

**THE GAVIN FOUNDATION, INC.**

**Uniform Financial Statements**

**June 30, 2011**

**THE GAVIN FOUNDATION, INC.**

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June 30, 2011

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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, 2011, and the related statements of activities, functional expenses and cash flows for the year 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. The prior year summarized comparative information has been derived from the Agency's 2010 financial statements and, in our report dated November 15, 2010; we expressed an unqualified opinion on those financial statements. The prior year comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

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, 2011, 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 14, 2011, 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 14, 2011



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, 2011, and have issued our report thereon dated November 14, 2011. 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 Agency'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 and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.



Minnie P. Martini & Associates, P.C.

Braintree, Massachusetts  
November 14, 2011

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF FINANCIAL POSITION AS OF  
(BALANCE SHEET)

6/30/2011

WITH COMPARATIVE TOTALS AS OF

6/30/2010

	CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
<b>ASSETS</b>						
1	Cash and Cash Equivalents	601,749			601,749	659,097
2	Accounts Receivable, Program Services	185,052			185,052	150,345
3	Allowance for Doubtful Accounts					
4	Net Accounts Receivable, Program Services	185,052			185,052	150,345
5	Contributions Receivable					
6	Notes Receivable					
7	Prepaid Expenses	9,309			9,309	20,455
8	Other Accounts Receivable	22,335			22,335	2,099
9	Other Current Assets					
10	Short-Term Investments					
11	<b>TOTAL CURRENT ASSETS</b>	<b>818,445</b>			<b>818,445</b>	<b>831,996</b>
12	Land, Buildings, and Equipment		1,279,268		1,279,268	1,258,390
13	Accumulated Depreciation		(1,122,875)		(1,122,875)	(1,088,743)
14	Net Land, Buildings and Equipment		156,393		156,393	169,647
15	Long-Term Investments	530			530	369
16	Other Assets	13,000			13,000	12,500
17	Due From Other Funds					
18	<b>TOTAL ASSETS</b>	<b>831,975</b>	<b>156,393</b>		<b>988,368</b>	<b>1,014,512</b>
<b>LIABILITIES AND NET ASSETS</b>						
19	Accounts Payable	8,899			8,899	4,150
20	Subcontract Payable					
21	Accrued Expenses	76,657			76,657	88,350
22	Current Notes Payable					
23	Current Portion Long-Term Debt					
24	Deferred Revenue					9,305
25	Other Current Liabilities					
26	<b>TOTAL CURRENT LIABILITIES</b>	<b>85,556</b>			<b>85,556</b>	<b>101,805</b>
27	Long-Term Notes & Mortgage Payable					
28	Other Liabilities					
29	Due to Other Funds					
30	<b>TOTAL LIABILITIES</b>	<b>85,556</b>			<b>85,556</b>	<b>101,805</b>
<b>NET ASSETS</b>						
31	Unrestricted	746,419	156,393		902,812	905,707
32	Temporarily Restricted					7,000
33	Permanently Restricted					
34	<b>TOTAL NET ASSETS</b>	<b>746,419</b>	<b>156,393</b>		<b>902,812</b>	<b>912,707</b>
35	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>831,975</b>	<b>156,393</b>		<b>988,368</b>	<b>1,014,512</b>

See Accompanying Notes to the Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED

6/30/2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED

6/30/2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
1 Contributions, Gifts, Legacies, Bequests & Special Events	239,550			239,550	155,513
2 In-Kind Contributions	95,854			95,854	95,925
3 Grants					
4 Program Service Fees	2,801,253			2,801,253	2,758,371
5 Federated Fundraising Organization Allocation					
6 Investment Revenue	2,744			2,744	1,390
7 Revenue from Commercial Products & Services	22,783			22,783	
8 Other	57,472			57,472	5,136
9 Net Assets Released From Restrictions:					
10 Satisfaction of Program Restrictions	7,000	(7,000)			
11 Satisfaction of Equipment Acquisition Restrictions					
12 Expiration of Time Restrictions					
13 <b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>3,226,656</b>	<b>(7,000)</b>		<b>3,219,656</b>	<b>3,016,335</b>
<b>EXPENSES AND LOSSES</b>					
14 Administration (Management & General)	144,531			144,531	117,274
15 Fundraising					
16 Total Program Services	3,085,020			3,085,020	2,916,550
17 <b>TOTAL EXPENSES</b>	<b>3,229,551</b>			<b>3,229,551</b>	<b>3,033,824</b>
18 Losses					
19 <b>TOTAL EXPENSES AND LOSSES</b>	<b>3,229,551</b>			<b>3,229,551</b>	<b>3,033,824</b>
<b>CHANGES IN NET ASSETS:</b>					
20 Property & Equipment Acquisitions from Unrestricted Funds					
21 Transfer of Realized Endowment Fund Appreciation					
22 Return to Donor					
23 Other Increases (Decreases)					
24 <b>TOTAL CHANGES IN NET ASSETS</b>	<b>(2,895)</b>	<b>(7,000)</b>		<b>(9,895)</b>	<b>(17,489)</b>
25 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>905,707</b>	<b>7,000</b>		<b>912,707</b>	<b>930,196</b>
26 <b>NET ASSETS AT END OF YEAR</b>	<b>902,812</b>			<b>902,812</b>	<b>912,707</b>

See Accompanying Notes to Financial Statements



ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF CASH FLOWS for the YEAR ENDED

6/30/2011

INDIRECT METHOD

	<b>TOTAL</b>
<b>Cash Flows from Operating Activities:</b>	
1 Changes in Net Assets	(9,895)
Adjustments to Reconcile Change In Net Assets to Net	
Cash provided by/(used in) Operating Activities:	
2 Depreciation	56,312
3 Losses	(2,000)
4 Increase/Decrease in Net Accounts Receivable	(54,943)
5 Increase/Decrease in Prepaid Expenses	10,646
6 Increase/Decrease in Contributions Receivable	
7 Increase/Decrease in Accounts Payable	4,749
8 Increase/Decrease in Accrued Expenses	(11,693)
9 Increase/Decrease in Deferred Revenue	(9,305)
10 Increase/Decrease in Subcontract Payable	
11 Contributions Restricted for Long-Term Investment	
12 Net Unrealized and Realized Gains on Long-Term Investments	(186)
13 Other Cash Used in/Provided by Operating Activities	
14 Net Cash Provided by/(used in) Operating Activities	(16,315)
<b>Cash Flows from Investing Activities:</b>	
15 Insurance Proceeds	
16 Purchase(s) of Capital Assets (Land, Bldgs. & Equip.)	(41,058)
17 Proceeds from Sale(s) of Investments	25
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	(41,033)
<b>Cash from Financing Activities:</b>	
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	
28 Payments on Long-Term Debt	
29 Other Finance Payments/Receipts	
30 Net Cash Provided by/(used in) Financing Activities	

See Accompanying Notes to the Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC.

FEIN: 043220123

STATEMENT OF CASH FLOWS for the YEAR ENDED

6/30/2011

INDIRECT METHOD

31	Net Increase/(Decrease) in Cash and Cash Equivalents	(57,348)
32	Cash and Cash Equivalents at Beginning of Year	659,097
33	Cash and Cash Equivalents at End of Year	601,749

Supplemental Disclosure of Cash Flow Information:

34	Cash Paid During the Year for Interest	
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	Disposal of fully depreciated automobile	22,180
39		
40		

See Accompanying Notes to the Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC. FEIN: 043220123

**Statement of Functional Expenses for the Year Ended:** 6/30/2011

	TOTALS	SUPPORTING SERVICES		PROGRAM SERVICES
		ADMINISTRATION (MNGT. & GEN.)	FUND RAISING	TOTAL ALL PROGRAMS
1. Employee Compensation & Related Expenses	2,243,443	18,683		2,224,760
2. Occupancy	408,438	2,310		406,128
3. Other Program / Operating Expense	397,703	60,487		337,216
4. Subcontract Expense				
5. Direct Administrative Expense	100,740	50,846		49,894
6. Other Expenses	22,915	12,205		10,710
7. Depreciation of Buildings and Equipment	56,312			56,312
<b>8. TOTAL EXPENSES</b>	<b>3,229,551</b>	<b>144,531</b>		<b>3,085,020</b>

See Accompanying Notes to Financial Statements

ORGANIZATION : THE GAVIN FOUNDATION, INC. FEIN: 043220123

Statement of Functional Expenses for the Year Ended: 06/30/11

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	<u>1</u>	<u>2</u>	<u>6</u>	<u>32</u>	<u>33</u>
1. Employee Compensation & Related Expenses	<u>551,050</u>		<u>922,659</u>	<u>313,236</u>	<u>54,603</u>
2. Occupancy	<u>67,637</u>	<u>26,403</u>	<u>218,172</u>	<u>43,538</u>	
3. Other Program / Operating Expense	<u>90,483</u>	<u>5,918</u>	<u>154,087</u>	<u>20,127</u>	
4. Subcontract Expense					
5. Direct Administrative Expense	<u>19,194</u>	<u>2,440</u>	<u>14,109</u>	<u>9,036</u>	
6. Other Expenses	<u>3,978</u>		<u>5,795</u>	<u>348</u>	
7. Depreciation of Buildings and Equipment	<u>21,498</u>	<u>1,256</u>	<u>33,558</u>		
<b>8. TOTAL EXPENSES</b>	<u>753,840</u>	<u>36,017</u>	<u>1,348,380</u>	<u>386,285</u>	<u>54,603</u>

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:** 06/30/11

	<b>PROGRAM #</b>	<b>PROGRAM #</b>	<b>PROGRAM #</b>	<b>PROGRAM #</b>	<b>PROGRAM #</b>
	<u>6A</u>	<u>7</u>			
1. Employee Compensation & Related Expenses	<u>59,443</u>	<u>323,769</u>			
2. Occupancy	<u>3,168</u>	<u>47,210</u>			
3. Other Program / Operating Expense	<u>2,029</u>	<u>64,572</u>			
4. Subcontract Expense					
5. Direct Administrative Expense		<u>5,115</u>			
6. Other Expenses		<u>589</u>			
7. Depreciation of Buildings and Equipment					
<b>8. TOTAL EXPENSES</b>	<u>64,640</u>	<u>441,255</u>			

See Accompanying Notes to Financial Statements

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). 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:

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 45% of total program 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 25% 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 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 14% of total program expenditures.

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### **(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 13% 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 2% 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.

#### ***(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.

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(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, 2011, there was no liability for tax on unrelated business income.

The Agency has adopted the provisions of GAAP which prescribe a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2011, the Agency does not believe its financial statements include any uncertain tax positions. The Agency recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax years prior to 2007 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.



# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(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. Interest bearing cash reserves held with Merrill Lynch totaled \$502,088 and were not FDIC insured at June 30, 2011. The Agency did not maintain interest bearing cash balances in excess of FDIC limits in any other financial institutions as of June 30, 2011.

#### ***(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, 2011, 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, 2011, 59% of the Agency's trade receivables were due from governmental agencies, 36% from foundations and individuals and 5% from client resources.

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### (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 Open Hearts and Open Homes event and the John Dorsey Jack Leary Open Golf event. Revenue derived from the events, net of expenses, totaled approximately \$46,447 and \$16,820, respectively.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2011, the Agency derived approximately 68% of its total revenue from governmental agencies, 25% from foundations and individuals and 7% from client resources. 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.

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies - continued

#### *(j) Advertising Costs*

The Agency expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2011.

#### *(k) Donated Facilities*

The fair value of donated facilities was \$62,400 for the year ended June 30, 2011. 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 GAAP, 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 14, 2011, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2011 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 GAAP.

**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 long-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 Agency'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, 2011

### (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, 2011.

	Fair Value Measurements on a Recurring Basis as of June 30, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	530	-	-	530
In kind contributions	-	95,854	-	95,854
	<u>\$ 530</u>	<u>\$ 95,854</u>	<u>\$ -</u>	<u>\$ 96,384</u>

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

The Agency's policy is to recognize transfers into and out of levels as of the date an event or change in circumstance causes the transfer. There were no transfers between levels during the year ended June 30, 2011.

The Agency is also required to apply the provisions of GAAP to fair value measurements for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. The Agency has no non-financial assets or liabilities required to be accounted for on a non-recurring basis as of June 30, 2011

#### (o) Fixed Assets and Depreciation

Land, buildings, building improvements, leasehold improvements, equipment, furniture and fixtures 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, 2011

**(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

The Agency reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2011.

***(p) Fundraising***

Fundraising relates to the activities of raising general and specific contributions to the Agency and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 43% for the year ended June 30, 2011. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

***(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) 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.

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies - continued

#### *(s) Summarized Financial Information for 2010*

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, 2010. 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, 2010, from which the summarized information is derived.

### (2) Property and Equipment

Property and equipment consists of the following as of June 30, 2011:

Land	\$ 7,000
Buildings	106,122
Building improvements	287,353
Leasehold improvements	596,869
Equipment	56,726
Furniture and fixtures	139,083
Automobiles	<u>86,115</u>
	\$ <u>1,279,268</u>

Depreciation amounted to \$56,312 for the year ended June 30, 2011.

### (3) 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 \$14,700, which are included in other assets in the statement of financial position.

**THE GAVIN FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2011

**(3) Operating Lease Commitments - continued**

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

2012	\$ 125,034
2013	71,170

Rent expense for the year ended June 30, 2011 was \$203,689.

**(4) Employee Benefits**

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 \$24,106 for the year ended June 30, 2011.

**(5) Related Party Transactions**

During the year ended June 30, 2011, the Agency paid \$4,470 for rental of space from a company in which a board member of the Agency is also a member of the Board of Directors.

**(6) 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

# THE GAVIN FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2011

### (6) Commitments and Contingencies - continued

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.

### (7) 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, 2010	\$ ( 969,717)	
2011 Deficit	( <u>79,063</u> )	(3.26%)
Cumulative Deficit, June 30, 2011	\$ ( <u>1,048,790</u> )	



**THE GAVIN FOUNDATION, INC.**

Schedule of Findings and Questioned Costs

June 30, 2011

**(1) Financial Statement Findings**

No significant deficiencies or material weaknesses reported.

**(2) Status of Prior Year Findings**

No significant deficiencies or material weaknesses reported.