

**DARE FAMILY SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(WITH COMPARATIVE TOTALS FOR 2014)**

# DARE FAMILY SERVICES, INC.

## CONTENTS

---

<b>Independent Auditors' Report</b> .....	1-2
---	-----

### **Financial Statements**

Statement of Financial Position .....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Cash Flows .....	5
Statement of Functional Expenses .....	6

<b>Notes to Financial Statements</b> .....	7-22
--	------



## 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, 2015, and the related statements of activities and changes in net assets, 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.

***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, 2015, 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Boston, MA  
November 16, 2015

# DARE FAMILY SERVICES, INC.

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(WITH COMPARATIVE AMOUNTS FOR 2014)

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 4,572,049	\$ 3,771,265
Cash - client funds	<u>24,406</u>	<u>23,891</u>
<b>Total Cash and Cash Equivalents</b>	4,596,455	3,795,156
Certificates of deposit	1,586,194	1,580,201
Accounts receivable - less allowance for doubtful accounts of \$1,400 in both years	1,815,083	1,967,404
Prepaid expenses and deposits	124,848	121,382
Restricted cash and cash equivalents	188,842	151,815
Investments designated for endowment	2,109,725	1,981,572
Property and equipment, net	<u>838,906</u>	<u>815,034</u>
<b>Total Assets</b>	<u>\$ 11,260,053</u>	<u>\$ 10,412,564</u>
<b>Liabilities</b>		
Accounts payable	\$ 245,725	\$ 218,897
Accounts payable - client funds held	24,406	23,891
Capital advances	92,525	92,525
Accrued expenses	1,326,796	944,538
Obligations under capital leases	<u>108,895</u>	<u>108,617</u>
<b>Total Liabilities</b>	<u>1,798,347</u>	<u>1,388,468</u>
<b>Net Assets</b>		
Unrestricted net assets:		
Operations	6,714,495	6,428,632
Property and equipment	637,486	613,892
Board designated endowment fund	<u>2,109,725</u>	<u>1,981,572</u>
<b>Total Net Assets</b>	<u>9,461,706</u>	<u>9,024,096</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 11,260,053</u>	<u>\$ 10,412,564</u>

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

# DARE FAMILY SERVICES, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE AMOUNTS FOR 2014)**

	2015			
	Unrestricted Net Assets			
	Programs	Board Designated Endowment Fund	Total 2015	2014
<b>Support and Revenue</b>				
Department of Children & Families	\$ 18,229,235	\$ --	\$ 18,229,235	\$ 17,703,005
Department of Developmental Services	3,675,388	--	3,675,388	3,321,382
Department of Mental Health	--	--	--	36,040
Executive Office of Human Services	1,622	--	1,622	17,781
Client contributions	316,707	--	316,707	318,142
Private service fees	9,760	--	9,760	10,216
Other state income	2,233,124	--	2,233,124	2,164,315
Contributions	45,613	--	45,613	92,229
Investment return	6,289	128,153	134,442	256,193
	<u>24,517,738</u>	<u>128,153</u>	<u>24,645,891</u>	<u>23,919,303</u>
Gain (loss) on disposal of assets	118	--	118	(5,575)
Other	898	--	898	1,300
	<u>1,016</u>	<u>--</u>	<u>1,016</u>	<u>(4,275)</u>
<b>Total Support and Revenue</b>	<u>24,518,754</u>	<u>128,153</u>	<u>24,646,907</u>	<u>23,915,028</u>
<b>Expenses</b>				
Program services:				
Residential services	3,164,765	--	3,164,765	2,899,489
Counseling services	756,962	--	756,962	645,874
Mentor services	17,778,926	--	17,778,926	17,064,176
Total program services	<u>21,700,653</u>	<u>--</u>	<u>21,700,653</u>	<u>20,609,539</u>
Supporting services:				
General and administrative	2,495,125	--	2,495,125	2,545,524
Fundraising	13,519	--	13,519	45,939
Total supporting services	<u>2,508,644</u>	<u>--</u>	<u>2,508,644</u>	<u>2,591,463</u>
<b>Total Expenses</b>	<u>24,209,297</u>	<u>--</u>	<u>24,209,297</u>	<u>23,201,002</u>
<b>Change in Net Assets</b>	309,457	128,153	437,610	714,026
<b>Net Assets, Beginning of Year</b>	<u>7,042,524</u>	<u>1,981,572</u>	<u>9,024,096</u>	<u>8,310,070</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,351,981</u>	<u>\$ 2,109,725</u>	<u>\$ 9,461,706</u>	<u>\$ 9,024,096</u>

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

# DARE FAMILY SERVICES, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE AMOUNTS FOR 2014)

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 437,610	\$ 714,026
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	136,626	145,821
Unrealized appreciation on investments	(44,033)	(198,725)
Realized gain on sales of investments, net	(46,292)	(37,263)
(Gain) loss on disposal of equipment	(118)	5,575
Decrease (increase) in:		
Accounts receivable	152,321	(38,946)
Prepaid expenses and deposits	(3,466)	1,902
Restricted cash and cash equivalents	(37,027)	(70,856)
Increase (decrease) in:		
Accounts payable	26,828	4,628
Accounts payable - client funds held	515	(1,941)
Deferred revenue	--	(8,219)
Accrued expenses	382,258	76,183
Total adjustments	<u>567,612</u>	<u>(121,841)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,005,222</u>	<u>592,185</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(706,489)	(1,203,990)
Proceeds from sales of investments	668,661	1,190,491
Purchases of property and equipment	(123,795)	(71,757)
Proceeds from sales of property and equipment	172	--
Purchase of certificates of deposit	(5,993)	(6,322)
<b>Net Cash Used in Investing Activities</b>	<u>(167,444)</u>	<u>(91,578)</u>
<b>Cash Flows from Financing Activities</b>		
Payments of obligations under capital leases	(36,479)	(34,490)
<b>Net Cash Used in Financing Activities</b>	<u>(36,479)</u>	<u>(34,490)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	801,299	466,117
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,795,156</u>	<u>3,329,039</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,596,455</u>	<u>\$ 3,795,156</u>
<b>Supplemental Disclosures</b>		
Capital lease obligations incurred in acquisition of equipment	<u>\$ 36,757</u>	<u>\$ 107,411</u>
Forgiveness of capital lease obligations	<u>\$ --</u>	<u>\$ 43,162</u>
Cash paid during the year for interest	<u>\$ 9,425</u>	<u>\$ 6,738</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, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

	2015						Total Expenses	
	Program Services			Supporting Services				
	Residential	Counseling	Mentor Services	Total Program Services	Management and General	Fundraising	2015	2014
Mentor payments	\$ --	\$ --	\$ 9,767,533	\$ 9,767,533	\$ --	\$ --	\$ 9,767,533	\$ 9,474,451
Salaries	1,768,822	436,998	4,576,190	6,782,010	1,479,232	4,181	8,265,423	7,681,428
Payroll taxes and fringe benefits	607,451	150,074	1,571,560	2,329,085	507,999	1,436	2,838,520	2,932,142
Rent	111,923	62,859	579,533	754,315	--	641	754,956	732,174
Outside services	225,347	38,723	61,296	325,366	115,265	6,000	446,631	289,185
Clothing/birthday supplements	7,613	--	436,728	444,341	--	--	444,341	496,263
Travel and transportation	10,765	23,742	215,238	249,745	25,865	3	275,613	284,805
Recreation and youth expenses	11,476	10,358	193,848	215,682	--	--	215,682	170,134
Legal and accounting	--	--	--	--	193,036	--	193,036	209,659
Telephone	16,809	10,457	91,287	118,553	19,223	175	137,951	127,514
Depreciation and amortization	62,498	5,534	48,023	116,055	20,365	206	136,626	145,821
Insurance	52,641	3,808	43,344	99,793	35,023	34	134,850	123,047
Food	102,672	--	3,938	106,610	3,725	--	110,335	102,035
Utilities	71,731	2,184	21,164	95,079	5,773	55	100,907	94,061
Office supplies/expenses	10,128	2,959	48,113	61,200	26,360	183	87,743	77,182
Repairs and maintenance	42,986	3,358	33,865	80,209	6,686	57	86,952	88,309
Staff training	5,321	2,439	37,685	45,445	23,896	40	69,381	31,632
Postage	1,615	1,764	20,650	24,029	12,913	100	37,042	35,693
Supplies	28,881	109	756	29,746	--	--	29,746	22,900
Vehicle leasing and other expense	17,489	--	--	17,489	--	--	17,489	17,456
Advertising	836	141	14,502	15,479	--	--	15,479	21,505
Dues and subscriptions	1,073	--	295	1,368	8,369	330	10,067	8,820
Interest	1,076	453	4,156	5,685	3,702	38	9,425	6,738
Printing	802	320	3,451	4,573	4,055	20	8,648	13,180
Equipment rental	64	669	2,686	3,419	1,948	20	5,387	6,317
Miscellaneous	623	3	2,487	3,113	1,690	--	4,803	4,765
Noncapital equipment and furnishings	3,422	10	598	4,030	--	--	4,030	1,745
Property and excise taxes	701	--	--	701	--	--	701	2,041
<b>Total Expenses</b>	<b>\$ 3,164,765</b>	<b>\$ 756,962</b>	<b>\$ 17,778,926</b>	<b>\$ 21,700,653</b>	<b>\$ 2,495,125</b>	<b>\$ 13,519</b>	<b>\$ 24,209,297</b>	<b>\$ 23,201,002</b>

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



# **DARE FAMILY SERVICES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)**

---

#### **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 Agency 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 accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of the timing of the cash flows.

##### ***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, 2014, from which the summarized information was derived.

##### ***USE OF ESTIMATES***

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

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *FINANCIAL STATEMENT PRESENTATION*

The Agency has presented its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under this guidance, 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.

##### 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. The Agency did not have any temporarily restricted net assets at June 30, 2015 or 2014.

##### 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, 2015 or 2014.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### 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 expenses 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 and changes in net assets 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.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *CASH AND CASH EQUIVALENTS*

For purposes of the statement of cash flows, 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. 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 collection experience, and other circumstances that may affect the ability of others to meet their obligations. 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, 2015 and 2014, the valuation allowance was \$1,400.

##### *RESTRICTED CASH AND CASH EQUIVALENTS*

The Agency had restricted cash and cash equivalents amounting to \$188,842 and \$151,815, at June 30, 2015 and 2014, respectively. Restricted cash and cash equivalents is composed of government agency contract overpayments. These funds are required to be returned to those government agencies and are included in accounts payable in the statement of financial position.

##### *INVESTMENT VALUATION AND INCOME RECOGNITION*

The Agency's investments in marketable securities are reported at fair value in the statement of financial position, with realized and unrealized gains and losses included in investment return in the statement of activities and changes in net assets. 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses included in investment return represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment income and gains or losses restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains or losses are recognized.

#### *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. Property and equipment, net of 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 \$500. Those items which are not capital expenditures are expensed.

Maintenance and repairs are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included in the statement of activities and changes in net assets.

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.

#### *IMPAIRMENT OF LONG-LIVED ASSETS*

Long-lived assets to be held and used by the Agency are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value of the asset is measured using either available market prices or estimated cash flows. There were no impairment charges taken during the years ended June 30, 2015 and 2014.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *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 and Changes in Net Assets. 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 \$15,479 and \$21,505 for the years ended June 30, 2015 and 2014, 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.

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, 2015 or 2014. Interest and penalties associated with unrecognized income tax positions, if identified, would be classified as additional income taxes in the Statement of Activities and Changes in Net Assets. The Agency's tax returns are subject to examination by various taxing authorities; however, there are currently no examinations in progress or pending.

##### *SUBSEQUENT EVENTS*

Subsequent events have been evaluated through November 16, 2015, which is the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

#### NOTE 3 - CERTIFICATES OF DEPOSIT

The Agency holds certificates of deposit totaling \$1,586,194, which mature at various dates through July, 2015 and bear interest rates ranging between .3% and .5% at June 30, 2015. The Agency held certificates of deposits totaling \$1,580,201 as of June 30, 2014. There were no sales of certificates of deposits during either of the years ended June 30, 2015 or 2014.

#### 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, 2015		
Money market funds	\$ 29,244	\$ 29,244	\$ --
Government agency securities	339,878	339,918	40
Mutual funds	340,267	349,235	8,968
Equity securities	712,246	1,255,676	543,430
Exchange traded funds	126,908	135,652	8,744
	\$ 1,548,543	\$ 2,109,725	\$ 561,182
	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
	\$ 1,464,423	\$ 1,981,572	\$ 517,149
Increase in unrealized appreciation, net			\$ 44,033

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.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 4 - INVESTMENTS DESIGNATED FOR ENDOWMENT (CONTINUED)

The following schedule summarizes the unrestricted investment return and its classification in the statement of activities and changes in net assets for the year ended June 30, 2015:

Operating Funds:		
Interest and dividend income	\$	6,289
Board Designated Funds:		
Interest and dividend income		51,630
Realized gain on sale of investments, net		46,292
Unrealized depreciation on investments, net		44,033
Investment management fees		<u>(13,802)</u>
		<u>128,153</u>
Total investment return	\$	<u>134,442</u>

#### NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2015	2014
Land	\$ 237,060	\$ 237,060
Buildings	433,940	433,940
Building improvements	655,721	581,735
Leasehold improvements	171,027	162,645
Furniture and equipment	<u>963,001</u>	<u>905,923</u>
	2,460,749	2,321,303
Less accumulated depreciation and amortization	<u>(1,621,843)</u>	<u>(1,506,269)</u>
	<u>\$ 838,906</u>	<u>\$ 815,034</u>

At June 30, 2015 and 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.

Depreciation and amortization expense charged to operations amounted to \$136,626 and \$145,821 for the years ended June 30, 2015 and 2014, respectively.



# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE AMOUNTS FOR 2014)

---

### 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. These capital advances 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 \$3,848 through July 2018, at various interest rates. Depreciation of equipment under capital leases is included in depreciation expense. The Agency's office equipment at June 30, 2015, includes the following amounts for outstanding lease obligations that have been capitalized:

Office equipment	\$	175,305
Accumulated amortization		<u>(94,016)</u>
Net	\$	<u>81,289</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, 2015:

<u>Year ending June 30</u>	
2016	\$ 45,659
2017	41,189
2018	35,007
2019	<u>369</u>
Total minimum lease payments	122,224
Less amount representing interest	<u>(13,329)</u>
Present value of net minimum lease payments	<u>\$ 108,895</u>

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### 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, 2015 or 3.75%). There was no outstanding balance on the note at either June 30, 2015 or 2014. 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 four individuals totaled approximately \$62,000 during the year ended June 30, 2015. Wages paid for 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, 2015:

Year ending June 30:	
2016	\$ 443,516
2017	408,720
2018	303,862
2019	<u>52,005</u>
	<u>\$ 1,208,103</u>

Rent expense for building and office space charged to operations amounted to \$846,063 and \$820,145 for the years ended June 30, 2015 and 2014, respectively. Rent expense for vehicles and equipment charged to operations amounted to \$17,489 and \$17,456 for the years ended June 30, 2015 and 2014, respectively. Rent expense for the use of parking spaces charged to operations amounted to \$4,800 for both the years ended June 30, 2015 and 2014.

# **DARE FAMILY SERVICES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)**

---

#### **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 \$400,000 and \$422,000 for the years ended June 30, 2015 and 2014, 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, 2015. 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 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 accounting principles generally accepted in the United States of America, 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 THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### 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 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Board designated endowment funds	\$ <u>2,109,725</u>	\$ <u>1,981,572</u>

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 14 - BOARD DESIGNATED ENDOWMENT (CONTINUED)

##### Changes in Board Designated Endowment Net Assets for Years ended June 30, 2015 and 2014:

	Unrestricted	
	2015	2014
Endowment net assets, beginning of year	\$ 1,981,572	\$ 1,732,085
Net gain on investments	<u>128,153</u>	<u>249,487</u>
Endowment net assets, end of year	<u>\$ 2,109,725</u>	<u>\$ 1,981,572</u>

#### ***RETURN OBJECTIVES AND RISK PARAMETERS***

Endowment assets include those assets of board-designated funds that the Agency holds for a board-specified period. 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 Management, Inc. 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 semi-annually with representatives from Northeast Investment Management, Inc. 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.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

---

#### NOTE 15 - FAIR VALUE MEASUREMENTS

The Agency uses a fair value hierarchy established by accounting principles generally accepted in the United States of America that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- 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.

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, 2015 and 2014.

**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.

**Government agency securities (U.S. Treasury Bills):** The fair value of U.S. Treasury Bills is based on the auction purchase price of the security, which approximates market.

**Mutual funds, equity securities and exchange-traded funds:** The fair value of mutual funds, equity securities and exchange-traded funds 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, 2015 or 2014. There were no transfers to or from Levels 1, 2 and 3 during the years ended June 30, 2015 and 2014.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

#### NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of financial instruments measured on a recurring basis at June 30, 2015 and 2014, are as follows:

June 30, 2015	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 29,244	\$ --	\$ --	\$ 29,244
Government agency securities:				
U.S. Treasury Bills	339,918	--	--	339,918
Mutual funds:				
Fixed income	175,474	--	--	175,474
Equities	173,761	--	--	173,761
	<u>349,235</u>	--	--	349,235
Equity securities:				
Materials	24,877	--	--	24,877
Consumer discretionary	145,154	--	--	145,154
Consumer staples	160,137	--	--	160,137
Healthcare	277,435	--	--	277,435
Energy	85,193	--	--	85,193
Financials	150,224	--	--	150,224
Industrials	136,821	--	--	136,821
Information technology	275,835	--	--	275,835
	<u>1,255,676</u>			1,255,676
Exchange-traded funds	<u>135,652</u>	--	--	<u>135,652</u>
	<u>\$ 2,109,725</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,109,725</u>

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE AMOUNTS FOR 2014)

#### NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

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>