanying notes are an integral part of these statements.

**HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

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

OPERATIONS AND NONPROFIT STATUS

Health Services Partnership of Dorchester, Inc. d/b/a Dotwell (Dotwell) is a nonprofit membership organization of health centers formed in August, 1998, to share resources and collaborate on health-related initiatives intended to benefit the residents of Dorchester, Massachusetts.

In December, 1998, Dotwell entered into a ten-year affiliation agreement with Partners Community Health Care, Inc. (Partners) and the Founding Members (see Note 2). The purpose of this agreement is to establish an affiliation in a number of clinical and administrative areas in order to provide a better continuum of care and to improve the health of the residents of Dorchester, Massachusetts and its surrounding communities. The initial ten-year period was conceived in relation to a vesting schedule of Partners' capital support to the Founding Members. The collaborative efforts with Partners continues even though the affiliation agreement has expired.

Dotwell is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Dotwell is also exempt from state income taxes. Contributions to Dotwell are deductible by donors within the requirements of the Internal Revenue Code.

SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with financial institutions and fixed maturity investments issued with maturities of ninety days or less for purposes of the statements of cash flows.

Fixed Assets and Depreciation

Dotwell records property and equipment at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years.

**HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted net assets include the net available unrestricted resources of Dotwell, including the net book value of fixed assets.

Temporarily restricted net assets are those amounts received with donor restrictions which have not been expended for their designated purposes. Temporarily restricted net assets consist of:

	<u>2008</u>	<u>2007</u>
Purpose restricted for program costs	\$444,845	\$430,416
Purpose restricted proceeds from special event	-	<u>157,304</u>
	<u>\$444,845</u>	<u>\$587,720</u>

Revenue and Expense Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time or program restrictions have lapsed.

Substantially all operating expenditures of Dotwell, including expenses and fixed assets, have been made by member health centers (see Note 2). These costs have been charged to and reimbursed by Dotwell from member fees revenue. This relationship has the effect of a pro-rata sharing by member organizations of costs that are not otherwise charged to grants or contracts (see Note 2).

Dotwell recognizes member fees as revenues as it expends them for costs of operating Dotwell. Member fees received, but not yet expended, are recorded as deferred revenue in the accompanying statements of financial position.

Contract revenue is recorded over the period covered by the contract as services are provided.

**HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants to and Contracted Services from Member Health Centers

Grants to and contracted services from member health centers consist of grants and contracts awarded to Dotwell where the required services are provided by the members. Grants and contracted services passed from members consist of the following for the years ended September 30:

	<u>2008</u>	<u>2007</u>
Smith Family Foundation	\$214,085	\$219,973
Fundraising event	182,530	-
Department of Public Health	157,117	-
Blue Cross Blue Shield	133,406	54,668
Neighborhood Health Plan	133,333	400,000
Dorchester Youth Collaborative	65,797	-
Other	39,264	28,848
Partners Health Care	20,000	-
Boston Medical Center	19,803	16,233
Massachusetts Medical Society	12,438	-
New England Medical Center	9,643	28,927
Boston Foundation	7,500	-
Yawkey Foundation	-	75,000
Barr Foundation	-	75,000
Peabody Foundation	-	25,866
	<u>\$994,916</u>	<u>\$924,515</u>

(2) **RELATED PARTY TRANSACTIONS**

Dotwell has two health center members (the Founding Members): Dorchester House Multi-Service Center, Inc. (Dorchester House) and Codman Square Health Center, Inc. (Codman Square). Additional health care provider entities that meet certain eligibility criteria may become members of Dotwell by vote of 80% of existing members.

The Founding Members have equal representation on Dotwell's Board of Directors. The Executive Director of Codman Square serves as Dotwell's President and Dorchester House acts as Dotwell's fiscal agent. Codman Square's Executive Director is also a member of the Board of Directors.

**HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

(2) RELATED PARTY TRANSACTIONS (Continued)

According to the terms of a service agreement, the Founding Members have agreed to share the costs of operating Dotwell (see Note 1). This agreement is automatically renewed from year-to-year. Substantially all expenditures of Dotwell were incurred by the Founding Members and reimbursed to the Founding Members by Dotwell (see Note 1). As of September 30, 2008 and 2007, Dorchester House was owed \$340,281 and \$557,141, respectively, of reimbursements. Codman Square was owed \$41,470 and \$49,734 by Dotwell as of September 30, 2008 and 2007, respectively. These amounts are included as accounts payable on the accompanying statements of financial position. Codman Square and Dorchester House owed Dotwell \$62,000 and \$3,519, respectively, for grants collected on Dotwell's behalf as of September 30, 2008.

(3) CONCENTRATION OF CREDIT RISK

Dotwell maintains cash accounts in four banks in Massachusetts and is insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceed the insured amounts. Dotwell has not experienced any losses in such accounts. Dotwell's management believes Dotwell is not exposed to any significant credit risk on cash and cash equivalents.

(4) SPECIAL FUNDRAISING EVENT

Dotwell generally holds a special annual fundraising event to benefit Dorchester House and Codman Square programs. The event is held on or near the end of Dotwell's fiscal year, with the net proceeds intended to be spent in future years. A fundraising event was not held during 2008, though Dotwell did raise \$25,226 toward the event prior to its cancellation. Results of the special fundraising event are as follows:

	<u>2008</u>	<u>2007</u>
Gross fundraising event revenue	\$25,226	\$210,315
Less - direct costs	-	83,436
	<u>\$25,226</u>	<u>\$126,879</u>

(5) CONDITIONAL GRANT

During fiscal year 2006, Dotwell was awarded a \$1,450,000 conditional grant toward a new project. Dotwell has recorded as revenue \$1,000,000 to date, including \$300,000 and \$350,000 for the years ended September 30, 2008 and 2007, respectively. Since this grant is conditional upon the grantor approving progress against performance objectives, the remaining \$450,000 of the grant has not been reflected in the accompanying financial statements as of September 30, 2008.

During fiscal year 2008, Dotwell was awarded a \$180,000 conditional grant to support the Innovation Fund for the Uninsured program of Dotwell. The commitment is payable in two \$90,000 installments upon submitting an annual report that outlines the usage of funds, as well as results of a site visit to be conducted by grantor. During fiscal year 2008, Dotwell has satisfied the conditions and received the first installment of \$90,000. The remaining \$90,000 is conditional upon Dotwell meeting certain conditions and, accordingly, has not been reflected in the accompanying financial statements as of September 30, 2008.

HEALTH SERVICES PARTNERSHIP OF DORCHESTER, INC.
(D/B/A DOTWELL)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)

(6) LEASE AGREEMENT

Dotwell has a lease agreement to rent space in Dorchester, Massachusetts, which terminates in September 2009. Total expense under this lease was \$55,841 and \$50,834 for 2008 and 2007, respectively, and is included in occupancy in the accompanying statements of operating functional expenses. Future minimum lease payments for 2009 are \$55,841.

(7) RECLASSIFICATION

Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation.