

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

WITH

INDEPENDENT AUDITORS' REPORT

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family and Children's Service of Greater Lynn, Inc.
Lynn, Massachusetts

We have audited the accompanying statement of financial position of **Family and Children's Service of Greater Lynn, Inc.** (the Agency) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's 2008 financial statements, and in our report dated April 27, 2009 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 financial statements referred to above present fairly, in all material respects, the financial position of **Family and Children's Service of Greater Lynn, Inc.** as of December 31, 2009, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

CCR LLP

Boston, Massachusetts
April 16, 2010

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Statement of Financial Position
December 31, 2009
(With Comparative Totals For December 31, 2008)

	Assets	
	2009	2008
Assets		
Cash and cash equivalents	\$ 312,470	\$ 420,036
Accounts receivable	81,764	85,926
Prepaid expenses	6,241	6,417
Investments	3,398,424	2,926,162
Funds held in trust by others	2,284,903	1,833,816
Property and equipment, net	84,555	101,865
Cash surrender value of life insurance	44,727	43,322
Total assets	<u>\$ 6,213,084</u>	<u>\$ 5,417,544</u>
	Liabilities and Net Assets	
Liabilities	<u>\$ 83,131</u>	<u>\$ 132,804</u>
Net assets		
Unrestricted	435,529	486,694
Temporarily restricted	2,659,682	2,214,391
Permanently restricted	3,034,742	2,583,655
Total net assets	<u>6,129,953</u>	<u>5,284,740</u>
Total liabilities and net assets	<u>\$ 6,213,084</u>	<u>\$ 5,417,544</u>

See independent auditors' report and notes to financial statements

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2009
(With Comparative Totals For December 31, 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating support and revenue					
Contributions	\$ 24,864	\$ 81,800	\$ -	\$ 106,664	\$ 134,583
United Way of Mass Bay	150,881	-	-	150,881	109,852
State contracts	409,408	-	-	409,408	200,543
City contracts	208,766	-	-	208,766	346,728
Program service fees	77,047	-	-	77,047	127,507
Interest and dividends	102,856	94,216	-	197,072	222,202
Net assets released from restrictions	164,588	(164,588)	-	-	-
Total operating support and revenue	1,138,410	11,428	-	1,149,838	1,141,415
Operating expenses					
Program services					
Early childhood	268,275	-	-	268,275	275,103
Youth development	368,864	-	-	368,864	196,443
Elderly services	235,650	-	-	235,650	232,832
Family counseling	106,862	-	-	106,862	248,339
	979,651	-	-	979,651	952,717
Supporting services					
Fundraising	72,444	-	-	72,444	107,070
Administrative	137,480	-	-	137,480	160,455
	209,924	-	-	209,924	267,525
Total operating expenses	1,189,575	-	-	1,189,575	1,220,242
Change in net assets from operations	(51,165)	11,428	-	(39,737)	(78,826)
Non-operating changes					
Net unrealized/realized gain (loss) on investments	-	433,863	451,087	884,950	(1,913,287)
Total non-operating changes	-	433,863	451,087	884,950	(1,913,287)
Change in net assets	(51,165)	445,291	451,087	845,213	(1,992,113)
Net assets - beginning of year	486,694	2,214,391	2,583,655	5,284,740	7,276,853
Net assets - end of year	\$ 435,529	\$ 2,659,682	\$ 3,034,742	\$ 6,129,953	\$ 5,284,740

See independent auditor's report and notes to financial statements

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Statement of Functional Expenses
For the Year ended December 31, 2009
(With Comparative Totals For December 31, 2008)

	2009						2008 Total	
	Early Childhood	Youth Development	Elderly Services	Family Counseling	Fundraising	Admin		Total
Employee compensation:								
Salaries	\$ 155,348	\$ 217,563	\$ 154,949	\$ 57,060	\$ 48,000	\$ 37,542	\$ 670,462	\$ 706,543
Employee benefits	41,945	58,742	41,836	15,407	12,960	12,457	183,347	192,130
Total employee compensation	<u>197,293</u>	<u>276,305</u>	<u>196,785</u>	<u>72,467</u>	<u>60,960</u>	<u>49,999</u>	<u>853,809</u>	<u>898,673</u>
Operating expenses:								
Direct program expenses	58,953	80,530	26,836	22,366	-	-	188,685	162,273
Operations and administrative	-	-	-	-	8,476	78,785	87,261	99,903
Occupancy expenses	8,225	8,225	8,225	8,225	2,057	5,845	40,802	38,340
Depreciation	3,804	3,804	3,804	3,804	951	2,851	19,018	21,053
Total operating expenses	<u>70,982</u>	<u>92,559</u>	<u>38,865</u>	<u>34,395</u>	<u>11,484</u>	<u>87,481</u>	<u>335,766</u>	<u>321,569</u>
Total functional expenses	<u>\$ 268,275</u>	<u>\$ 368,864</u>	<u>\$ 235,650</u>	<u>\$ 106,862</u>	<u>\$ 72,444</u>	<u>\$ 137,480</u>	<u>\$ 1,189,575</u>	<u>\$ 1,220,242</u>

See independent auditors' report and notes to financial statements

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Statement of Cash Flows
For the Year Ended December 31, 2009
(With Comparative Totals For December 31, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 845,213	\$ (1,992,113)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	19,018	21,053
Net unrealized/realized gain (loss) on investments	(884,950)	1,913,287
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	4,162	(26,888)
Prepaid expenses	176	(1,428)
Increase (decrease) in:		
Liabilities	<u>(49,673)</u>	<u>71,390</u>
Net cash used for operating activities	<u>(66,054)</u>	<u>(14,699)</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,275,096	1,537,876
Purchases of investments	(1,313,495)	(1,579,651)
Purchases of property and equipment	(1,708)	(12,160)
Increase in cash surrender value of life insurance	<u>(1,405)</u>	<u>(1,493)</u>
Net cash used for investing activities	<u>(41,512)</u>	<u>(55,428)</u>
Net decrease in cash and cash equivalents	(107,566)	(70,127)
Cash and cash equivalents - beginning	<u>420,036</u>	<u>490,163</u>
Cash and cash equivalents - ending	<u><u>\$ 312,470</u></u>	<u><u>\$ 420,036</u></u>

See independent auditors' report and notes to financial statements

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

1. Nature of Operation

Family and Children's Service of Greater Lynn, Inc. (the Agency) is a non-profit Organization that provides social services for families, children and the elderly in and around Lynn, Massachusetts.

2. Summary of Significant Accounting Policies

Accounting Standards Codification

Effective July 1, 2009 the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) became the single official source of authoritative, nongovernmental U.S. GAAP. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP. The Company's accounting policies were not affected by the conversion to ASC. However, references to specific accounting standards in the notes have been changed to refer to the appropriate ASC topics in certain instances or otherwise omitted.

Financial Statement Presentation

The Agency's financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recorded as they are earned or incurred.

In accordance with ASC 958, *Financial Statements of Not-for-Profit Organizations*, the Agency reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not restricted by donors. This may include net assets whose use is limited by internally imposed restrictions.

Temporarily Restricted Net Assets – Net assets whose use has been limited by donors to later periods of time, after specific dates, after fulfillment of specific requirements or for specific purposes. Upon fulfillment of all donor limitations, temporarily restricted net assets are released from restriction.

Permanently Restricted Net Assets – Net assets which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the terms of the endowment.

Prior Year Summarized Information

The *financial* statements contain prior year 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 December 31, 2008 from which the summarized information was derived.

Continued --

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (Continued)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash Equivalents

The Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. In determining the allowance objective evidence that a single receivable is uncollectible as well as a historical pattern of collections of accounts receivable that indicate that the entire face amount of a portfolio of accounts receivable may not be collectible is considered at each balance sheet date. The Agency has not recorded an allowance for doubtful accounts at December 31, 2009.

Investments

ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. Effective January 1, 2008, the Agency adopted the disclosure requirements for financial assets and liabilities and effective January 1, 2009, the Agency adopted the disclosure requirements for nonfinancial assets and liabilities.

Property and Equipment

The Agency capitalizes expenditures for equipment and improvements to real estate that are \$2,000 or greater. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets.

Income Taxes

The Agency is a voluntary health and welfare non-profit organization and is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code.

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FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

Effective January 1, 2009 the Agency implemented the accounting requirements associated with uncertainty in income taxes using the provisions of ASC 740, *Income Taxes*. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2009, the Agency has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Functional Allocation of Expenses

The Agency allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Expenses that are common to several functions are allocated based on various statistical bases.

Endowment of Not-for-Profit Organizations

ASC 958, *Endowment of Not-for-Profit Organizations*, creates a framework for net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, and enhanced disclosures for all endowment funds, which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). It also establishes disclosure requirements for all nonprofit organizations regarding both donor-restricted and board-designated endowment funds. ASC 958 is effective for fiscal years ending after December 15, 2008. The Agency properly reclassifies donor-restricted endowments as permanently restricted net assets.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are unrestricted are reported as increases in unrestricted net assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction is met, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Program Service Fees

Program service fees are recognized as services are performed and cost are incurred under cost reimbursable contracts.

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

3. Investments

All investments are carried at fair value. Investments held at December 31, 2009 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
Equity investments:			
Common and Preferred	\$ 2,112,661	\$ 1,996,522	\$ 116,139
Bonds	<u>1,285,763</u>	<u>1,242,705</u>	<u>43,058</u>
Total investments	<u>\$ 3,398,424</u>	<u>\$ 3,239,227</u>	<u>\$ 159,197</u>

Fair Value Measurements

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, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The following summarizes the fair value hierarchy:

- Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant observable inputs are available, either directly or indirectly such as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 Prices or valuations that require inputs that are unobservable.

In certain cases the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Continued --

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

3. Investments (Continued)

Items Measured at Fair Value on a Recurring Basis

The Company's financial assets and liabilities that are reported at fair value in the accompanying balance sheet as of December 31, 2009 are as follows:

	Fair Value Measurements		
	Level 1	Level 2	Level 3
Stock	\$ 2,112,661	\$ -	\$ -
Bonds	<u>165,608</u>	<u>1,120,155</u>	<u>-</u>
	<u>\$ 2,278,269</u>	<u>\$ 1,120,155</u>	<u>\$ -</u>

4. Funds Held in Trust by Others

The Agency is a beneficiary of the Annie Wilson Trust, the George E. Barnard Trust, and the Henry H. Downing Trust, the assets of which are not in the possession of the management of the Agency. The Agency has legally enforceable rights or claims to such assets, including the right to income therefrom. However, the trust documents governing the distribution of income provide that should the Agency depart from its original exempt purposes, the trustees could remove the Agency as beneficiary of the trusts. These assets are shown as part of permanently restricted net assets as they are not expendable by the Agency. The Agency is a one-half beneficiary of the Annie Wilson Trust, a one-fourth beneficiary of the George E. Barnard Trust, and a one-fifth beneficiary of the Henry H. Downing Trust.

The historical cost and market value of funds held in trust by others at the respective percentages as of December 31, 2009 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Appreciation (Depreciation)</u>
George E. Barnard Trust	\$ 487,546	\$ 537,467	\$ (49,921)
Henry H. Downing Trust	96,282	40,651	55,631
Annie Wilson Trust	<u>1,701,075</u>	<u>1,788,728</u>	<u>(87,653)</u>
Total	<u>\$ 2,284,903</u>	<u>\$ 2,366,846</u>	<u>\$ (81,943)</u>

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

5. Property and Equipment

Property and equipment consist of the following:

Land and building	\$ 62,770
Improvements	214,471
Furnishings and equipment	<u>37,473</u>
	314,714
Less: Accumulated depreciation	<u>230,159</u>
Total	<u>\$ 84,555</u>

Depreciation expense for the year ended December 31, 2009 was \$19,018.

6. Net Assets Released From Restrictions

Net assets released from temporary donor restrictions by incurring expenses that satisfy the restricted purposes or by occurrence of events specified by the donors were as follows:

Foundations	<u>\$ 164,588</u>
Net assets released from restriction	<u>\$ 164,588</u>

7. Endowment

The Agency determined, based on prior board minutes, various correspondence and other reliable information, that the original value of its endowment fund should be \$749,839. In accordance with proper accounting treatment, this is the permanent endowment fund. The reclassification of the appreciation from permanently restricted to temporarily restricted is reflected in the beginning balances.

As of December 31, 2009 the permanently restricted net assets consist of:

Endowment	\$ 749,839
Funds held in trust by others	<u>2,284,903</u>
Total	<u>\$ 3,034,742</u>

FAMILY AND CHILDREN'S SERVICE OF GREATER LYNN, INC.

Notes to Financial Statements
For the Year Ended December 31, 2009

8. Concentrations

The Agency maintains balances in bank accounts and brokerage accounts. Bank accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000 per institution. Brokerage accounts are not covered by the FDIC. However, the Securities Investors Protection Corporation (SIPC) does insure claims up to \$500,000 per customer of a brokerage firm. At December 31, 2009 there was an account balance in excess of the insured amount. The Agency has not experienced any losses to date as a result of these account balances.

The Agency received 58% of its support and revenue in 2009 from contracts with the Commonwealth of Massachusetts and City of Lynn. Significant reductions in Commonwealth funding could have an adverse effect on the Agency's programs and activities. At December 31, 2009, 29% of accounts receivable were due from the Commonwealth and City of Lynn.

9. Reclassifications

Certain amounts in the 2008 financials have been reclassified to conform with the current year presentation. These reclassifications had no effect on the 2008 net assets or the net increase in net assets as previously reported.

10. Pension Plan

The Agency has an age-weighted defined contribution pension plan covering substantially all of its employees. The Board of Directors votes on the amount of agency contributions each year. Pension expense for the year ended December 31, 2009 was \$33,748.

11. Subsequent Events

Subsequent events were evaluated through April 16, 2010, which is the date the financial statements were available to be issued.

See independent auditors' report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family and Children's Service of Greater Lynn, Inc.
Lynn, Massachusetts

We have audited the accompanying statement of financial position of **Family and Children's Service of Greater Lynn, Inc.** (the Agency) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's 2008 financial statements, and in our report dated April 27, 2009 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 financial statements referred to above present fairly, in all material respects, the financial position of **Family and Children's Service of Greater Lynn, Inc.** as of December 31, 2009, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

CCN LLP

Boston, Massachusetts
April 16, 2010