

THE GAVIN FOUNDATION, INC.

Uniform Financial Statements

June 30, 2010

THE GAVIN FOUNDATION, INC.

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June 30, 2010

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Kevin P. Martin & Associates, P.C.

Independent Auditors' Report

To the Board of Directors of
The Gavin Foundation, Inc.

We have audited the accompanying statements of financial position of The Gavin Foundation, Inc. (a nonprofit organization) (the Agency), as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Agency as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kevin P. Martini & Associates, P.C.

Braintree, Massachusetts
November 15, 2010



Kevin P. Martin & Associates, P.C.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
The Gavin Foundation, Inc.

We have audited the financial statements of The Gavin Foundation, Inc. (a nonprofit organization) (the Agency), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Directors, others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Walter P. Martini & Company, P.C.

Braintree, Massachusetts
November 15, 2010

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF FINANCIAL POSITION AS OF 6/30/2010
(BALANCE SHEET)

WITH COMPARATIVE TOTALS AS OF 6/30/2009

	CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
ASSETS						
1	Cash and Cash Equivalents	659,097			659,097	615,766
2	Accounts Receivable, Program Services	150,345			150,345	89,244
3	Allowance for Doubtful Accounts					
4	Net Accounts Receivable, Program Services	150,345			150,345	89,244
5	Contributions Receivable					91,748
6	Notes Receivable					
7	Prepaid Expenses	20,455			20,455	61,138
8	Other Accounts Receivable	2,099			2,099	34,077
9	Other Current Assets					
10	Short-Term Investments					
11	TOTAL CURRENT ASSETS	831,996			831,996	891,973
12	Land, Buildings, and Equipment		1,258,390		1,258,390	1,269,983
13	Accumulated Depreciation		(1,088,743)		(1,088,743)	(1,019,612)
14	Net Land, Buildings and Equipment		169,647		169,647	250,371
15	Long-Term Investments	369			369	337
16	Other Assets	12,500			12,500	14,501
17	Due From Other Funds					
18	TOTAL ASSETS	844,865	169,647		1,014,512	1,157,182
LIABILITIES AND NET ASSETS						
19	Accounts Payable	4,150			4,150	3,418
20	Subcontract Payable					
21	Accrued Expenses	88,350			88,350	78,410
22	Current Notes Payable					
23	Current Portion Long-Term Debt					51,342
24	Deferred Revenue	9,305			9,305	8,650
25	Other Current Liabilities					
26	TOTAL CURRENT LIABILITIES	101,805			101,805	141,820
27	Long-Term Notes & Mortgage Payable					85,166
28	Other Liabilities					
29	Due to Other Funds					
30	TOTAL LIABILITIES	101,805			101,805	226,986
NET ASSETS						
31	Unrestricted	736,060	169,647		905,707	930,196
32	Temporarily Restricted	7,000			7,000	
33	Permanently Restricted					
34	TOTAL NET ASSETS	743,060	169,647		912,707	930,196
35	TOTAL LIABILITIES AND NET ASSETS	844,865	169,647		1,014,512	1,157,182

See Accompanying Notes to the Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED

6/30/2010

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED

6/30/2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
REVENUES, GAINS, AND OTHER SUPPORT					
1 Contributions, Gifts, Legacies, Bequests & Special Events	148,513	7,000		155,513	419,793
2 In-Kind Contributions	95,925			95,925	131,247
3 Grants					
4 Program Service Fees	2,758,371			2,758,371	2,230,249
5 Federated Fundraising Organization Allocation					
6 Investment Revenue	1,390			1,390	8,152
7 Revenue from Commercial Products & Services					
8 Other	5,136			5,136	3,932
9 Net Assets Released From Restrictions:					
10 Satisfaction of Program Restrictions					
11 Satisfaction of Equipment Acquisition Restrictions					
12 Expiration of Time Restrictions					
13 TOTAL REVENUE, GAINS, AND OTHER SUPPORT	3,009,335	7,000		3,016,335	2,793,373
EXPENSES AND LOSSES					
14 Administration (Management & General)	117,274			117,274	196,811
15 Fundraising					
16 Total Program Services	2,916,550			2,916,550	2,691,159
17 TOTAL EXPENSES	3,033,824			3,033,824	2,887,970
18 Losses					
19 TOTAL EXPENSES AND LOSSES	3,033,824			3,033,824	2,887,970
CHANGES IN NET ASSETS:					
20 Property & Equipment Acquisitions from Unrestricted Funds					
21 Transfer of Realized Endowment Fund Appreciation					
22 Return to Donor					
23 Other Increases (Decreases)					
24 TOTAL CHANGES IN NET ASSETS	(24,489)	7,000		(17,489)	(94,597)
25 NET ASSETS AT BEGINNING OF YEAR	930,196			930,196	1,024,793
26 NET ASSETS AT END OF YEAR	905,707	7,000		912,707	930,196

See Accompanying Notes to Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF CASH FLOWS for the YEAR ENDED

6/30/2010

INDIRECT METHOD

	TOTAL
Cash Flows from Operating Activities:	
1 Changes in Net Assets	(17,489)
Adjustments to Reconcile Change In Net Assets to Net	
Cash provided by/(used in) Operating Activities:	
2 Depreciation	95,509
3 Losses	
4 Increase/Decrease in Net Accounts Receivable	(29,123)
5 Increase/Decrease in Prepaid Expenses	40,683
6 Increase/Decrease in Contributions Receivable	91,748
7 Increase/Decrease in Accounts Payable	732
8 Increase/Decrease in Accrued Expenses	9,940
9 Increase/Decrease in Deferred Revenue	655
10 Increase/Decrease in Subcontract Payable	
11 Contributions Restricted for Long-Term Investment	
12 Net Unrealized and Realized Gains on Long-Term Investments	(32)
13 Other Cash Used in/Provided by Operating Activities	2,001
14 Net Cash Provided by/(used in) Operating Activities	194,624
Cash Flows from Investing Activities:	
15 Insurance Proceeds	
16 Purchase(s) of Capital Assets (Land, Bldgs. & Equip.)	(14,785)
17 Proceeds from Sale(s) of Investments	
18 Purchase(s) of Investments	
19 Purchase(s) of Assets Restricted To Long-Term Investment	
20 Other Investing Activities	
21 Net Cash Provided by/(used in) Investing Activities	(14,785)
Cash from Financing Activities:	
Proceeds from Contributions Restricted For:	
22 Investment in Endowment	
23 Investment in Term Endowment	
24 Investment in Plant (Land Bldgs. & Equip.)	
Other Financing Activities:	
25 Contributions Restricted for Long-Term Investment	
26 Interest and Dividends Restricted for Reinvestment	
27 Payments on Notes Payable	(136,508)
28 Payments on Long-Term Debt	
29 Other Finance Payments/Receipts	
30 Net Cash Provided by/(used in) Financing Activities	(136,508)

See Accompanying Notes to the Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF CASH FLOWS for the YEAR ENDED

6/30/2010

INDIRECT METHOD

31	Net Increase/(Decrease) in Cash and Cash Equivalents	43,331
32	Cash and Cash Equivalents at Beginning of Year	615,766
33	Cash and Cash Equivalents at End of Year	659,097

Supplemental Disclosure of Cash Flow Information:

34	Cash Paid During the Year for Interest	3,302
35	Cash Paid During the Year for Taxes/Other	

Supplemental Data for Noncash Investing and Financing Activities:

36	Gifts of Equipment	
37	Other Noncash Investing and Financing Activities	
38		
39		
40		

See Accompanying Notes to the Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC. FEIN: 043220123

Statement of Functional Expenses for the Year Ended: 6/30/2010

	SUPPORTING SERVICES			PROGRAM SERVICES
	TOTALS	ADMINISTRATION (MNGT. & GEN.)	FUND RAISING	TOTAL ALL PROGRAMS
1. Employee Compensation & Related Expenses	2,045,570	43,285		2,002,285
2. Occupancy	426,058	3,638		422,420
3. Other Program / Operating Expense	366,091	30,825		335,266
4. Subcontract Expense				
5. Direct Administrative Expense	81,117	26,370		54,747
6. Other Expenses	19,479	13,156		6,323
7. Depreciation of Buildings and Equipment	95,509			95,509
8. TOTAL EXPENSES	3,033,824	117,274		2,916,550

See Accompanying Notes to Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC. FEIN: 043220123

Statement of Functional Expenses for the Year Ended: 06/30/10

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	1	2	6	32	33
1. Employee Compensation & Related Expenses	506,471		995,129	274,724	91,571
2. Occupancy	87,291	28,373	221,999	53,650	
3. Other Program / Operating Expense	121,649	3,181	149,982	7,283	1,163
4. Subcontract Expense					
5. Direct Administrative Expense	22,582	79	19,542	11,145	237
6. Other Expenses	3,944		1,284	210	415
7. Depreciation of Buildings and Equipment	13,055	1,256	81,198		
8. TOTAL EXPENSES	754,992	32,889	1,469,134	347,012	93,386

See Accompanying Notes to Financial Statements

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ORGANIZATION : THE GAVIN FOUNDATION, INC. FEIN: 043220123

Statement of Functional Expenses for the Year Ended: 06/30/10

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	<u>6A</u>	<u>7</u>			
1. Employee Compensation & Related Expenses	<u>80,377</u>	<u>54,013</u>			
2. Occupancy		<u>31,107</u>			
3. Other Program / Operating Expense	<u>34,924</u>	<u>17,084</u>			
4. Subcontract Expense					
5. Direct Administrative Expense		<u>1,162</u>			
6. Other Expenses		<u>470</u>			
7. Depreciation of Buildings and Equipment					
8. TOTAL EXPENSES	<u>115,301</u>	<u>103,836</u>			

See Accompanying Notes to Financial Statements

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Gavin Foundation, Inc. (the Agency) provides housing, counseling and support services for alcoholics and recovering alcoholics located in the South Boston area of Massachusetts and surrounding communities.

The majority of the Agency's services are provided to Greater Boston residents. The following program divisions are listed in order of relative importance based on total expenditures:

Gavin House - The Gavin House is an intensive substance abuse recovery home program which provides individual and group counseling, advocacy, vocational and educational services, medical consultation and substance abuse education to individuals in Boston and the surrounding communities who have recently achieved sobriety and require rehabilitative services to strengthen and maintain their sobriety. A substantial amount of the revenue of this program is derived from services delivered to the Commonwealth of Massachusetts through the Department of Public Health. The Gavin House is located in South Boston, Massachusetts. The Gavin House program accounts for approximately 26% of total program expenditures.

Graduate Center - The Graduate Center program provides residence to graduates of the Gavin House. Substantially all of the revenue of this program is derived from client resources. These services are provided in South Boston, Massachusetts. The Graduate Center program accounts for approximately 1% of total program expenditures.

Cushing House - The Cushing House provides a stabilizing transitional care residence for substance abusing young men and women who are unable to be served in a less restrictive facility. Residents have evidence of difficulty with transitional institutions and/or some experience with the court, social service or youth services system. The program has been designed using the concepts of self-help, goal orientation, peer support, mentoring and group work in conjunction with clinical services. The Cushing House program accounted for approximately 55% of total program expenditures.

Center for Recovery Services - The Center for Recovery Services program offers assessment and individual and group treatment for individuals struggling with substance use, abuse and addiction. Services are provided by licensed clinicians and include: assessment, counseling, relapse prevention, case management, anger management and enhanced Structured Outpatient Addiction Program (SOAP) for youth ages 16 to 20. The Center for Recovery Services Program is licensed as an outpatient program by the Bureau of Substance Abuse Services, Department of Mental Health. The Agency is also an approved provider of behavioral health services by the Massachusetts Behavioral Health Partnership. The Center for Recovery Services program accounted for 4% of total program expenditures.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Total Immersion - Total Immersion Program (TIP) provides effective intervention and sanction for high risk offenders whose background shows a history of violence and abusive use of alcohol; provides an alternative treatment program that is both restrictive and rehabilitative which will assist the court in its disposition of violent offender cases; provides work on a collaborative basis with the Probation Department of South Boston District Court to maximize the safety of the victim, family and/or children by closely monitoring the supervision and rehabilitative plan designed for the high risk offender; provides services for male and female defendants that have been arraigned for crimes against an individual in which alcohol and drug abuse are considered factors, which begins with referrals from the court and probation department, involving a structured comprehensive assessment; provides training of probation officers, correction officers, substance abuse counselors and any jurisdiction interested in replicating the program. TIP accounted for approximately 11% of total program expenditures.

Ostiguy - The Ostiguy program provides a full time certified drug and alcohol counselor who works with the rest of the staff of the William J. Ostiguy Recovery High School to create and maintain a recovery culture. The Ostiguy program accounted for approximately 3% of total program expenditures.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts. Investment income, realized and unrealized gains and losses on investments, net of related management fees are reported as non-operating revenue because such assets are managed for long-term stabilization of the Agency's activities.

The financial statements are presented in a format prescribed by the Commonwealth of Massachusetts, Operational Services Division.

(c) Income Taxes

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to income tax. The Agency is not a private foundation under Section 509(a)(1). Certain unrelated business income, as defined in the Internal Revenue Code, is subject to federal income tax. For the year ended June 30, 2010, there was no liability for tax on unrelated business income.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(c) Income Taxes - continued

Effective July 1, 2009, the provisions of U.S. generally accepted accounting principles require that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to tax positions taken or expected to be taken in a tax return. The implementation of these provisions had no impact on the Agency's financial statements. The Agency does not believe its financial statements include any uncertain tax positions.

All tax years prior to 2006 are closed via the passing of the Statute of Limitations. No notices have been received from either the Internal Revenue Service or Commonwealth of Massachusetts addressing any subsequent year.

(d) Standards of Accounting and Reporting

The Agency's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) and the statement of activities displays the amounts of change in each of those classes of net assets.

The two classes of net assets applicable to the Agency are presented as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or 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. Restricted contributions and investment income whose restrictions are met in the same reporting period are recorded as unrestricted revenue.

(e) Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Agency maintains its cash deposit balances in banks and financial institutions located in Massachusetts. Cash reserves held with Merrill Lynch totaled \$500,845 and were not FDIC insured at June 30, 2010. The Agency did not maintain cash balances in excess of FDIC limits in any other financial institutions as of June 30, 2010.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(f) Current Operations Fund and Plant Fund

To ensure observance of limitations and restrictions placed on use of resources available to the Agency, the accounts of the Agency are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Agency are reported in two self-balancing fund groups as follows:

Current Operations Fund - Includes unrestricted and restricted resources. The unrestricted fund represents resources currently available for use, while the restricted fund represents funds available for use under certain conditions.

Plant Fund - Represents resources both unrestricted and restricted for acquiring or replacing land, buildings or equipment and the accumulated net investment in property and equipment.

(g) Accounts Receivable

The Agency carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2010, management has determined any allowance would be immaterial.

The Agency does not have a policy to accrue interest on accounts receivable. Contracts are written off upon notification by the government and/or non-profit entity that amounts are uncollectible.

The Agency has no policies requiring collateral or other security to secure the accounts receivable. As of June 30, 2010, substantially all of the Agency's trade receivables were due from governmental agencies in Massachusetts.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(h) Revenue Recognition

The Agency earns revenue as follows:

Program Service Fees - Program service fee revenue is earned and recognized by the Agency when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency.

Contributions - Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged at various sponsored events. Special event contributions and fees are recognized as income when received. The majority of special event revenue is derived from the John Dorsey Jack Leary Open Golf event. Revenue derived from the event, net of expenses, totaled approximately \$11,150.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2010, the Agency derived approximately 77% of its total revenue from governmental agencies, 19% from foundations and 4% from individual donors. All revenue is recorded at the estimated net realizable amounts.

(i) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon square footage.

(j) Advertising Costs

The Agency expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2010.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(k) Donated Facilities

The fair value of donated facilities was \$77,860 for the year ended June 30, 2010. Amounts are reflected as revenue from contributions and are included with program expenses in the accompanying financial statements and are recorded at the estimated fair value at the date of receipt.

(l) Use of Estimates

In preparing the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

(m) Subsequent Events

The Agency has performed an evaluation of subsequent events through November 15, 2010, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2010 that required recognition or disclosure in these financial statements.

(n) Fair Value Measurements

The Agency determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the following fair value hierarchy established in accordance with generally accepted accounting principles.

Level 1: Quoted prices in active markets for identical assets or liabilities the Agency has the ability to access. The Agency's Level 1 assets include short term investments which are measured at fair value on a recurring basis. The Agency currently has no Level 1 liabilities that are measured at fair value on a recurring basis.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 asset includes the fair value of contributed services and property. The Agency currently has no Level 2 liabilities that are measured at fair value on a recurring basis.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(n) Fair Value Measurements - continued

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. The Agency currently has no Level 3 assets or liabilities that are measured at fair value on a recurring basis.

The following table presents the fair value hierarchy for those financial assets measured at fair value on a recurring basis as of June 30, 2010.

	Fair Value Measurements on a Recurring Basis as of June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 369	\$ -	\$ -	\$ 369
In kind contributions	<u>-</u>	<u>95,925</u>	<u>-</u>	<u>95,925</u>
	<u>\$ 369</u>	<u>\$ 95,925</u>	<u>\$ -</u>	<u>\$ 96,294</u>

The Agency's financial instruments include cash and cash equivalents, accounts receivables, accounts payable, accrued expenses and deferred revenue. The carrying amount of these financial instruments approximates their fair value due to their short maturities.

(o) Fixed Assets and Depreciation

Leasehold improvements, equipment, furniture and automobiles are recorded at cost or, if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies - continued

(o) Fixed Assets and Depreciation - continued

The Agency computes depreciation using the straight-line method over the following estimated lives:

Buildings	40 years
Building improvements	5-20 years
Leasehold improvements	5 years
Equipment	3-10 years
Furniture and fixtures	3-20 years
Automobiles	5 years

(p) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Agency. Immaterial amounts of fundraising are included in administration expenses.

(q) Investments

The Agency carries investments in marketable securities with readily determinable values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

(r) Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

(s) Special Events

The Agency has determined that special events are incidental to its operations and therefore has reported the gross special event revenue net of direct costs of benefit to the donors.

(t) Summarized Financial Information for 2009

The financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, there is no presentation of statement of cash flows or statement of functional expenses for the year ended June 30, 2009. The financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2009, from which the summarized information is derived.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(2) Property and Equipment

Property and equipment consists of the following as of June 30, 2010:

Land	\$ 7,000
Buildings	106,122
Building improvements	287,353
Leasehold improvements	596,869
Equipment	47,137
Furniture and fixtures	139,083
Automobiles	<u>74,826</u>
	\$ <u>1,258,390</u>

Depreciation amounted to \$95,509 for the year ended June 30, 2010.

(3) Debt

Mortgage Notes Payable

The Agency had a note payable to Mount Washington Bank in the original amount of \$210,000. The note was due in monthly installments of \$4,060 and bore interest at 6%. The final payment on the note was due in August 2010. The note was secured by all assets of the Agency. During the year ended June 30, 2010, the note was fully satisfied.

The Agency had a mortgage note payable to Mount Washington Bank in the original amount of \$120,000. The note was secured by property at 851 East Fourth Street, South Boston. The note was due in monthly installments of \$834 and bore interest at 6.625% per annum. The final payment on the note was due in July 2021. During the year ended June 30, 2010, the note was fully satisfied.

Interest expense on all debt amounted to \$3,302 for the year ended June 30, 2010.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(4) Operating Lease Commitments

The Agency occupies program space under non-cancelable, operating lease agreements with various expiration dates, inclusive of options to renew through 2013. The Agency is also liable for certain real estate tax increases and operating cost adjustments under the office lease terms. Several leases contain escalation clauses. Rent expense is being recorded on the straight-line basis by using the total amount of payments due over the extended life of the lease. Upon entering into these lease agreements, the Agency paid security deposits totaling \$12,500, which are included in other assets in the statement of financial position.

The minimum annual operating non-cancelable lease commitments on property for the Agency are as follows:

2011	\$ 100,150
2012	102,884
2013	71,170

Rent expense for the year ended June 30, 2010 was \$219,108.

(5) Employee Benefits

Defined Contribution Plan

The Agency has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the Internal Revenue Code for the benefit of eligible employees. Salaried employees with 1,000 hours or more of service during any consecutive 12-month period commencing with date of employment, or anniversary date, are eligible to participate in this plan. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Agency's contributions under this plan amounted to \$25,780 for the year ended June 30, 2010.

(6) Related Party Transactions

During the year ended June 30, 2010, the Agency entered into the following transactions with a company (the Company) in which a member of the Board of Directors has ownership interest:

The Agency paid the Company \$9,000 for use of program space in Quincy, Massachusetts.

During the year ended June 30, 2010, the Agency paid \$4,420 for rental of space from a company in which a board member of the Agency is also a member of the Board of Directors.

THE GAVIN FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Donor restrictions limit the use of the resources within the particular purposes listed below.

<u>Nature of Restriction</u>	<u>Amount</u>
The Center for Recovery Services Program	\$ 7,000

(8) Commitments and Contingencies

The Agency receives a portion of its funding from governmental agencies under cost reimbursement programs. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Agency's operations are concentrated in the social service provider field. As such, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

Massachusetts Department of Public Health
Massachusetts Operational Services Division
City of Boston

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by the Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

Notes to Financial Statements

June 30, 2010

(9) Not-for-Profit Provider Surplus Revenue Retention

The Agency has no liability to the Commonwealth of Massachusetts under the Division of Purchased Services "Surplus Revenue Retention Policy" pursuant to 808 CMR 1.19(3). In accordance with this policy, the Agency is entitled to retain an annual net surplus of up to five percent (5%) per year of the total revenue attributable to Commonwealth purchasing agencies. The cumulative amount retained may not exceed 20% of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retained net asset.

Such surplus may be retained as unrestricted net assets to further its charitable purposes, provided that no portion of the surplus be used for any non-reimbursable cost set forth in 808 CMR 1.15.

The following is an analysis of the Agency's deficit revenue retention net asset pool included in unrestricted net assets:

	<u>Amount</u>	<u>Percent</u>
Cumulative Deficit, June 30, 2009	\$ (980,755)	
2010 Surplus	<u>11,038</u>	0%
Cumulative Deficit, June 30, 2010	\$ <u>(969,717)</u>	

THE GAVIN FOUNDATION, INC.

Schedule of Findings and Responses

June 30, 2010

(1) Financial Statement Findings

No significant deficiencies or material weaknesses reported.

(2) Status of Prior Year Findings

No significant deficiencies or material weaknesses reported.