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002820

DARE FAMILY SERVICES, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

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2014

DARE FAMILY SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dare Family Services, Inc.

We have audited the accompanying financial statements of Dare Family Services, Inc. (a Massachusetts not-for-profit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dare Family Services, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Dare Family Services, Inc.'s 2013 financial statements, and our report dated November 21, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Boston, MA
November 14, 2014

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DARE FAMILY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(WITH COMPARATIVE AMOUNTS FOR 2013)

	2014	2013
Assets		
Cash and Cash Equivalents		
Cash and cash equivalents	\$ 3,771,265	\$ 3,303,207
Cash - client funds	<u>23,891</u>	<u>25,832</u>
Total Cash and Cash Equivalents	3,795,156	3,329,039
Certificates of deposit	1,580,201	1,573,879
Accounts receivable - less allowance for doubtful accounts of \$1,400 in both years	1,967,404	1,928,458
Prepaid expenses and deposits	121,382	123,284
Restricted cash and cash equivalents	151,815	80,959
Investments designated for endowment	1,981,572	1,732,085
Property and equipment, net	<u>815,034</u>	<u>830,424</u>
Total Assets	<u>\$ 10,412,564</u>	<u>\$ 9,598,128</u>
Liabilities		
Accounts payable	\$ 218,897	\$ 214,269
Accounts payable - client funds held	23,891	25,832
Capital advances	92,525	100,744
Accrued expenses	944,538	868,355
Obligations under capital leases	<u>108,617</u>	<u>78,858</u>
Total Liabilities	<u>1,388,468</u>	<u>1,288,058</u>
Net Assets		
Unrestricted net assets:		
Operations	6,428,632	5,918,944
Property and equipment	613,892	659,041
Board designated endowment fund	<u>1,981,572</u>	<u>1,732,085</u>
Total Net Assets	<u>9,024,096</u>	<u>8,310,070</u>
Total Liabilities and Net Assets	<u>\$ 10,412,564</u>	<u>\$ 9,598,128</u>

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

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DARE FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)**

	2014		Total	
	Unrestricted Net Assets		2014	2013
	Programs	Board Designated Endowment Fund		
Support and Revenue				
Department of Children & Families	\$ 17,703,005	\$ --	\$ 17,703,005	\$ 16,043,052
Department of Developmental Services	3,321,382	--	3,321,382	3,532,194
Department of Mental Health	36,040	--	36,040	30,970
Executive Office of Human Services	17,781	--	17,781	37,996
Client contributions	318,142	--	318,142	320,813
Private service fees	10,216	--	10,216	9,562
Other state income	2,164,315	--	2,164,315	2,315,435
Contributions	92,229	--	92,229	94,720
Investment return	6,706	249,487	256,193	142,112
Subcontracted revenue	--	--	--	329
	<u>23,669,816</u>	<u>249,487</u>	<u>23,919,303</u>	<u>22,527,183</u>
Gain (loss) on disposal of assets	(5,575)	--	(5,575)	(2,024)
Other	1,300	--	1,300	1,633
	<u>(4,275)</u>	<u>--</u>	<u>(4,275)</u>	<u>(391)</u>
Total Support and Revenue	<u>23,665,541</u>	<u>249,487</u>	<u>23,915,028</u>	<u>22,526,792</u>
Expenses				
Program services:				
Residential services	2,899,489	--	2,899,489	2,983,494
Counseling services	645,874	--	645,874	563,748
Mentor services	17,064,176	--	17,064,176	16,259,781
Total program services	<u>20,609,539</u>	<u>--</u>	<u>20,609,539</u>	<u>19,807,023</u>
Supporting services:				
General and administrative	2,545,524	--	2,545,524	2,442,793
Fundraising	45,939	--	45,939	79,914
Total supporting services	<u>2,591,463</u>	<u>--</u>	<u>2,591,463</u>	<u>2,522,707</u>
Total Expenses	<u>23,201,002</u>	<u>--</u>	<u>23,201,002</u>	<u>22,329,730</u>
Change in Net Assets	464,539	249,487	714,026	197,062
Net Assets, Beginning of Year	<u>6,577,985</u>	<u>1,732,085</u>	<u>8,310,070</u>	<u>8,113,008</u>
Net Assets, End of Year	<u>\$ 7,042,524</u>	<u>\$ 1,981,572</u>	<u>\$ 9,024,096</u>	<u>\$ 8,310,070</u>

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

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DARE FAMILY SERVICES, INC.

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)**

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 714,026	\$ 197,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	145,821	137,989
Unrealized appreciation on investments	(198,725)	(33,796)
Realized gain on sales of investments, net	(37,263)	(70,513)
Loss on disposal of equipment	5,575	2,024
Decrease (increase) in:		
Accounts receivable	(38,946)	(262,746)
Prepaid expenses and deposits	1,902	3,490
Restricted cash and cash equivalents	(70,856)	56,127
Increase (decrease) in:		
Accounts payable	4,628	4,303
Accounts payable - client funds held	(1,941)	(12,343)
Deferred revenue	(8,219)	2,388
Accrued expenses	76,183	166,611
Total adjustments	<u>(121,841)</u>	<u>(6,466)</u>
Net Cash Provided by Operating Activities	<u>592,185</u>	<u>190,596</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,203,990)	(958,178)
Proceeds from sales of investments	1,190,491	929,257
Purchases of property and equipment	(71,757)	(68,253)
Purchase of certificates of deposit	<u>(6,322)</u>	<u>(8,471)</u>
Net Cash Used in Investing Activities	<u>(91,578)</u>	<u>(105,645)</u>
Cash Flows from Financing Activities		
Payments of obligations under capital leases	<u>(34,490)</u>	<u>(31,917)</u>
Net Cash Used in Financing Activities	<u>(34,490)</u>	<u>(31,917)</u>
Net Increase in Cash and Cash Equivalents	466,117	53,034
Cash and Cash Equivalents, Beginning of Year	<u>3,329,039</u>	<u>3,276,005</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,795,156</u>	<u>\$ 3,329,039</u>
Supplemental Disclosures		
Capital lease obligations incurred in acquisition of equipment	<u>\$ 107,411</u>	<u>\$ 7,800</u>
Forgiveness of capital lease obligations	<u>\$ 43,162</u>	<u>\$ --</u>
Cash paid during the year for interest	<u>\$ 6,738</u>	<u>\$ 8,455</u>

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

DARE FAMILY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

	2014						Total Expenses	
	Program Services			Supporting Services				
	Residential	Counseling	Mentor Services	Total Program Services	Management and General	Fundraising	2014	2013
Salaries	\$ 1,685,969	\$ 351,978	\$ 4,133,320	\$ 6,171,267	\$ 1,482,473	\$ 27,688	\$ 7,681,428	\$ 8,044,895
Payroll taxes and fringe benefits	643,565	134,357	1,577,764	2,355,686	565,887	10,569	2,932,142	2,414,567
Outside services	40,476	33,376	100,803	174,655	114,530	--	289,185	307,060
Advertising	1,722	712	19,071	21,505	--	--	21,505	26,419
Clothing/birthday supplements	8,483	--	487,780	496,263	--	--	496,263	468,127
Depreciation and amortization	60,608	4,780	56,060	121,448	23,398	975	145,821	137,990
Dues and subscriptions	339	--	596	935	7,430	455	8,820	10,139
Equipment rental	217	662	3,936	4,815	1,442	60	6,317	9,308
Mentor payments	470	--	9,473,981	9,474,451	--	--	9,474,451	8,761,771
Food	96,769	--	1,761	98,530	3,503	2	102,035	87,932
Insurance	42,602	4,489	41,420	88,511	34,228	308	123,047	115,774
Interest	323	405	2,174	2,902	3,685	151	6,738	8,455
Legal and accounting	200	--	--	200	209,459	--	209,659	91,523
Noncapital equipment and furnishings	1,448	12	285	1,745	--	--	1,745	5,497
Rent	114,784	62,584	551,030	728,398	--	3,776	732,174	743,356
Office supplies/expenses	7,839	2,578	45,830	56,247	20,260	675	77,182	76,734
Postage	1,733	1,460	17,625	20,818	14,704	171	35,693	33,330
Printing	1,042	600	7,036	8,678	4,394	108	13,180	16,117
Recreation and youth expenses	6,629	9,943	153,562	170,134	--	--	170,134	300,256
Repairs and maintenance	42,059	3,787	34,389	80,235	7,804	270	88,309	90,978
Staff training	5,469	174	20,548	26,191	5,441	--	31,632	15,327
Supplies	21,840	46	1,014	22,900	--	--	22,900	19,427
Telephone	17,929	7,928	84,651	110,508	16,527	479	127,514	127,009
Travel and transportation	12,631	23,959	225,948	262,538	22,267	--	284,805	294,080
Utilities	64,241	2,044	21,471	87,756	6,053	252	94,061	93,168
Vehicle leasing and other expense	17,456	--	--	17,456	--	--	17,456	26,959
Miscellaneous	605	--	2,121	2,726	2,039	--	4,765	3,093
Property and excise taxes	2,041	--	--	2,041	--	--	2,041	439
Total Expenses	\$ 2,899,489	\$ 645,874	\$ 17,064,176	\$ 20,609,539	\$ 2,545,524	\$ 45,939	\$ 23,201,002	\$ 22,329,730

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

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 1 - NATURE OF THE ORGANIZATION

Dare Family Services, Inc. (the "Agency") is a Massachusetts not-for-profit corporation organized in 1964 under Chapter 180 of the General Laws of the Commonwealth of Massachusetts. The Agency provides 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. The Agency is exempt from federal and state income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions to the Service within the Internal Revenue Code regulations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Agency have been prepared in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are expensed 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, 2013, 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.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION

Under FASB ASC 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*, the Agency is required to report information regarding its financial position and activities according to three classes of assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

To ensure observance of the limitations and restrictions that may be placed on the use of resources available to the Agency, its accounts are maintained in the following net asset categories:

Unrestricted net assets:

Unrestricted net assets represent those assets either not subject to donor-imposed restrictions or releases from temporarily restricted net assets designated for stipulated activities or programs, which are expended within the same reporting period.

The Agency further subdivides this classification into a) Board-designated net assets, which have been designated by Board action for specific purposes; and b) other unrestricted net assets.

Restricted gains and investment income whose restrictions are met in the same reporting period are classified as unrestricted.

Temporarily restricted net assets:

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations.

Permanently restricted net assets:

Permanently restricted net assets are those assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, donors of these assets allow for the use of all or part of the income earned on related investments for general or specific purposes. The Agency did not have any permanently restricted net assets at June 30, 2014 or 2013.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Agency reports unrestricted grants and contributions as unrestricted revenue and net assets when received or unconditionally promised. Grants and contributions are reported as temporarily restricted support if they are received or unconditionally promised with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted.

REVENUE AND EXPENSE RECOGNITION

The Agency utilizes the accrual method of accounting whereby revenue is recorded when services are provided and expense are recorded when incurred. The majority of the Agency's clients are supported by agencies of the Commonwealth of Massachusetts. Therefore, the Agency is subject to the regulations and rate of formulas of the Massachusetts Operational Services Division (OSD). Revenue is recorded at the Agency's rates of reimbursement as certified by OSD.

CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. 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 recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk 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 is 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. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the service received, subject to certain criteria.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and 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.

CERTIFICATES OF DEPOSIT

Certificates of deposit are carried at cost, which approximates fair value.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are carried at the amount management expects to collect from outstanding balances at year-end. When necessary, management provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and historical experience. Accounts that are unpaid after management has made reasonable collection efforts are written off by a charge to the valuation allowance and a credit to accounts receivable. For both of the years ended June 30, 2014 and 2013, the valuation allowance was \$1,400.

RESTRICTED CASH AND CASH EQUIVALENTS

The Agency had restricted cash and cash equivalents amounting to \$151,815 and \$80,959, at June 30, 2014 and 2013, respectively. Restricted cash and cash equivalents is composed of government agency contract overpayments. These funds are required to be returned to those government agencies.

INVESTMENTS

The Agency carries its investments at their fair values in the Statement of Financial Position. Fair value is defined as 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. Investment income or losses (including realized and unrealized gains and losses on investments, interest and dividends) are reported on the accrual basis and are included in the change in net assets in the accompanying Statement of Activities. Investments donated to the Organization are recorded at fair value on the date they are contributed as contribution revenue.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, using estimated useful lives ranging from three to thirty-three years. 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.

At various times, government agencies provide the Agency with grants to purchase furniture and equipment, and can retain a reversionary interest in those assets. Title to such furniture and equipment does not pass to the Agency and must be returned to the grantor upon request.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Agency's various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING COSTS

The Agency expenses advertising costs as incurred. Advertising expenses were \$21,505 and \$26,419 for the years ended June 30, 2014 and 2013, respectively.

INCOME TAX STATUS

The Agency is recognized as an organization exempt from Federal income taxes 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. In addition, the Agency qualifies for the charitable income tax deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a) of the Code.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS (CONTINUED)

The Agency recognizes and measures its unrecognized tax positions in accordance with FASB ASC 740-10, *Accounting for Uncertainties in Income Taxes*. Under that guidance, the Agency assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. The Agency has not identified any uncertain tax positions at June 30, 2014 or 2013. Interest and penalties associated with unrecognized income tax positions, if identified, would be classified as additional income taxes in the Statement of Activities. The Agency's tax returns are subject to examination by various taxing authorities; however, there are currently no examinations in progress or pending. The Agency's tax returns are generally no longer subject to examination by taxing authorities for years before 2010.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 14, 2014, which is the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 3 - CERTIFICATES OF DEPOSIT

The Agency holds certificates of deposit totaling \$1,580,201 which mature at various dates through July, 2014 and bear interest rates ranging between .3% and .5% at June 30, 2014. The Agency held certificates of deposits totaling \$1,573,879 as of June 30, 2013. There were no sales of certificates of deposits during either of the years ended June 30, 2014 or 2013.

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DARE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)**

NOTE 4 - INVESTMENTS DESIGNATED FOR ENDOWMENT

The Agency's investments designated for endowment, stated at fair value consist of the following:

	Cost	Fair Value	Unrealized Appreciation
	June 30, 2014		
Money market funds	\$ 11,184	\$ 11,184	\$ --
Mutual funds	707,572	726,537	18,965
Equity securities	669,629	1,149,526	479,897
Exchange traded funds	76,038	94,325	18,287
	<u>\$ 1,464,423</u>	<u>\$ 1,981,572</u>	<u>\$ 517,149</u>

	Cost	Fair Value	Unrealized Appreciation
	June 30, 2013		
Money market funds	\$ 21,156	\$ 21,156	\$ --
Mutual funds	673,382	676,982	3,600
Equity securities	645,773	955,416	309,643
Exchange traded funds	73,350	78,531	5,181
	<u>\$ 1,413,661</u>	<u>\$ 1,732,085</u>	<u>\$ 318,424</u>

Increase in unrealized appreciation, net \$ 198,725

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 Statement of Financial Position and Statement of Activities.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 4 - 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, 2014:

Operating Funds:	
Interest and dividend income	\$ 6,706
Board Designated Funds:	
Interest and dividend income	32,593
Realized gain on sale of investments, net	37,263
Unrealized depreciation on investments, net	198,725
Investment management fees	<u>(19,094)</u>
	<u>249,487</u>
Total unrestricted investment return	<u>\$ 256,193</u>

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2014	2013
Land	\$ 237,060	\$ 237,060
Buildings	433,940	433,940
Building improvements	581,735	585,746
Leasehold improvements	162,645	163,845
Furniture and equipment	<u>905,923</u>	<u>974,637</u>
	2,321,303	2,395,228
Less accumulated depreciation and amortization	<u>(1,506,269)</u>	<u>(1,564,804)</u>
	<u>\$ 815,034</u>	<u>\$ 830,424</u>

At June 30, 2014, 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 \$145,821 and \$137,990 for the years ended June 30, 2014 and 2013, respectively.

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DARE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)**

NOTE 6 – CAPITAL ADVANCES

Capital advances represents 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 is not transferred within fifteen years of project completion. Accordingly, the amounts have been recorded as repayable capital advances. If the Agency were to mortgage, sell, or transfer beneficial interest or title any time during the 15 year advance period, 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.

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES

The Agency is obligated, under various capital lease agreements, for office equipment, which require monthly payments totaling \$3,246 through April 2018, at various interest rates. Depreciation of equipment under capital leases is included in depreciation expense. The Agency's office equipment at June 30, 2014, includes the following amounts for outstanding lease obligations that have been capitalized:

Office equipment	\$ 156,075
Accumulated amortization	<u>(73,610)</u>
	<u>\$ 82,465</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, 2014:

<u>Year ending June 30</u>	
2015	\$ 37,447
2016	34,893
2017	29,910
2018	<u>24,758</u>
Total minimum lease payments	127,008
Less amount representing interest	<u>(18,391)</u>
Present value of net minimum lease payments	<u>\$ 108,617</u>

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DARE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 8 - 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% (3.25% at June 30, 2014 or 3.75%). There was no outstanding balance on the note at either June 30, 2014 or 2013. The note is secured by all business assets of the Agency.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Agency employed several individuals that are family members of management staff of the Agency. Wages paid for these services to five individuals totaled approximately \$122,000 during the year ended June 30, 2014.

NOTE 10 - 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 November, 2018. 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, 2014:

Year ending June 30:	
2015	\$ 498,190
2016	443,516
2017	408,720
2018	303,862
2019	<u>52,005</u>
	<u>\$ 1,706,293</u>

Rent expense for building and office space charged to operations amounted to \$820,145 and \$831,333 for the years ended June 30, 2014 and 2013, respectively. Rent expense for vehicles and equipment charged to operations amounted to \$17,456 and \$26,959 for the years ended June 30, 2014 and 2013, respectively. Rent expense for the use of parking spaces charged to operations amounted to \$4,800 and \$4,750, for the years ended June 30, 2014 and 2013, respectively.

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DARE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 11 - RETIREMENT PLAN

The Agency has a defined contribution 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 \$422,000 and \$0 for the years ended June 30, 2014 and 2013, respectively.

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Agency maintains cash deposits at several banks located in the Greater Boston area. Deposits at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of June 30, 2014. At various times during the year, the Agency had balances at these banks in excess of the insured limit.

NOTE 13 - 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.

The Agency is the recipient of funds from various governmental sources which are subject to examination by the sources for expenditure allowability. Management believes the effect on the financial statements from any such examination would not be material.

NOTE 14 - BOARD DESIGNATED ENDOWMENT

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 segregated investment account. All earnings, gains and losses derived from the segregated investment account in the future are added to Board Designated Endowment Net Assets.

Since board designated endowment assets result from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets. 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.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 14 - BOARD DESIGNATED ENDOWMENT (CONTINUED)

The Board of Directors has interpreted Massachusetts Law Chapter 180A as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Agency classifies 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 would classify, upon receipt of donor restricted endowment funds, 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 factors 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 Agency 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

Endowment Net Asset Composition by Type of Fund as of June 30, 2014 and 2013:

	2014	2013
Board designated endowment funds	<u>\$ 1,981,572</u>	<u>\$ 1,732,085</u>

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
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NOTE 14 - BOARD DESIGNATED ENDOWMENT (CONTINUED)

Changes in Board Designated Endowment Net Assets for Years ended June 30, 2014 and 2013:

	Unrestricted	
	2014	2013
Endowment net assets, beginning of year	\$ 1,732,085	\$ 1,598,855
Net gain on investments	249,487	133,230
Endowment net assets, end of year	\$ 1,981,572	\$ 1,732,085

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 principal one being the Standard & Poor's 500. Actual returns in any given year may vary from this amount.

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 Agency'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 the Agency's needs and market conditions as determined by the Agency's Board of Directors.

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DARE FAMILY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)

NOTE 15 - FAIR VALUE MEASUREMENTS

The Agency has established a framework for measuring fair value, based on a fair value hierarchy contained in Accounting Standards Codification (ASC) 820 that is intended to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy maximizes the use of observable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

FAIR VALUE HIERARCHY

In accordance with this guidance, the Agency groups its financial assets and financial liabilities in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value:

- Level 1** Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2** Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Money market funds: Money market funds are valued at amortized cost, which approximates fair value. Therefore, these securities have been classified as Level 1 assets.

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DARE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE AMOUNTS FOR 2013)**

NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

Mutual funds and equity securities: The fair value of mutual fund and equity securities is based on quoted market prices in an active exchange market. Therefore, these securities have been classified as Level 1 assets.

There were no liabilities measured at fair value on a recurring basis at June 30, 2014 or 2013. There were no transfers to or from Levels 1, 2 and 3 during the years ended June 30, 2014 and 2013.

Fair values of financial instruments measured on a recurring basis at June 30, 2014 and 2013, are as follows:

June 30, 2014	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 11,184	\$ --	\$ --	\$ 11,184
Mutual funds:				
Fixed income	573,740	--	--	573,740
Equities	<u>152,797</u>	<u>--</u>	<u>--</u>	<u>152,797</u>
	726,537	--	--	726,537
Equity securities:				
Materials	25,456	--	--	25,456
Consumer discretionary	166,338	--	--	166,338
Consumer staples	109,836	--	--	109,836
Healthcare	199,833	--	--	199,833
Energy	145,857	--	--	145,857
Financials	113,629	--	--	113,629
Industrials	158,798	--	--	158,798
Information technology	<u>229,779</u>	<u>--</u>	<u>--</u>	<u>229,779</u>
	1,149,526			1,149,526
Exchange traded funds	<u>94,325</u>	<u>--</u>	<u>--</u>	<u>94,325</u>
	<u>\$ 1,981,572</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,981,572</u>

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DARE FAMILY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014
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NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

June 30, 2013	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 21,156	\$ --	\$ --	\$ 21,156
Mutual funds:				
Fixed income	624,794	--	--	624,794
Equities	<u>52,188</u>	<u>--</u>	<u>--</u>	<u>52,188</u>
	676,982	--	--	676,982
Equity securities:				
Materials	20,421	--	--	20,421
Consumer discretionary	152,659	--	--	152,659
Consumer staples	107,572	--	--	107,572
Healthcare	136,476	--	--	136,476
Energy	120,381	--	--	120,381
Financials	117,643	--	--	117,643
Industrials	131,466	--	--	131,466
Information technology	<u>168,798</u>	<u>--</u>	<u>--</u>	<u>168,798</u>
	955,416	--	--	955,416
Exchange traded funds	<u>78,531</u>	<u>--</u>	<u>--</u>	<u>78,531</u>
	<u>\$ 1,732,085</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,732,085</u>