

**FEDERATED DORCHESTER  
NEIGHBORHOOD  
HOUSES, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**



# Yoshida & Sokolski, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Federated Dorchester Neighborhood  
Houses, Inc.  
Dorchester, Massachusetts

We have audited the statements of financial position of Federated Dorchester Neighborhood Houses, Inc. (a non-profit organization) as of September 30, 2009 and 2008, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

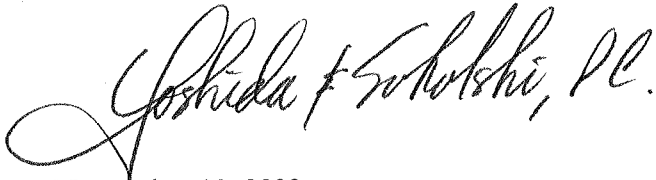
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federated Dorchester Neighborhood Houses, Inc. as of September 30, 2009 and 2008, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009, on our consideration of Federated Dorchester Neighborhood Houses, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Federated Dorchester Neighborhood Houses, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Yoshida & Sobolshi, P.C." in a cursive script.

November 23, 2009

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 172,365	\$ 152,559
Cash - restricted as collateral	955,646	1,005,693
Accounts receivable - grants and contracts	292,747	354,871
Other receivables	42,391	26,806
Prepaid expenses	57,589	37,112
Investments	<u>1,125</u>	<u>1,859</u>
<b>TOTAL CURRENT ASSETS</b>	1,521,863	1,578,900
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, less accumulated depreciation of \$1,953,675 and \$1,874,992, respectively	<u>1,035,367</u>	<u>1,026,511</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,557,230</u>	<u>\$ 2,605,411</u>

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2009 AND 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 61,475	\$ 57,918
Line of credit	66,000	80,000
Accounts payable	99,715	175,391
Deferred revenue	26,795	35,000
Accrued liabilities	371,337	275,015
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	625,322	623,324
<b>LONG-TERM DEBT</b>		
Notes payable, net of current portion	573,533	634,216
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	1,198,855	1,257,540
<b>NET ASSETS</b>		
Unrestricted		
Available for operations	323,008	321,359
Investment in plant	1,035,367	1,026,512
	<hr/>	<hr/>
Total unrestricted net assets	1,358,375	1,347,871
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	1,358,375	1,347,871
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,557,230</u>	<u>\$ 2,605,411</u>

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

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<i>Unrestricted</i> <u>Net Assets</u>	<i>Temporarily</i> <i>Restricted</i> <u>Net Assets</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Program service and reimbursements	\$ 4,139,729	\$ -	\$ 4,139,729
Contributions and grants	1,505,987	-	1,505,987
Other revenue	33,475	-	33,475
Investment income	5,266	-	5,266
	<hr/>	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE</b>	5,684,457	-	5,684,457
<b>EXPENSES</b>			
Program services			
Early Education	2,676,108	-	2,676,108
Out of School Time	540,395	-	540,395
Adolescent Education	212,000	-	212,000
Alternative Education	268,491	-	268,491
Adult Education	315,909	-	315,909
	<hr/>	<hr/>	<hr/>
Total program services	4,012,903	-	4,012,903
Support services	1,736,816	-	1,736,816
	<hr/>	<hr/>	<hr/>
<b>TOTAL PROGRAM AND SUPPORT EXPENSES</b>	5,749,719	-	5,749,719
<b>IN-KIND CONTRIBUTIONS</b>	75,766	-	75,766
	<hr/>	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS</b>	10,504	-	10,504
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,347,871	-	1,347,871
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS - END OF YEAR</b>	\$ 1,358,375	\$ -	\$ 1,358,375
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Total</i>
<b>SUPPORT AND REVENUE</b>			
Program service and reimbursements	\$ 4,254,496	\$ -	\$ 4,254,496
Contributions and grants	1,494,329	-	1,494,329
Other revenue	18,872	-	18,872
Investment income	35,938	-	35,938
<b>TOTAL SUPPORT AND REVENUE</b>	5,803,635	-	5,803,635
<b>EXPENSES</b>			
Program services			
Child Care	3,580,530	-	3,580,530
Education	673,257	-	673,257
Counseling	192,722	-	192,722
Family Support	20,993	-	20,993
Total program services	4,467,502	-	4,467,502
Support services	1,671,236	-	1,671,236
<b>TOTAL PROGRAM AND SUPPORT EXPENSES</b>	6,138,738	-	6,138,738
<b>IN-KIND CONTRIBUTIONS</b>	121,455	-	121,455
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	20,000	(20,000)	-
<b>(DECREASE) IN NET ASSETS</b>	(193,648)	(20,000)	(213,648)
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,541,519	20,000	1,561,519
<b>NET ASSETS - END OF YEAR</b>	\$ 1,347,871	\$ -	\$ 1,347,871

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

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Program Services					Support Services			
	Early Education	Out of School Time	Adolescent Development	Alternative Education	Adult Education	Total	General & Administrative	Site Admin	Total
Salaries	\$ 755,412	\$ 264,142	\$ 137,862	\$ 186,254	\$ 219,081	\$ 1,562,751	\$ 652,802	\$ 52,064	\$ 2,267,617
Payroll taxes	56,672	18,761	9,907	13,075	16,224	114,639	64,141	4,222	183,002
Benefits	70,608	47,513	20,806	39,734	14,468	193,129	71,821	10,548	275,498
Total salaries and related expenses	882,692	330,416	168,575	239,063	249,773	1,870,519	788,764	66,834	2,726,117
Occupancy	157,490	68,652	5,426	1,654	4,802	238,024	221,488	139,922	599,434
Transportation and travel	319,779	96,538	911	918	610	418,756	23,657	2,858	445,271
Program supplies and materials	53,475	16,433	23,140	7,131	41,842	142,021	282,611	21,224	445,856
Office supplies and expenses	9,081	2,096	558	1,039	2,011	14,785	24,803	12,387	51,975
Interest	-	-	-	-	-	-	46,321	-	46,321
Food and nutrition supplies	226,995	13,416	1,734	18,686	177	261,008	11,239	3,102	275,349
Subcontracted direct care and temporary help	1,023,376	10,689	11,656	-	16,694	1,062,415	17,158	1,140	1,080,713
Total expenses before depreciation	2,672,888	538,240	212,000	268,491	315,909	4,007,528	1,416,041	247,467	5,671,036
Depreciation and amortization	3,220	2,155	-	-	-	5,375	25,911	47,397	78,683
Total expenses	\$ 2,676,108	\$ 540,395	\$ 212,000	\$ 268,491	\$ 315,909	\$ 4,012,903	\$ 1,441,952	\$ 294,864	\$ 5,749,719

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



FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Services				Total	Support Services	Total
	Child Care	Education	Counseling	Family Support			
Salaries	\$ 1,256,862	\$ 460,393	\$ 146,999	\$ 5,282	\$ 1,869,536	\$ 685,960	\$ 2,555,496
Payroll taxes	92,976	34,132	9,930	416	137,454	49,898	187,352
Benefits	128,736	41,259	13,779	1,052	184,826	50,987	235,813
Total salaries and related expenses	1,478,574	535,784	170,708	6,750	2,191,816	786,845	2,978,661
Occupancy	330,019	27,531	6,061	660	364,271	195,227	559,498
Transportation and travel	376,907	2,820	3,532	65	383,324	43,548	426,872
Program supplies and materials	84,823	28,160	8,189	274	121,446	234,893	356,339
Office supplies and expenses	8,551	2,946	192	19	11,708	14,163	25,871
Interest	-	-	-	-	-	45,039	45,039
Food and nutrition supplies	203,050	13,099	1,545	12,767	230,461	10,758	241,219
Subcontracted direct care and temporary help	1,055,863	55,891	484	239	1,112,477	98,058	1,210,535
Miscellaneous expense	-	-	-	-	-	218,036	218,036
Total expenses before depreciation	3,537,787	666,231	190,711	20,774	4,415,503	1,646,567	6,062,070
Depreciation and amortization	42,743	7,026	2,011	219	51,999	24,669	76,668
Total expenses	\$ 3,580,530	\$ 673,257	\$ 192,722	\$ 20,993	\$ 4,467,502	\$ 1,671,236	\$ 6,138,738

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

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 10,504	\$ (213,648)
<b>ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	78,683	76,668
Changes in operating assets and liabilities		
Increase in accounts receivable - grants and contracts	62,124	41,975
(Decrease) in other receivables	(15,586)	(25,806)
(Decrease) increase in prepaid expenses	(20,477)	73,646
Increase in investments	734	1,577
(Decrease) increase in accounts payable	(75,676)	23,809
(Decrease) increase in deferred revenue	(8,205)	35,000
Increase in accrued liabilities	96,322	10,512
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>128,423</u>	<u>23,733</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(87,538)</u>	<u>(94,336)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(87,538)</u>	<u>(94,336)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	(14,000)	80,000
Payment of notes payable	<u>(57,126)</u>	<u>(47,866)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(71,126)</u>	<u>32,134</u>
<b>NET (DECREASE) IN CASH</b>	(30,241)	(38,469)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,158,252</u>	<u>1,196,721</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,128,011</u>	<u>\$ 1,158,252</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
<i>Other Noncash Investing and Financing Activities paid during the year for:</i>		
Donated Services	<u>\$ 75,766</u>	<u>\$ 121,455</u>
Interest	<u>\$ 46,321</u>	<u>\$ 45,039</u>

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

**NOTE 1 NATURE OF BUSINESS**

Since 1965, Federated Dorchester Neighborhood Houses ("FDNH") has provided the community of Dorchester with high-quality education, human and social services. Over the past 40 years, FDNH has served thousands of children, youth and adults and invested millions of dollars in the Dorchester community. The Organization has been nationally recognized for the success of several programs.

FDNH's mission is to equip all students we serve with the attitude, skills and experience to graduate from college and positively impact their community. Today, the Organization's place-based education model focuses on critical developmental periods in the lives of 1,000 students each year through five program areas: Early Education, Out of School Time, Adolescent Development, Alternative Education and Adult Education.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

FDNH follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB". The FASB sets generally accepted accounting principles ("GAAP") that is followed for consistent financial reporting. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or "ASC". The FASB finalized the Codification effective for periods ending on or after September 15, 2009.

The financial statements of FDNH have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Classification and Reporting of Net Assets**

FDNH has adopted FASB ASC 958-210-50-3 which establishes standards for external financial reporting purposes in three net asset categories according to donor-imposed restrictions. A description of the three net asset categories is as follows:

- Unrestricted net assets represent the portion of net assets of FDNH that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of FDNH as well as funds invested in plant including building and equipment.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by FDNH is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of FDNH pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by FDNH is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of FDNH.

**FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

**NOTE 2 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**Use of Estimates**

FDNH has adopted FASB ASC 275-10-50-4, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Revenue is being recorded when earned by individual programs at the rate of reimbursement for unit contracts and at costs incurred for cost reimbursement contracts as certified by the Massachusetts Rate Setting Commission.

**Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

*NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

**Contributions (Continued)**

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**Restrictions and Limitations on Net Assets**

Temporarily restricted net assets include unexpended contributions temporarily restricted by donors for various programs.

**Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash and short-term investments having maturities of three months or less at the time of purchase.

**Concentrations of Credit Risk**

Substantially all accounts receivable are amounts due from various agencies of the federal government or the Commonwealth of Massachusetts pursuant to the terms of either fixed fee or cost reimbursement contracts. FDNH invoices the particular agency as specified by the contract. FDNH has not provided for an allowance for doubtful accounts, as all receivables are deemed fully collectible at September 30, 2009 and 2008. The accounts receivable balances at September 30, 2009 and 2008 were widely dispersed among a number of federal and state agencies.

**Property and Equipment**

Operating cash used for plant acquisitions is accounted for as transfers to investment in plant. Proceeds from the sale of plant assets, if unrestricted, are transferred to operating fund balances, or, if restricted, to deferred amounts until the terms of the restriction have been met.

Plant assets are recorded at cost or, if received by donation, at estimated fair market value at the time such properties were received

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NOTE 2 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

Property and Equipment (Continued)

Depreciation and amortization is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

	<u>Life</u>
Buildings	15 – 39 years
Furniture, fixtures and equipment	5 – 10 years
Vehicles	3 – 5 years

Expenditures for major renewals and improvements are capitalized for purchases in excess of \$500, while expenditures for maintenance and repairs are expensed as incurred.

Related Parties

During the years ended September 30, 2009 and 2008, FDNH received pro bono legal services from a law firm with an estimated fair market value of \$34,662 and \$56,704, respectively. Two partners of that law firm are members of the FDNH Board of Directors. Their time related to matters as directors has not been included in the pro bono legal services. FDNH will not be charged for these services and they have included this amount as donated revenue and related expense in the current statement of activities.

Income Tax Status

FDNH is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Other Matters

All gains and losses arising from the sale, collection, or other disposition of non-cash assets are accounted for in the net asset category that owned the assets. Ordinary income from investments, receivables, and the like is accounted for in the net asset category owning the assets.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

**NOTE 3 CASH**

At times, FDNH had deposits in one bank account that were greater than \$100,000 of the balance, and only \$100,000 was previously covered by federal depository insurance. In August 2009, the limit was removed. Therefore, as of the year ending September 30, 2009 all cash balances were fully insured.

**NOTE 4 CASH - RESTRICTED AS COLLATERAL**

On September 28, 2007, a bank issued a term note of \$740,000 and made available a \$200,000 line-of-credit to FDNH. During 2009 the line-of-credit was amended to \$275,000. As part of the agreement, FDNH is to maintain a 1:1 ratio of collateral to loan outstanding. The collateral provided by FDNH is currently in a certificate of deposit with the Bank in an amount sufficient to guarantee all outstanding debt and line-of-credit availability. For 2009 and 2008 FDNH was in compliance with terms of collateral requirement. For the year ended September 30, 2009 the term of the CD was for seven months maturing on March 31, 2010 with interest of 0.75%. FDNH plans to renew the CD at the time of maturity in an amount sufficient to satisfy the Bank's collateral requirements.

**NOTE 5 PROPERTY AND EQUIPMENT**

At September 30, 2009 property and equipment consisted of the following:

	<i><u>Cost or Basis</u></i>	<i><u>Accumulated Depreciation</u></i>	<i><u>Depreciated Basis</u></i>
Buildings and improvements	\$ 1,924,819	\$ 1,015,259	\$ 909,560
Furniture, fixtures and equipment	955,673	829,866	125,807
Vehicles	<u>108,550</u>	<u>108,550</u>	<u>-</u>
	<u>\$ 2,989,042</u>	<u>\$1,953,675</u>	<u>\$1,035,367</u>

At September 30, 2008, property and equipment consisted of the following:

	<i><u>Cost or Basis</u></i>	<i><u>Accumulated Depreciation</u></i>	<i><u>Depreciated Basis</u></i>
Buildings and improvements	\$ 1,857,837	\$ 978,267	\$ 879,570
Furniture, fixtures and equipment	935,116	790,775	144,341
Vehicles	<u>108,550</u>	<u>105,950</u>	<u>2,600</u>
	<u>\$ 2,901,503</u>	<u>\$1,874,992</u>	<u>\$1,026,511</u>

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

**NOTE 6**      **LINE-OF-CREDIT**

As of September 28, 2009 FDNH had available a \$275,000 line-of-credit, secured by a pledge of cash on deposit with the bank or by cash and/or other investment property maintained with a financial intermediary subject to control agreements reasonably acceptable to the bank. In April 2009, management amended the line of credit from \$200,000 to \$275,000, payable on demand. Interest on the outstanding borrowings is computed at LIBOR Advantage Rate plus the LA Margin. In the event the LIBOR rate is unavailable, interest on the note shall accrue at prime rate plus 0.50%. At September 30, 2009 and 2008 the rate was 3.50% and 5.5% respectively. As of September 30, 2009 and 2008 FDNH had outstanding borrowings of \$66,000 and \$80,000, respectively against the line-of-credit.

**NOTE 7**      **NOTES PAYABLE**

At September 30, 2009 and 2008, notes payable consisted of the following:

	<u>2009</u>	<u>2008</u>
Note payable to a bank due October, 2017, plus interest payable monthly at 6.54%, secured by a certificate of deposit (Note 4).	\$635,008	\$692,134
Less: current portion of long-term debt	<u>61,475</u>	<u>57,918</u>
	<u>\$573,533</u>	<u>\$634,216</u>

Principal payments on note payable are as follows:

2010	\$ 61,475
2011	65,618
2012	70,041
2013	74,761
2014	79,800
Thereafter	<u>283,313</u>
	<u>\$635,008</u>

**NOTE 8**      **IN-KIND CONTRIBUTION**

FDNH receives support from many individuals who contribute their time, without charge, to enable FDNH to accomplish its purpose. In-kind contributions of this nature have not been reflected in the statements of activities, as they are not susceptible to objective measurement or valuation. During 2009 and 2008, volunteers provided approximately 7,000 hours, respectively, to FDNH.



FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

*NOTE 8 IN-KIND CONTRIBUTION (CONTINUED)*

FDNH did receive donated property and other professional services of which the aggregate fair market value was \$75,766 for 2009 and \$121,455 for 2008 which is included in the 2009 and 2008 statements of activities.

*NOTE 9 RETIREMENT PLANS*

FDNH has a profit-sharing plan in effect for all employees who are at least twenty-one years old and have the required length of service. Contributions are made at the discretion of the Board of Directors, and are allocated based on a percentage of total qualifying compensation. A participant in the plan is not vested until he has performed two years of service, at which time he is 25% vested. Participants are fully vested after five years. For the years ended September 30, 2009 and 2008, the Board of Directors elected not to make a current year contribution.

FDNH has a salary reduction plan pursuant to Section 401(k) of the Internal Revenue Code, for all employees who are at least twenty-one years of age, and who have at least one-half year of service (six consecutive month period). The plan is voluntary and contributory. All employees are eligible to participate except non-resident aliens with no United States income. Entry to the Plan occurs on the quarterly entry date coincident with, or next following the date the employee becomes eligible. For the years ended September 30, 2009 and 2008 there was no matching employer contribution.

*NOTE 10 LEASES*

FDNH has entered into a lease agreement for space used to operate existing programs and administrative space. The lease commenced on October 12, 2006 for a sixty-eight and one half month period and requires monthly payments through July 31, 2012. FDNH has another lease agreement through May 31, 2010 of monthly installments in the amount of \$1,700. Additionally, FDNH has an equipment operating lease of monthly installments in the amount of \$1,165 through November 2010. The budgeted amount of all of these costs for the subsequent years is estimated to be as follows:

*Year Ending September 30:*

2010	\$265,615
2011	253,441
2012	<u>182,181</u>
Total	<u>\$701,237</u>

*NOTE 11 SUBSEQUENT EVENTS*

FDNH has evaluated subsequent events through November 23, 2009, the date of the financial statements and none were noted for the year ending September 30, 2009.

**SUPPLEMENTARY INFORMATION**

**FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.**

**STATEMENT OF ACTIVITIES - UNRESTRICTED NET ASSETS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<i>Unrestricted Net Assets</i>		
	<i>Operations</i>	<i>Investment in Plant</i>	<i>Total</i>
<b>SUPPORT AND REVENUE</b>			
Program service and reimbursements	\$ 4,139,729	\$ -	\$ 4,139,729
Contributions and grants	1,505,987	-	1,505,987
Other revenue	33,475	-	33,475
Investment income	5,266	-	5,266
<b>TOTAL SUPPORT AND REVENUE</b>	<b>5,684,457</b>	<b>-</b>	<b>5,684,457</b>
<b>EXPENSES</b>			
Program services			
Early Education	2,672,888	3,220	2,676,108
Out of School Time	538,240	2,155	540,395
Adolescent Education	212,000	-	212,000
Alternative Education	268,491	-	268,491
Adult Education	315,909	-	315,909
Total program services	4,007,528	5,375	4,012,903
Support services	1,663,508	73,308	1,736,816
<b>TOTAL PROGRAM AND SUPPORT EXPENSES</b>	<b>5,671,036</b>	<b>78,683</b>	<b>5,749,719</b>
<b>IN-KIND CONTRIBUTIONS</b>	<b>75,766</b>	<b>-</b>	<b>75,766</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>89,187</b>	<b>(78,683)</b>	<b>10,504</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>321,359</b>	<b>1,026,512</b>	<b>1,347,871</b>
<b>TRANSFERS</b>			
Acquisition of property and equipment	(87,538)	87,538	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 323,008</b>	<b>\$ 1,035,367</b>	<b>\$ 1,358,375</b>

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

STATEMENT OF ACTIVITIES - UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<i>Unrestricted Net Assets</i>		<i>Total</i>
	<i>Operations</i>	<i>Investment in Plant</i>	
<b>SUPPORT AND REVENUE</b>			
Program service and reimbursements	\$ 4,254,496	\$ -	\$ 4,254,496
Contributions and grants	1,494,329	-	1,494,329
Other revenue	18,872	-	18,872
Investment income	35,938	-	35,938
<b>TOTAL SUPPORT AND REVENUE</b>	<b>5,803,635</b>	<b>-</b>	<b>5,803,635</b>
<b>EXPENSES</b>			
Program services			
Child Care	3,537,787	42,743	3,580,530
Education	666,231	7,026	673,257
Counseling	190,711	2,011	192,722
Family Support	20,774	219	20,993
Total program services	4,415,503	51,999	4,467,502
Support services	1,646,567	24,669	1,671,236
<b>TOTAL PROGRAM AND SUPPORT EXPENSES</b>	<b>6,062,070</b>	<b>76,668</b>	<b>6,138,738</b>
<b>IN-KIND CONTRIBUTIONS</b>	<b>121,455</b>	<b>-</b>	<b>121,455</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>(DECREASE) IN NET ASSETS</b>	<b>(116,980)</b>	<b>(76,668)</b>	<b>(193,648)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>532,675</b>	<b>1,008,844</b>	<b>1,541,519</b>
<b>TRANSFERS</b>			
Acquisition of property and equipment	(94,336)	94,336	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 321,359</b>	<b>\$ 1,026,512</b>	<b>\$ 1,347,871</b>

FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<b>Department of Health and Human Services</b>			
Passed through Commonwealth of Mass.			
Department of Early Education and Care			
Child Care	9136047000000IE	93.596	\$ 2,000,009
Supportive Child Care	62500046021SP	93.596	409,776
Child Care For Homeless Families	69005HML	93.596	<u>36,802</u>
<b>Total Department of Health and Human Services</b>			2,446,587
<b>Department of Housing and Urban Development</b>			
Passed through City of Boston			
Department of Neighborhood Development			
CDBG - After School Collaborative	DNDC09001	14.218	<u>28,997</u>
<b>Total Department of Housing and Urban Development</b>			28,997
<b>Department of Agriculture</b>			
Passed through Commonwealth of Mass.			
Department of Education			
Child Care Food	13-035-P5	10.558	180,649
Passed through Commonwealth of Mass.			
Department of Education			
School Food	13-035-P5	10.555	<u>3,286</u>
<b>Total Department of Agriculture</b>			183,935
<b>Department of Education</b>			
Passed through Commonwealth of Mass.			
Department of Education			
English as a Second Language	359-013-9-85388-J	84.002	<u>244,660</u>
<b>Total Department of Education</b>			244,660
<b>National Endowment for the Arts</b>			
Art a la Carte	09-5100-8189	45.024	<u>8,750</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,912,929</u></u>

**FEDERATED DORCHESTER NEIGHBORHOOD HOUSES, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**NOTE A BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Federated Dorchester Neighborhood Houses, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed at September 30, 2009.