



FEDERATION FOR CHILDREN  
WITH SPECIAL NEEDS

FINANCIAL STATEMENTS  
OCTOBER 31, 2010 AND 2009  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

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OCTOBER 31, 2010 AND 2009

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*Where Every Client Is A Valued Client*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Federation for Children with Special Needs, Inc.:

We have audited the accompanying statements of financial position of Federation for Children with Special Needs, Inc. (a Massachusetts corporation, not for profit) (the Agency) as of October 31, 2010 and 2009, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency'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 Federation for Children with Special Needs, Inc. as of October 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Alexander, Aronson, Finning & Co., P.C.*

Wellesley, Massachusetts  
January 18, 2011

**FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.**

**STATEMENTS OF FINANCIAL POSITION  
OCTOBER 31, 2010 AND 2009**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 200,414	\$ 159,722
Grants, contracts and other receivables	354,602	377,689
Prepaid expenses	16,123	9,364
	571,139	546,775
Total current assets		
<b>EQUIPMENT</b> , net of accumulated depreciation of \$94,974 and \$81,485 at October 31, 2010 and 2009, respectively	11,994	25,483
<b>DEPOSITS</b>	24,986	24,986
	\$ 608,119	\$ 597,244
	\$ 608,119	\$ 597,244
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$ -	\$ 20,000
Current portion of capital lease obligation	5,415	4,717
Accounts payable	33,507	61,928
Accrued expenses	50,896	44,430
Deferred revenue	24,637	13,203
	114,455	144,278
Total current liabilities		
<b>CAPITAL LEASE OBLIGATION</b> , net of current portion	966	6,475
	115,421	150,753
Total liabilities		
<b>NET ASSETS:</b>		
Unrestricted -		
Operating	429,828	366,969
Equipment	5,613	14,292
	435,441	381,261
Total unrestricted		
Temporarily restricted	57,257	65,230
	492,698	446,491
Total net assets		
Total liabilities and net assets	\$ 608,119	\$ 597,244

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

**FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009**

	2010				2009					
	UNRESTRICTED	EQUIPMENT	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	OPERATING	EQUIPMENT	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>REVENUES:</b>										
Grants and contracts	\$ 2,554,982	\$ -	\$ 2,554,982	\$ -	\$ 2,554,982	\$ 2,716,639	\$ -	\$ 2,716,639	\$ -	\$ 2,716,639
Contributions	143,042	-	143,042	15,000	158,042	71,623	-	71,623	20,000	91,623
Special events, net of related expenses of \$40,888 and \$37,009 in 2010 and 2009, respectively	98,376	-	98,376	-	98,376	102,504	-	102,504	-	102,504
Workshop income	80,695	-	80,695	-	80,695	41,997	-	41,997	-	41,997
Conference fees	63,329	-	63,329	-	63,329	54,265	-	54,265	-	54,265
Miscellaneous	22,171	-	22,171	-	22,171	21,345	-	21,345	-	21,345
Net assets released from restrictions	22,973	-	22,973	(22,973)	-	25,849	-	25,849	(25,849)	-
Total revenues	2,985,568	-	2,985,568	(7,973)	2,977,595	3,034,222	-	3,034,222	(5,849)	3,028,373
<b>EXPENSES:</b>										
Program	2,379,930	-	2,379,930	-	2,379,930	2,492,881	-	2,492,881	-	2,492,881
General and administrative	537,969	13,489	551,458	-	551,458	542,170	13,057	555,227	-	555,227
Total expenses	2,917,899	13,489	2,931,388	-	2,931,388	3,035,051	13,057	3,048,108	-	3,048,108
Changes in net assets	67,669	(13,489)	54,180	(7,973)	46,207	(829)	(13,057)	(13,886)	(5,849)	(19,735)
NET ASSETS, beginning of year	366,969	14,292	381,261	65,230	446,491	371,930	23,217	395,147	71,079	466,226
Transfers	(4,810)	4,810	-	-	-	(4,132)	4,132	-	-	-
NET ASSETS, end of year	\$ 429,828	\$ 5,613	\$ 435,441	\$ 57,257	\$ 492,698	\$ 366,969	\$ 14,292	\$ 381,261	\$ 65,230	\$ 446,491

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

**FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 46,207	\$ (19,735)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,489	13,057
Changes in operating assets and liabilities -		
Grants, contracts and other receivable	23,087	(60,221)
Prepaid expenses	(6,759)	(1,870)
Accounts payable	(28,421)	24,510
Accrued expenses	6,466	(4,765)
Deferred revenue	11,434	13,203
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	65,503	(35,821)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in line of credit	(20,000)	20,000
Principal payments on capital lease obligation	(4,811)	(4,131)
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(24,811)	15,869
	<hr/>	<hr/>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	40,692	(19,952)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	159,722	179,674
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 200,414	\$ 159,722
	<hr/>	<hr/>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 1,567	\$ 1,231
	<hr/>	<hr/>
Disposal of fully depreciated equipment	\$ -	\$ 19,598
	<hr/>	<hr/>
Equipment acquired under capital lease	\$ -	\$ 12,995
	<hr/>	<hr/>

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

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010		2009	
	<u>PROGRAM</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>PROGRAM</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>
		<u>TOTAL</u>		<u>TOTAL</u>
Salaries	\$ 1,068,202	\$ 301,488	\$ 1,123,187	\$ 295,934
Payroll taxes and fringe benefits	326,526	90,408	318,370	86,725
Occupancy	177,326	65,510	160,480	62,245
Client expenses/stipends	207,934	-	231,522	-
Subcontractors	145,128	-	227,254	-
Consultants	102,238	22,665	116,742	31,700
Program support	114,907	-	58,342	-
Conference	62,954	-	66,211	-
Newsline	58,251	-	48,626	-
Travel	36,405	-	42,502	-
Telephone	25,919	5,890	24,828	5,960
Printing and copying	19,175	2,088	29,158	5,917
Professional fees	-	19,700	-	21,075
Supplies	18,295	1,190	25,864	1,901
Postage	14,554	2,951	18,860	4,998
Depreciation	-	13,489	-	13,057
Miscellaneous	-	10,833	-	13,729
Equipment rental and maintenance	2,116	6,808	935	3,992
Insurance	-	6,871	-	6,763
Interest	-	1,567	-	1,231
	<u>\$ 2,379,930</u>	<u>\$ 551,458</u>	<u>\$ 2,492,881</u>	<u>\$ 555,227</u>
		<u>\$ 2,931,388</u>		<u>\$ 3,048,108</u>

The accompanying notes are an integral part of these statements.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2010 AND 2009

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

**OPERATIONS AND NONPROFIT STATUS**

Federation for Children with Special Needs, Inc. (the Agency), a Massachusetts not-for-profit organization formed in 1974, provides training and information to the general public about available services, needed services and legal rights of children in Massachusetts with special needs including children at risk due to environmental, physical, mental or emotional handicaps or disabilities.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from state income taxes. Contributions made to the Agency may be deducted by donors within the Internal Revenue Code's regulations.

**SIGNIFICANT ACCOUNTING POLICIES**

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Equipment and Depreciation

Purchased equipment is recorded at cost. Donated equipment is recorded at fair market value at the time of donation. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. Included in equipment at October 31, 2010 and 2009, is \$12,995 of office equipment acquired under a capital lease. Depreciation expense for the years ended October 31, 2010 and 2009, includes \$6,496 and \$4,523, respectively, for office equipment acquired under the capital lease (see Note 2).

Description of Net Assets

**Unrestricted -**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

**Operating** - unrestricted resources that are available to support the Agency's operations and bear no external restrictions.

**Equipment** - capital resources expended on fixed assets used in the Agency's operations, net of related debt.



FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2010 AND 2009  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Description of Net Assets (Continued)

**Temporarily Restricted -**

Temporarily restricted net assets represent donor restricted contributions that have been received but not yet expended for their designated purpose. Temporarily restricted net assets at October 31, 2010 and 2009, are purpose restricted.

Funding and Revenue Recognition

Grants and contracts, conference fees and workshop income are recognized as services are provided. Certain fees collected in advance of the related services are presented as deferred revenue in the accompanying statements of financial position. Revenue from special events is recognized in the period in which the events occur. Unrestricted contributions are recognized as revenue when received or unconditionally committed. The Agency reports grants and contributions as temporarily restricted support if they are received or pledged with donor stipulations that limit their use. When a donor purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Agency receives a significant portion of its funding from the U.S. Department of Education and the Commonwealth of Massachusetts (approximately 95% and 83% of grants and contracts revenue for the years ended October 31, 2010 and 2009, respectively).

The Agency receives funding from the above mentioned government agencies under cost reimbursement contracts. These contracts are subject to audit and possible adjustment by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of October 31, 2010 and 2009, or on its changes in net assets for the years then ended.

Allowance for Doubtful Accounts

The allowance for doubtful grants, contracts, and other receivables, if any, is recorded based on management's analysis of specific receivables and the estimate of amounts that may be uncollectible. As of October 31, 2010 and 2009, no allowance for doubtful accounts was deemed necessary.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to program and general and administrative expenses.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2010 AND 2009  
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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. Actual results could differ from those estimates.

Fair Value

The Agency follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Agency values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Subsequent Events

Subsequent events have been evaluated through January 14, 2011, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Uncertainty in Income Taxes

During the year ended October 31, 2010, the Agency adopted the *Accounting for Uncertainty in Income Taxes* standard which requires the Agency to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of October 31, 2010, the Agency determined that there are no material unrecognized tax benefits to report.

Information returns filed for the three preceding fiscal years ended October 31, 2009, remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Agency does not expect the amounts of unrecognized tax benefits to change significantly within the next twelve months.

(2) CAPITAL LEASE OBLIGATION

Capital lease obligation consists of an 11.9% capital lease, due in monthly principal and interest installments of \$490 through December, 2011, secured by office equipment (see Note 1). The outstanding balance of the capital lease at October 31, 2010 and 2009, was \$6,381 and \$11,192, respectively.

FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2010 AND 2009

(Continued)

(2) CAPITAL LEASE OBLIGATION (Continued)

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2011	\$5,885
2012	<u>980</u>
Total future minimum lease payments	6,865
Less – amounts representing interest	<u>484</u>
	<u>\$6,381</u>

(3) OPERATING LEASES

The Agency leases its facility under an agreement through May 31, 2012. The base rent was payable in monthly installments of \$18,931 through May 31, 2009. Commencing June 1, 2009, annual base rent is adjusted annually on June 1<sup>st</sup> to reflect the percentage increase in the Consumer Price Index as published by the United States Bureau of Labor. Effective June 1, 2010, the monthly base rent was increased to \$19,355. There was no CPI increase in fiscal year 2009. The Agency is required to make additional monthly rent payments of \$1,601 beginning January, 2010, through May 31, 2012, as specified in the amended lease agreement to cover certain building improvements made by the landlord. The Agency is also responsible for its proportionate share of property taxes and utilities. Rent expense for the years ended October 31, 2010 and 2009, net of rental expense offsets (see below), was \$242,836 and \$222,725, respectively, and is shown in occupancy in the accompanying statements of functional expenses.

During fiscal years 2010 and 2009, two organizations shared a portion of the Agency's space as tenants-at-will. The resulting rental expense offsets were approximately \$33,500 and \$36,500 for the years ended October 31, 2010 and 2009, respectively, and are netted against occupancy in the accompanying statements of functional expenses.

Future minimum lease payments under this agreement for the next two fiscal years are as follows:

<u>Fiscal Year</u>	
2011	\$251,474
2012	\$146,692

(4) LINE OF CREDIT

The Agency had available a \$125,000 line of credit with a bank. During fiscal year 2010, the Agency paid off the outstanding balance and closed the line of credit. The outstanding balance on the line was \$20,000 at October 31, 2009.

**FEDERATION FOR CHILDREN WITH SPECIAL NEEDS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**OCTOBER 31, 2010 AND 2009**

(Continued)

**(5) RETIREMENT PLAN**

The Agency maintains a retirement plan under the provisions of Internal Revenue Code Section 403(b). The plan allows employee participants to defer a percentage of their compensation up to the limitations as determined by Federal law. The Agency, at the discretion of the Board of Directors, may make contributions to the plan. During the years ended October 31, 2010 and 2009, the Agency matched up to 2% of participants' contributions. The related expense was \$14,269 and \$14,122 for the years ended October 31, 2010 and 2009, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

**(6) CONCENTRATION OF CREDIT RISK**

The Agency maintains its cash accounts in a bank in Massachusetts which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). The cash balances did not exceed the insured amount. The Agency has not experienced any losses in these accounts. The Agency's management believes the Agency is not exposed to any significant credit risk on its cash and cash equivalents.

**(7) RELATED PARTY TRANSACTIONS**

- A member of the Agency's Board of Directors is an attorney in the law firm that provided program services to the Agency during the years ended October 31, 2010 and 2009, amounting to approximately \$4,394 and \$7,000, respectively. These amounts are included in program support in the accompanying statements of functional expenses.
- The wife of the Agency's Executive Director is a part-time employee of the Agency. Her compensation was \$24,000 and \$23,000 for the years ended October 31, 2010 and 2009, respectively.