

**Audited
Financial Statements**

Hale Reservation, Inc.

December 31, 2011

Hale Reservation, Inc.

Audited Financial Statements

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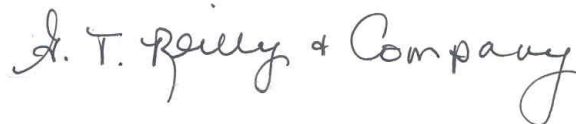
INDEPENDENT AUDITORS' REPORT

Board of Directors
Hale Reservation, Inc.

We have audited the accompanying statements of financial position of Hale Reservation, Inc. as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Hale Reservation, Inc. at December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



G. T. Reilly & Company

Milton, Massachusetts
April 27, 2012

Hale Reservation, Inc.

Statements of Financial Position

December 31

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 591,672	\$ 790,417
Accounts receivable, net of allowance	9,623	10,886
Contributions receivable, current portion	234,660	33,700
Prepaid expenses	24,269	21,459
TOTAL CURRENT ASSETS	<u>860,224</u>	<u>856,462</u>
PROPERTY AND EQUIPMENT, net	4,772,784	4,278,828
CONTRIBUTIONS RECEIVABLE, net of discount, allowance & current portion	65,316	39,842
MARKETABLE SECURITIES	778,375	817,039
TOTAL ASSETS	<u>\$ 6,476,699</u>	<u>\$ 5,992,171</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 65,960	\$ 63,570
Accounts payable	43,311	30,222
Accrued expenses and withholdings	12,585	10,526
Deferred revenue	35,080	32,950
TOTAL CURRENT LIABILITIES	<u>156,936</u>	<u>137,268</u>
LONG-TERM DEBT, less current portion	<u>416,495</u>	<u>456,435</u>
TOTAL LIABILITIES	<u>573,431</u>	<u>593,703</u>
NET ASSETS		
Unrestricted	4,980,039	4,390,726
Temporarily restricted	493,023	577,560
Permanently restricted	430,206	430,182
TOTAL NET ASSETS	<u>5,903,268</u>	<u>5,398,468</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,476,699</u>	<u>\$ 5,992,171</u>

Hale Reservation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
SUPPORT				
Gifts, grants and other support	\$ 337,558	\$ 538,358	\$ -	\$ 875,916
Contributed services	7,580	-	-	7,580
In-kind contributions	154,750	-	-	154,750
Net assets released from restrictions through satisfaction of restrictions	<u>622,895</u>	<u>(622,895)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT	<u>1,122,783</u>	<u>(84,537)</u>	<u>-</u>	<u>1,038,246</u>
REVENUE				
Program revenue	1,713,278	-	-	1,713,278
Investment income	3,540	1,773	24	5,337
Other income	1,991	-	-	1,991
Loss on marketable securities	(29,611)	(1,773)	-	(31,384)
Rental loss, net of expenses	<u>(15,168)</u>	<u>-</u>	<u>-</u>	<u>(15,168)</u>
TOTAL REVENUE	<u>1,674,030</u>	<u>-</u>	<u>24</u>	<u>1,674,054</u>
TOTAL SUPPORT AND REVENUE	<u>2,796,813</u>	<u>(84,537)</u>	<u>24</u>	<u>2,712,300</u>
EXPENSES				
Program services	1,917,828	-	-	1,917,828
General and administrative	180,083	-	-	180,083
Fundraising	<u>109,589</u>	<u>-</u>	<u>-</u>	<u>109,589</u>
TOTAL EXPENSES	<u>2,207,500</u>	<u>-</u>	<u>-</u>	<u>2,207,500</u>
CHANGE IN NET ASSETS	589,313	(84,537)	24	504,800
NET ASSETS, BEGINNING OF YEAR	4,390,726	577,560	430,182	5,398,468
NET ASSETS, END OF YEAR	<u>\$ 4,980,039</u>	<u>\$ 493,023</u>	<u>\$ 430,206</u>	<u>\$ 5,903,268</u>

Hale Reservation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
SUPPORT				
Gifts, grants and other support	\$ 207,485	\$ 580,943	\$ 23,467	\$ 811,895
Contributed services	18,000	-	-	18,000
In-kind contributions	45,000	-	-	45,000
Net assets released from restrictions through satisfaction of restrictions	<u>444,970</u>	<u>(444,970)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT	<u>715,455</u>	<u>135,973</u>	<u>23,467</u>	<u>874,895</u>
REVENUE				
Program revenue	1,636,616	-	-	1,636,616
Investment income	5,574	2,440	34	8,048
Other income	5,065	-	-	5,065
Gain on marketable securities	28,670	31,905	-	60,575
Loss on disposal of property and equipment	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>(60)</u>
TOTAL REVENUE	<u>1,675,865</u>	<u>34,345</u>	<u>34</u>	<u>1,710,244</u>
TOTAL SUPPORT AND REVENUE	<u>2,391,320</u>	<u>170,318</u>	<u>23,501</u>	<u>2,585,139</u>
EXPENSES				
Program services	1,632,836	-	-	1,632,836
General and administrative	185,164	-	-	185,164
Fundraising	<u>106,693</u>	<u>-</u>	<u>-</u>	<u>106,693</u>
TOTAL EXPENSES	<u>1,924,693</u>	<u>-</u>	<u>-</u>	<u>1,924,693</u>
CHANGE IN NET ASSETS	466,627	170,318	23,501	660,446
NET ASSETS, BEGINNING OF YEAR	3,924,099	407,242	406,681	4,738,022
NET ASSETS, END OF YEAR	<u>\$ 4,390,726</u>	<u>\$ 577,560</u>	<u>\$ 430,182</u>	<u>\$ 5,398,468</u>

Hale Reservation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2011

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 1,147,816	\$ 45,701	\$ 47,298	\$ 1,240,815
Pension plan contribution	26,575	2,141	2,773	31,489
Employee benefits	28,322	3,187	1,974	33,483
Payroll taxes	77,085	5,955	10,570	93,610
Legal and accounting	13,350	1,885	1,650	16,885
Office supplies	11,152	9,629	2,835	23,616
Telephone	12,485	4,841	344	17,670
Postage and shipping	5,957	693	2,276	8,926
Utilities	13,572	20,328	-	33,900
Insurance (non-vehicles)	49,810	15,606	-	65,416
Insurance (vehicles)	3,971	596	-	4,567
Building repairs	14,647	350	-	14,997
Care of grounds	62,643	5,440	-	68,083
Janitorial	5,620	4,420	76	10,116
Equipment operating costs	8,556	9,088	-	17,644
Vehicle operating costs	1,553	16,190	973	18,716
Printing and publications	31,802	711	18,322	50,835
Conferences and meetings	3,645	3,567	2,378	9,590
Interest	18,134	1,136	-	19,270
Depreciation	165,534	11,687	-	177,221
Program materials	89,825	422	12,673	102,920
Bad debts	6,804	-	-	6,804
Other services	69,591	14,683	5,376	89,650
Transportation	43,078	-	-	43,078
Food	6,301	-	71	6,372
Miscellaneous	-	1,827	-	1,827
	<u>\$ 1,917,828</u>	<u>\$ 180,083</u>	<u>\$ 109,589</u>	<u>\$ 2,207,500</u>

Hale Reservation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2010

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 983,410	\$ 46,775	\$ 58,993	\$ 1,089,178
Pension plan contribution	20,943	2,527	4,060	27,530
Employee benefits	19,852	7,602	3,964	31,418
Payroll taxes	48,014	5,536	9,535	63,085
Legal and accounting	13,416	1,750	1,559	16,725
Office supplies	10,843	8,213	2,554	21,610
Telephone	12,186	3,981	529	16,696
Postage and shipping	5,803	886	5,060	11,749
Utilities	13,667	17,967	-	31,634
Insurance (non-vehicles)	51,088	16,110	-	67,198
Insurance (vehicles)	3,492	418	-	3,910
Building repairs	14,344	5,505	-	19,849
Care of grounds	42,280	3,547	-	45,827
Janitorial	5,429	2,463	-	7,892
Equipment operating costs	11,984	1,954	-	13,938
Vehicle operating costs	291	11,185	-	11,476
Printing and publications	22,500	4,505	9,840	36,845
Conferences and meetings	4,462	8,304	462	13,228
Interest	16,013	2,095	-	18,108
Depreciation	144,058	16,006	-	160,064
Program materials	83,022	1,769	5,025	89,816
Bad debts (recoveries)	10,710	(956)	(319)	9,435
Other services	50,526	15,914	5,053	71,493
Transportation	36,771	-	-	36,771
Food	6,451	-	378	6,829
Miscellaneous	1,281	1,108	-	2,389
	<u>\$ 1,632,836</u>	<u>\$ 185,164</u>	<u>\$ 106,693</u>	<u>\$ 1,924,693</u>

Hale Reservation, Inc.

Statements of Cash Flows

Year Ended December 31

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 504,800	\$ 660,446
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	187,039	160,064
Allowance for doubtful accounts	(2,044)	2,600
Change in deferred revenue	2,130	464
Disposal of property and equipment	-	60
In-kind donation of land	(154,750)	(45,000)
Net loss (gain) on marketable securities	31,384	(60,575)
Changes in operating assets and liabilities:		
Accounts receivable	3,307	(8,632)
Contributions receivable, net	(226,434)	11,536
Prepaid expenses	(2,810)	3,866
Accounts payable	13,089	1,946
Accrued expenses and withholdings	2,059	5,599
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>357,770</u>	<u>732,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(526,245)	(963,429)
Sales (purchases) of marketable securities, net	7,280	(120,515)
NET CASH USED IN INVESTING ACTIVITIES	<u>(518,965)</u>	<u>(1,083,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	25,515	512,500
Payments on long-term debt	(63,065)	(14,280)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(37,550)</u>	<u>498,220</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(198,745)	146,650
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>790,417</u>	<u>643,767</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 591,672</u>	<u>\$ 790,417</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for interest	<u>\$ 19,270</u>	<u>\$ 18,108</u>

Hale Reservation, Inc.

Notes to Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities - Hale Reservation, Inc. (“Hale”) is a not-for-profit organization whose mission is to provide stewardship of its land and resources and to offer educational experiences that foster responsibility, leadership and appreciation for the natural environment. The nature of activities includes outdoor recreation and education for children and families of the Greater Boston area.

Basis of Accounting - The financial statements of Hale have been prepared on the accrual basis of accounting.

Financial Statement Presentation – Hale reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are included in unrestricted net assets.

Hale reports grants and contributions in the statement of activities as temporarily restricted support when received, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 8). Contributions are recorded as unrestricted support if the restrictions are met in the year that the contribution is made. Additionally, contributions of donated non-cash assets are recorded at their fair values in the period received.

Contributions established by donor restrictions to permanently maintain the principal, while allowing the use of income generated there from, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. Unrealized gains or losses on endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise (see Note 9).

Accounting Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements – Hale follows Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures” for assets and liabilities that are measured at fair value on a recurring basis. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting. The application of this standard is limited to the reporting of Hale’s marketable security investments (see Note 3).

Cash Equivalents - For purposes of the statement of cash flows, Hale considers all highly-liquid investments with a maturity of three months or less at the time of acquisition to be cash equivalents.

Note 1 - Nature of Activities and Significant Accounting Policies (Cont.)

Marketable Securities – Marketable Securities are recorded at fair value on the statement of financial position, with the corresponding unrealized gains and losses included in the statement of activities and changes in net assets. Marketable securities are classified as long-term assets, since it is Hale's intent to hold these securities for more than one year (see Note 3).

Contributions Receivable – Under accounting principles generally accepted in the United States of America, contributions, including unconditional promises to give, are recognized as revenues in the period made. Contributions receivable that are, in effect, "unconditional promises to give" are recorded at the present value of future cash flows. 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 to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable may be provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity (see Note 2).

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts on the statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, Hale's history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectibility of the specific account is unlikely. The allowance for doubtful accounts at December 31, 2011 and 2010 approximates \$3,000 and \$5,000, respectively.

Property and Equipment – Property and equipment are recorded at cost or, in the case of donated assets, at fair market value. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Land improvements	10-20 years
Buildings and improvements	5-30 years
Vehicles	5 years
Docks, boats and equipment	5-20 years
Furniture and office equipment	5 years

Revenue Recognition – Program revenues are recognized in the period services are performed or when the recreation activity is completed. Deferred revenue consists of deposits received in the current year for services and recreation activities applicable to future years.

Hale records contributions as current year revenue if the contribution has been received in response to a solicitation in the current year even though funds are not received until future years.

Income Taxes – Hale is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Hale is also exempt from Massachusetts state income taxes and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

Contributed Services – Support arising from contributed services to Hale has been recognized in the accompanying statements of activities and changes in net assets at estimated fair value, with an equal amount recognized as expense.

Advertising – Hale charges advertising costs to expense as incurred.

Note 1 - Nature of Activities and Significant Accounting Policies (Cont.)

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving Hale for potential recognition or disclosure in the accompanying consolidated financial statements. Subsequent events are events or transactions that occurred after December 31, 2011, up through April 27, 2012, the date the accompanying financial statements were available to be issued.

Note 2 - Contributions Receivable

Contributions receivable that are expected to be collected during the next year are classified as current assets. Non-current contributions receivable expected to be collected after one year, have been discounted at 4.79%, and are reflected in the financial statements at their net present value. Included in contributions receivable are the following unconditional promises to give, summarized by use restriction:

	<u>2011</u>	<u>2010</u>
Annual appeal & other, unrestricted	\$ 15,627	\$ 9,850
Capital campaign, restricted	<u>294,050</u>	<u>67,600</u>
Unconditional promises to give before unamortized discount and provision for uncollectible pledges	309,677	77,450
Less unamortized discount	<u>6,701</u>	<u>3,908</u>
	<u>302,976</u>	<u>73,542</u>
Less provision for uncollectible pledges	<u>3,000</u>	-
	<u>\$ 299,976</u>	<u>\$ 73,542</u>
Amounts due in:		
Less than one year	\$ 234,660	\$ 33,700
One to five years	<u>65,316</u>	<u>39,842</u>
	<u>\$ 299,976</u>	<u>\$ 73,542</u>

Note 3 – Marketable Securities

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, 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 markets.

Level 3 - Unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions, which are significant to the fair measurement.

Note 3 – Marketable Securities (Cont.)

The following is a schedule of investments at fair value by level within the fair value hierarchy and by industry/segment at:

	Level 1	Level 2	Level 3	Total
December 31, 2011:				
Mutual Funds:				
Large company growth	\$ 146,599	\$ -	\$ -	\$ 146,599
International	83,596	-	-	83,596
Large company value	143,718	-	-	143,718
Small/Medium company growth	76,929	-	-	76,929
Small/Medium company value	70,069	-	-	70,069
Fixed income	89,239	-	-	89,239
Short-term certificates of deposit	-	167,992	-	167,992
Money market funds	233	-	-	233
	<u>\$ 610,383</u>	<u>\$ 167,992</u>	<u>\$ -</u>	<u>\$ 778,375</u>
December 31, 2010:				
Mutual Funds:				
Large company growth	\$ 117,100	\$ -	\$ -	\$ 117,100
International	72,614	-	-	72,614
Large company value	113,536	-	-	113,536
Small/Medium company growth	62,177	-	-	62,177
Small/Medium company value	59,751	-	-	59,751
Fixed income	59,650	-	-	59,650
Short-term certificates of deposit	-	247,070	-	247,070
Money market funds	85,141	-	-	85,141
	<u>\$ 569,969</u>	<u>\$ 247,070</u>	<u>\$ -</u>	<u>\$ 817,039</u>

The level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for investments measured at fair value, including the general description of such instruments pursuant to the valuation hierarchy.

Mutual Funds – These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market.

Certificates of Deposit – The fair values of certificates of deposit are estimated by a third-party pricing service. The third-party pricing service uses Level 2 inputs, including the use of pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Money Market Funds – These investments are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

Note 4 – Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,394,763	\$ 2,239,429
Land improvements	1,254,214	1,186,733
Buildings and improvements	2,938,727	2,600,628
Vehicles	127,195	85,522
Boats, docks and equipment	394,005	377,040
Furniture and office equipment	60,955	54,085
	<u>7,169,859</u>	<u>6,543,437</u>
Accumulated depreciation	2,397,075	2,264,609
	<u>\$ 4,772,784</u>	<u>\$ 4,278,828</u>

Depreciation expense was \$187,039 and \$160,064 for the years ended December 31, 2011 and 2010, respectively.

Note 5 – Financing Agreements

Long-Term Debt - Long-term debt consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
6.5% unsecured note payable to Dedham Institution for Savings, payable in monthly principal and interest installments of \$751 through October of 2012.	\$ 5,607	\$ 13,359
6.25% note payable to Dedham Institution for Savings, payable in monthly principal and interest installments of \$2,023 through January of 2015, collateralized by land.	261,333	269,146
4% unsecured note payable to The Bromley Charitable Trust, payable in annual principal installments of \$47,500 plus interest with a final payment due October 31, 2015.	190,000	237,500
6.74% note payable to Ford Motor Credit, payable in monthly principal and interest installments of \$516 through October of 2016, collateralized by a vehicle.	25,515	-
	<u>482,455</u>	<u>520,005</u>
Less amounts due within one year	65,960	63,570
	<u>\$ 416,495</u>	<u>\$ 456,435</u>

Annual principal maturities on long-term debt approximate the following:

<u>Year Ending</u> <u>December 31</u>	
2012	\$ 65,960
2013	61,725
2014	62,096
2015	287,672
2016	5,002
	<u>\$ 482,455</u>

Note 6 - Pension Plan

Hale maintains a 403(b) defined contribution plan for all of its eligible employees. Employees may elect to defer up to 6 percent of their yearly compensation, up to statutory limits. Employer contributions, based on a formula, are made on behalf of employees subject to certain eligibility requirements as to age and length of service. Contributions made for the year ended December 31, 2011 and 2010 totaled \$31,489 and \$27,530 respectively.

Note 7 - Lease Commitments

Hale leases equipment which requires a monthly rent payment of \$384 and expires in March of 2014. The lease is being reported as an operating lease, whereby the payments are charged to expense as incurred under the terms of the agreement. Related rent expense totaled \$5,392, and \$5,274 for the years ended December 31, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments required under the agreement:

Year Ending <u>December 31</u>	
2012	\$ 4,608
2013	4,608
2014	1,152
	<u>\$ 10,368</u>

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes and programs at December 31:

	<u>2011</u>	<u>2010</u>
Capital improvements	\$ 475,936	\$ 560,947
Chapel	2,177	3,089
A. Tradd outdoor learning center	-	222
Floating Classroom	1,960	7,926
Sensory Station	7,304	-
Miscellaneous	-	5,376
	<u>\$ 487,377</u>	<u>\$ 577,560</u>

Temporarily restricted net assets released and used for the following purposes during the years ended December 31:

	<u>2011</u>	<u>2010</u>
Capital improvements	\$ 606,823	\$ 390,175
Financial assistance - camperships	-	26,164
Capital improvements - ropes course	-	750
Chapel	912	-
A. Tradd outdoor learning center	222	4,841
Floating Classroom	8,366	22,074
Sensory Station	696	-
Miscellaneous	5,876	966
	<u>\$ 622,895</u>	<u>\$ 444,970</u>

Note 9 - Permanently Restricted Net Assets (Endowment Funds)

Permanently restricted net assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Ellen and Richard Flood Endowment Fund was created to benefit needy children and families unable to pay for Hale's programs. Hale has received \$136,975 in contributions, which must be maintained in perpetuity.	\$ 136,975	\$ 136,975
Andrew C. Wood Scholarship Fund was created to benefit needy children and families unable to pay for Hale's programs. The principal and 20 percent of the annual investment income from the fund must be maintained in perpetuity.	29,773	29,749
Hale's general endowment is made up of gifts for the general operations of Hale.	263,458	263,458
	<u>\$ 430,206</u>	<u>\$ 430,182</u>

Interpretation of Relevant Law – Hale has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of endowment fund as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, Hale classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the value of accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. “Net appreciation” on endowment funds, unless stipulated otherwise, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Hale in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies – From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires Hale to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets.

Endowment Investment and Spending Policy – Hale has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted fund that Hale must hold in perpetuity or for donor-specified periods. Under Hale’s investment policy and spending rate, both of which are approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary. Hale makes distributions from the endowment fund to operations using the total-return method. Under the total-return method, endowment fund distributions consist of net investment income and include a portion of the cumulative realized gains after required increase to principal.

Note 9 - Permanently Restricted Net Assets (Endowment Funds) (Cont.)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, Hale relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Hale targets a diversified asset allocation that places greater emphasis on growth than on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>For the year ended December 31, 2011</u>				
Balance at beginning of the year	\$ -	\$ -	\$ 430,182	\$ 430,182
Contributions	-	-	-	-
Investment income	-	1,773	24	1,797
Realized and unrealized losses	(5,646)	(1,773)	-	(7,419)
Balance at end of year	<u>\$ (5,646)</u>	<u>\$ -</u>	<u>\$ 430,206</u>	<u>\$ 424,560</u>
 <u>For the year ended December 31, 2010</u>				
Balance at beginning of the year	\$ -	\$ -	\$ 406,681	\$ 406,681
Contributions	-	-	23,467	23,467
Investment income	-	2,440	34	2,474
Realized and unrealized gains	-	31,905	-	31,905
Appropriated for expenditures	-	(34,345)	-	(34,345)
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,182</u>	<u>\$ 430,182</u>

Note 10 - Financial Instruments, Credit Risk and Concentration Risks

Hale's financial instruments that may be subject to concentrations of credit risk consist of cash, cash equivalents, accounts and contributions receivable and investments in marketable securities.

Hale maintains its cash deposits with a high-quality financial institution. At December 31, 2011, bank balances did not exceed the FDIC insurance limit. Hale's cash equivalents consist of several uninsured money market funds held by a national investment house which approximates \$512,000 at December 31, 2011. Hale has investments in various mutual funds, certificates of deposit and a money market fund as detailed in Note 3.

Hale receives its support and revenues from individuals, corporations, charitable organizations and foundations located primarily in Massachusetts. During the year ended December 31, 2011 Hale received \$300,000 of support relating to the capital campaign from one foundation. During the year ended December 31, 2010, Hale received \$237,500 and \$150,000 of support relating to the capital campaign from one charitable organization and one foundation. At December 31, 2011 approximately \$205,000 (52%) of contributions receivable were due from one foundation (\$150,000 or 38%) and one private foundation (\$55,000 or 14%).

Note 11 – Rental Activity

During 2010, Hale purchased home and land located in Westwood, MA. The real estate border Hale's existing property. Hale is currently renting the house under a tenant-at-will agreement. Hale's future plan is to utilize the property as housing for its executive director.

A schedule of net loss on rental for the year ended December 31, 2011 is as follows:

Rental income	<u>\$ 23,200</u>
Expenses:	
Utilities	3,137
Repairs	7,885
Equipment and janitorial	140
Real estate taxes	7,634
Interest expense	9,754
Depreciation expense	<u>9,818</u>
	<u>38,368</u>
Net rental loss	<u>\$ (15,168)</u>

Note 12 - Contingency

The Town of Westwood has levied a construction betterment tax related to sewer construction on Hale and placed a lien on a certain parcel of Hale's land. The Town has agreed to delay the payment of the tax without accrued interest until or unless the property is sold. Since Hale has no intention of disposing of the property, no accrual has been made for the tax (estimated at \$17,000) in these financial statements.