

DARE FAMILY SERVICES, INC.

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FINANCIAL STATEMENTS FOR THE  
YEAR ENDED JUNE 30, 2009  
(With Comparative Totals for 2008)  
(With Independent Auditor's Report Thereon)



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## INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS  
DARE FAMILY SERVICES, INC.  
Somerville, Massachusetts

We have audited the accompanying statement of financial position of Dare Family Services, Inc. (a Massachusetts non-for-profit organization) as of June 30, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Dare Family Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Agency's 2008 financial statements and, in our report dated November 25, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of Dare Family Services, Inc. as of June 30, 2009, 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.

Certified Public Accountants

November 12, 2009

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Parent, McLaughlin & Nangle  
*Certified Public Accountants, Inc.*

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DARE FAMILY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Amounts for 2008)

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents:		
Cash and cash equivalents	\$ 3,394,551	\$ 4,067,625
Cash - client funds	103,735	83,317
Total Cash and Cash Equivalents	3,498,286	4,150,942
Certificates of deposit	1,500,000	-
U.S. Treasury bills	-	1,493,605
Accounts receivable - less allowance for doubtful accounts of \$1,400 in both years	2,010,133	2,014,045
Prepaid expenses and deposits	145,856	144,608
Investments designated for endowment	1,215,843	1,551,765
Property and equipment, net	981,584	953,394
Total Assets	<u>\$ 9,351,702</u>	<u>\$ 10,308,359</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 85,925	\$ 201,322
Accounts payable - client funds held	103,735	83,317
Deferred revenue	95,687	127,221
Accrued expenses	1,063,866	1,604,763
Long-term debt	-	5,315
Obligations under capital leases	110,824	95,949
Total Liabilities	<u>1,460,037</u>	<u>2,117,887</u>
NET ASSETS:		
Unrestricted net assets:		
Operations	5,897,587	5,879,102
Property and equipment	778,235	759,605
Board designated Endowment Fund	1,215,843	1,551,765
Total Net Assets	<u>7,891,665</u>	<u>8,190,472</u>
Total Liabilities and Net Assets	<u>\$ 9,351,702</u>	<u>\$ 10,308,359</u>

See accompanying notes to financial statements.

DARE FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

(With Comparative Totals for 2008)

	2009		Total	
	Unrestricted Net Assets		2009	2008
	Programs	Board Designated Endowment Fund		
Support and Revenue:				
Department of Social Services	\$ 20,050,532	\$ -	\$ 20,050,532	\$ 20,734,080
Department of Mental Retardation	3,172,912	-	3,172,912	3,077,990
Department of Mental Health	13,196	-	13,196	5,060
Client contributions	307,547	-	307,547	292,732
Private service fees	12,805	-	12,805	12,583
Other state income	2,610,402	-	2,610,402	2,365,705
Subcontracted revenue	276,629	-	276,629	169,999
Contributions	206,269	-	206,269	230,622
Investment return	46,579	( 335,922 )	( 289,343 )	172,896
Loss on disposal of assets	( 5,762 )	-	( 5,762 )	( 1,436 )
Other	1,272	-	1,272	-
Total support and revenue	<u>26,692,381</u>	<u>( 335,922 )</u>	<u>26,356,459</u>	<u>27,060,231</u>
Expenses:				
Program services:				
Adoption services	-	-	-	13,768
Residential services	3,600,122	-	3,600,122	3,699,263
Counseling services	566,416	-	566,416	828,221
Mentor services	19,946,892	-	19,946,892	19,972,200
Total program services	<u>24,113,430</u>	<u>-</u>	<u>24,113,430</u>	<u>24,513,452</u>
Supporting services:				
General and administrative	2,463,273	-	2,463,273	2,419,021
Fundraising	78,563	-	78,563	77,267
Total supporting services	<u>2,541,836</u>	<u>-</u>	<u>2,541,836</u>	<u>2,496,288</u>
Total expenses	<u>26,655,266</u>	<u>-</u>	<u>26,655,266</u>	<u>27,009,740</u>
Change in net assets	37,115	( 335,922 )	( 298,807 )	50,491
Net assets, beginning of year	<u>6,638,707</u>	<u>1,551,765</u>	<u>8,190,472</u>	<u>8,139,981</u>
Net assets, end of year	<u>\$ 6,675,822</u>	<u>\$ 1,215,843</u>	<u>\$ 7,891,665</u>	<u>\$ 8,190,472</u>

See accompanying notes to financial statements.

DARE FAMILY SERVICES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets	( \$ 298,807 )	\$ 50,491
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	159,982	149,503
Unrealized depreciation on investments	180,136	67,479
Realized loss (gain) on sales of investments, net	165,912 (	4,633 )
Donated securities	-	( 5,257 )
Accretion of discount	( 16,073 ) (	73,071 )
Loss on disposal of equipment	5,762	1,436
(Increase) decrease in:		
Accounts receivable	3,912 (	142,038 )
Prepaid expenses and deposits	( 1,248 )	3,159
(Decrease) increase in:		
Accounts payable	( 115,397 )	68,626
Accounts payable - client funds held	20,418 (	19,203 )
Deferred revenue	( 31,534 ) (	35,033 )
Accrued expenses	( 540,897 ) (	112,452 )
Total adjustments	( 169,027 ) (	101,484 )
Net cash used in operating activities	( 467,834 ) (	50,993 )
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	( 1,500,000 )	-
Purchase of U.S. Treasury bills	( 1,994,795 ) (	4,454,210 )
Proceeds from maturities of U.S. Treasury bills	3,500,000	3,500,000
Proceeds from maturities of investments	680,000	1,215,000
Proceeds from sales of investments	586,635	214,286
Purchases of investments	( 1,272,288 ) (	1,425,750 )
Purchases of property and equipment	( 143,831 ) (	142,527 )
Net cash used in investing activities	( 144,279 ) (	1,093,201 )
Cash Flows from Financing Activities:		
Repayments of notes payable	( 5,315 ) (	5,551 )
Payments of obligations under capital leases	( 35,228 ) (	35,245 )
Net cash used in financing activities	( 40,543 ) (	40,796 )
Net decrease in cash and cash equivalents	( 652,656 ) (	1,184,990 )
Cash and cash equivalents, beginning of year	4,150,942	5,335,932
Cash and cash equivalents, end of year	<u>\$ 3,498,286</u>	<u>\$ 4,150,942</u>

See accompanying notes to financial statements.

DARE FAMILY SERVICES, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009  
(With Comparative Amounts for 2008)  
(Continued)

SUPPLEMENTAL DISCLOSURES:

	<u>2009</u>	<u>2008</u>
Capital lease obligations incurred in acquisition of equipment	<u>\$ 85,274</u>	<u>\$ 46,649</u>
Forgiveness of capital lease obligations	<u>\$ 35,171</u>	<u>\$ 5,459</u>
Cash paid during the year for interest	<u>\$ 5,322</u>	<u>\$ 4,631</u>

See accompanying notes to financial statements.



DARE FAMILY SERVICE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

(With Comparative Totals for 2008)

2009

	Supporting Services					Total Expenses		
	Residential	Counseling	Mentor Services	Total Program Services	Management and General		Fundraising	
Salaries	\$ 2,258,823	341,714	5,229,916	7,830,453	1,584,285	51,997	\$ 9,466,735	\$ 9,540,140
Payroll taxes and fringe benefits	703,296	106,394	1,628,362	2,438,052	493,276	16,190	2,947,518	3,321,145
Professional consultants	-	-	670	670	23,000	-	23,670	27,430
Outside services	14,091	31,314	43,011	88,416	12,106	-	100,522	116,717
Advertising	4,316	398	51,178	55,892	999	-	56,891	110,399
Clothing/birthday supplements	19,575	-	591,697	611,272	-	-	611,272	544,747
Conference/meetings	-	-	-	-	-	-	-	162
Depreciation and amortization	56,080	5,168	70,356	131,604	26,959	1,419	159,982	149,503
Dues and subscriptions	1,135	3	1,546	2,684	6,420	305	9,409	8,957
Equipment rental	1,194	632	34,117	35,943	9,231	105	45,279	45,432
Mentor payments	-	-	11,000,014	11,000,014	-	-	11,000,014	11,020,972
Food	92,741	-	61	92,802	3,507	10	96,319	89,970
Insurance	42,993	2,672	40,713	86,378	29,205	331	115,914	118,293
Interest	652	235	2,200	3,087	2,200	35	5,322	4,631
Legal and accounting	-	-	800	800	80,348	-	81,148	66,241
Noncapital equipment and furnishings	2,379	17	1,562	3,958	-	-	3,958	4,259
Rent	139,857	42,259	604,859	786,975	88,242	4,645	879,862	830,282
Office supplies/expenses	9,500	3,045	55,421	67,966	23,800	837	92,603	96,663
Postage	1,650	902	19,755	22,307	10,415	315	33,037	33,525
Printing	690	474	7,915	9,079	472	348	9,899	9,787
Recreation and youth expenses	6,652	7,514	60,947	75,113	-	-	75,113	43,289
Repairs and maintenance	42,737	2,457	35,561	80,755	6,909	310	87,974	91,508
Staff training	4,330	8	20,980	25,318	306	-	25,624	33,408
Supplies	24,171	1	199	24,371	-	-	24,371	41,434
Telephone	21,210	6,644	104,897	132,751	19,884	895	153,530	153,392
Travel and transportation	22,903	11,854	300,001	334,758	28,479	-	363,237	343,959
Utilities	98,877	2,574	36,002	137,453	10,419	582	148,454	126,499
Vehicle leasing	29,818	-	-	29,818	-	-	29,818	28,857
Miscellaneous	452	-	2,329	2,781	2,811	239	5,831	6,222
Real estate taxes	-	137	1,823	1,960	-	-	1,960	1,917
<b>Total expenses</b>	<b>\$ 3,600,122</b>	<b>\$ 566,416</b>	<b>\$ 19,946,892</b>	<b>\$ 24,113,430</b>	<b>\$ 2,463,273</b>	<b>\$ 78,563</b>	<b>\$ 26,655,266</b>	<b>\$ 27,009,740</b>

See accompanying notes to financial statements.





DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

A. Nature of Business:

Dare Family Services, Inc. (the "Agency") is a Massachusetts corporation organized in 1964 under Chapter 180 of the General Laws of the Commonwealth of Massachusetts to provide foster care, residential, educational, counseling and adoption services. Substantially all of the Agency's business activities are with State government or government agencies within Massachusetts.

B. Summary of Significant Accounting Policies:

Basis of Accounting:

The Agency prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Comparative Financial Statements:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

Financial Statement Presentation:

The Agency follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117 the Agency is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

B. Summary of Significant Accounting Policies – (continued):

Contributions:

Contributions received are classified by each net asset category in accordance with donor-imposed restrictions.

Contributions which are restricted for use and whose restrictions are met in the same reporting period are reflected as unrestricted revenue, as permitted by SFAS No. 116.

Cash equivalents:

Cash equivalents consists of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase and money market mutual funds.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year-end. Based upon management's assessment, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and equipment:

Property and equipment are recorded at cost. Depreciation and amortization is provided over the estimated useful lives of the respective assets, on a straight-line basis. Amortization of leasehold improvements is provided over the shorter of the useful lives of the improvements or the terms of respective leases. The net amount of property and equipment and related long-term debt has been reported as a separate component of unrestricted net assets.

Purchases are determined to be capital expenditures based on the Agency's policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding \$1,000. Those items which are not capital expenditures are immediately expensed.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

B. Summary of Significant Accounting Policies – (continued):

Property and equipment - (continued):

At various times, government agencies provide the Agency with grants to purchase furniture and equipment. Title to such furniture and equipment does not pass to the Agency and must be returned to the grantor upon request.

Income tax status:

The Agency is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

The Agency is subject to the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), Accounting for Uncertainties in Income Taxes. FIN 48 sets forth a minimum threshold for financial statement recognition of the benefit or liability of a tax position taken or expected to be taken in a tax return. In FSP FIN 48-3, The FASB has deferred the effective date of FIN 48 for non-public enterprises to the annual financial statements for fiscal years beginning after December 15, 2008. The Agency's policy is to analyze its tax positions taken for all open tax years. The Agency has elected to defer the application of FIN 48 in accordance with FSP FIN 48-3.

C. Certificates of Deposit:

Certificates of deposit by maturity and weighted average rate at June 30, 2009, are as follows:

	<u>Amount</u>	<u>Weighted Average Rate</u>
One year or less	<u>\$ 1,500,000</u>	<u>2.48%</u>

DARE FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

D. Investments Designated for Endowment:

A summary of the Agency's investments designated for endowment is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
	<u>June 30, 2009</u>		
Money market funds	\$ 7,158	\$ 7,158	\$ -
U.S. Treasury bonds	244,504	244,854	350
Mutual Funds	220,000	224,235	4,235
Equity securities	569,851	718,624	148,773
Exchange Traded Funds	19,503	20,972	1,469
	<u>\$ 1,061,016</u>	<u>\$ 1,215,843</u>	<u>\$ 154,827</u>
	<u>June 30, 2008</u>		
Money market funds	\$ 37,123	\$ 37,123	\$ -
U.S. Treasury bonds	372,746	373,423	677
Mutual Funds	254,017	280,687	26,670
Equity securities	491,688	805,449	313,761
Real Estate Investment Trust	22,555	19,397	( 3,158 )
Exchange Traded Funds	38,673	35,686	( 2,987 )
	<u>\$ 1,216,802</u>	<u>\$ 1,551,765</u>	<u>\$ 334,963</u>

Decrease in unrealized appreciation, net ( \$ 180,136 )

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statement of activities.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

D. Investments Designated for Endowment - (continued):

The following schedule summarizes the unrestricted investment return and its classification in the statement of activities for the year ended June 30, 2009:

Operating Funds:

Interest and dividend income	\$	34,979
Accretion of discount		<u>11,600</u>
		<u>46,579</u>

Board Designated Funds:

Interest and dividend income		21,970
Realized loss on sale of investments, net	(	165,912 )
Unrealized depreciation on investments, net	(	180,136 )
Investment management fees	(	<u>11,844 )</u>
	(	<u>335,922 )</u>
Total unrestricted investment return	( \$	<u>289,343 )</u>

E. Property and Equipment:

A summary of property and equipment is as follows:

	June 30	
	2009	2008
Land	\$ 237,060	\$ 237,060
Buildings	433,940	433,940
Building improvements	464,225	399,610
Leasehold improvements	165,189	135,115
Furniture and equipment	<u>938,637</u>	<u>1,035,328</u>
	2,239,051	2,241,053
Less accumulated depreciation and amortization	( <u>1,257,467</u> )	( <u>1,287,659</u> )
	<u>\$ 981,584</u>	<u>\$ 953,394</u>

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

E. Property and Equipment – (continued):

At June 30, 2009, the Agency had in its possession approximately \$69,900 of furniture and equipment, purchased with grants from government agencies, \$9,900 of which it holds title. Certain of these assets have been capitalized in accordance with government regulations.

Depreciation and amortization expense charged to operations amounted to \$159,982 and \$149,503 for the years ended June 30, 2009 and 2008, respectively.

F. Deferred Revenue:

Deferred revenue includes two loans received to underwrite the cost of capital improvements to a residential facility and day care space. The Agency is not required to make repayments provided the properties are not mortgaged, sold, or beneficial interest or title transferred within fifteen years of project completion. Accordingly, the amounts have been set up as deferred revenue, which will be recognized at the end of the fifteen years. If the Agency were to mortgage, sell, or transfer beneficial interest or title, there would be requirements of repayment. The total amounts of these loans received were \$29,225 and \$63,300, respectively. Repayments are secured by mortgages on the properties.

G. Long-Term Debt:

At June 30, 2008 long-term debt consisted of \$5,315 consists of a mortgage note payable to a bank in monthly installments of \$483, including interest at 3.0%, through June 2008. The land and building at 249 Mt. Vernon Street, Newton, MA with a carrying value as of June 30, 2008 of \$274,655 was pledged as collateral on this mortgage. During the year ended June 30, 2009, the mortgage payable was paid in full.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

H. Obligations Under Capital Leases:

The Agency is obligated, under various capital lease agreements, for office equipment, which require monthly payments totaling \$3,493 through January 2013, at various interest rates. Depreciation of equipment under capital leases is included in depreciation expense. The Agency's office equipment at June 30, 2009, includes the following amounts for outstanding lease obligations that have been capitalized:

Office equipment	\$ 161,995
Accumulated amortization	( <u>76,992</u> )
	<u>\$ 85,003</u>

The following is a schedule by years of future minimum lease payments under the capital leases together with the present value of net minimum lease payments as of June 30, 2009:

Year ending June 30:	2010	\$ 41,041
	2011	39,297
	2012	32,662
	2013	<u>11,562</u>
Total minimum lease payments		124,562
Less amount representing interest		( <u>13,738</u> )
Present value of net minimum lease payments		<u>\$ 110,824</u>

I. Line-of-Credit:

The Agency has a line-of-credit agreement with a bank which permits borrowings up to \$800,000 with interest payable at the greater of prime rate as published in the Wall Street Journal plus .5% (3.75% at June 30, 2009) or 4%. There was no outstanding balance on the note at either June 30, 2009 or 2008. The note is secured by all business assets of the Agency.

J. Unrestricted Net Assets:

In 1997, the Board of Directors of the Agency voted to designate \$1,000,000 of the available unrestricted net assets for endowment purposes in order to ensure the long-term viability of the Agency to continue its mission. These funds have been invested in a separate investment account. All earnings, gains and losses derived from the Segregated Investment Account in the future are added to the Board Designated Endowment Net Asset account.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

K. Related Party Transactions:

The Agency employed several individuals that are family members of management staff of the Agency and the Agency paid consulting and legal fees to certain board members for services rendered by those individuals or their related companies. Wages, consulting and legal fees paid for these services to five individuals totaled approximately \$189,000 during the year ended June 30, 2009.

L. Lease Commitments:

The Agency is obligated under several lease agreements for building and office space as well as automobiles and office equipment. These leases expire through August, 2012. The following is a schedule by years of future minimum rental payments required under operating leases for the above-mentioned leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009:

Year ending June 30:	2010	\$ 596,306
	2011	341,441
	2012	258,017
	2013	93,338
		<u>\$ 1,289,102</u>

Rent expense for building and office space charged to operations amounted to \$875,062 and \$825,478 for the years ended June 30, 2009 and 2008, respectively. Rent expense for vehicles and equipment charged to operations amounted to \$29,818 and \$28,857 for the years ended June 30, 2009 and 2008, respectively. Rent expense for the use of parking spaces charged to operations amounted to \$4,800, for each of the years ended June 30, 2009 and 2008.

M. Retirement Plan:

The Agency has a retirement plan covering all eligible employees. The Agency contributes to the plan based on the discretion of the Board of Directors. Contributions to the plan amounted to \$0 and \$450,000 for the years ended June 30, 2009 and 2008, respectively.



DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

N. Concentration of Credit Risk:

The Agency maintains cash deposits and a money market mutual fund at a bank located in the Greater Boston area. Deposits at this bank are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of June 30, 2009. At various times during the year, the Agency had balances in excess of the insured limit.

O. Contingencies:

Certain claims and complaints arising in the ordinary course of business have been filed or are pending against the Agency. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Agency if disposed of unfavorably.

P. Net Assets:

Massachusetts Operational Services Division began implementation of its revenue retention policy as of June 30, 1993. This policy allows social service providers to retain an annual surplus up to five percent of revenues attributable to or generated by Commonwealth agreements for the provision of social services within Massachusetts programs, cumulative to a maximum of 20% of the provider's prior year's gross revenues derived from Commonwealth Purchasing Agencies. For the years ended June 30, 2009 and 2008, the Commonwealth announced that they will grant waivers to organizations that exceed the maximum 20% cumulative surplus, effectively suspending that regulation for the respective years. Since the annual and cumulative surplus does not exceed levels established in the regulation, or have been waived for the current year, the surplus revenue retention fund pool is reported as a part of unrestricted net assets of the Agency.

DARE FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(Continued)

P. Net Assets – (continued):

A summary of the fund pool is as follows:

	<u>Surplus Amount</u>	<u>Commonwealth Revenues</u>	<u>% of Commonwealth Revenues for Year</u>
Balance of cumulative surplus at June 30, 2002	\$ 3,188,573		
Additions to surplus Year ended June 30,			
2003	251,754	\$ 24,685,670	1.02%
2004	83,550	22,823,028	0.37%
2005	389,784	22,077,720	1.77%
2006	450,205	21,634,668	2.08%
2007	802,315	23,702,939	3.38%
2008	( 84,892 )	24,144,608	-0.35%
2009	<u>56,340</u>	23,767,502	0.24%
Balance of cumulative surplus at June 30, 2009	<u>\$ 5,137,629</u>		(21.28% of prior year's Commonwealth Revenue)

Q. Endowment:

The Agency's endowment consists of an investment fund established to support the mission and programs of the Agency. Its endowment includes a fund designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

Q. Endowment – (continued):

Interpretation of relevant law:

The Board of Directors of the Agency has interpreted Massachusetts Law Chapter 180A, Management of Institutional Funds, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency 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) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by Massachusetts Law Chapter 180A. In accordance with Massachusetts Law Chapter 180A, the Agency considers the following facts in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Agency
- (7) The investment policies of the Agency

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

Q. Endowment – (continued):

Changes in Endowment Net Assets for Year Ended June 30, 2009:

	<u>Board Designated Endowment Fund (Unrestricted)</u>
Endowment net assets, beginning of year	\$ 1,551,765
Net loss on investments	( 335,922 )
Endowment net assets, end of year	<u>\$ 1,215,843</u>

Changes in Endowment Net Assets for Year Ended June 30, 2008:

	<u>Board Designated Endowment Fund (Unrestricted)</u>
Endowment net assets, beginning of year	\$ 1,591,525
Net loss on investments	( 39,760 )
Endowment net assets, end of year	<u>\$ 1,551,765</u>

Return objectives and risk parameters:

Endowment assets include those assets of board-designated funds that the agency holds for a board-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are held for investment by Northeast Investment Management, Inc. The agency expects its endowment funds, over time, to provide a rate of return equal to or exceeding various benchmarks, the principle one being the Standard & Poor's 500. Actual returns in any given year may vary from this amount.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

Q. Endowment – (continued):

Strategies employed for achieving objectives:

The Agency has directed Northeast Investment to maintain an equity/fixed income ratio utilizing a conservative measure in order to protect the principal of the endowment funds. The Agency has an investment committee which meets quarterly with representatives from Northeast Investment to assess performance and modify investment strategies based on perceived current market trends and the organization's assessment of its preferred risk.

Spending policy and how the investment objectives relate to spending policy:

The Agency has been accumulating the additions to the board designated endowment fund in order to grow the fund over time. The level of spending will vary with organizational need and market conditions as determined by the Agency's Board of Directors.

R. Fair Value Measurements:

The Agency is subject to the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS No. 157). FAS No. 157 defines fair value, establishes a framework to measure fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FAS No. 157, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Agency has the ability to access

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These may include quoted prices for similar securities.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability spending the current income each year.

DARE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

(Continued)

R. Fair Value Measurements – (continued):

Fair values of assets measured on a recurring basis at June 30, 2009 and 2008 are as follows:

	<u>2009</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 1,215,843</u>	<u>\$ 970,989</u>	<u>\$ 244,854</u>	<u>\$ -</u>

	<u>2008</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 1,551,765</u>	<u>\$ 1,158,945</u>	<u>\$ 392,820</u>	<u>\$ -</u>