

G
O
1
/
2
/
4
/
2
/
0
/
1
/
3

2012
AUDIT

003/29

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2011)**

G
0
1
/
2
4
/
2
0
1
3

2012

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2011)

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

G
O

1
0
/
2
4
/
2
0
1
3



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

2012
Audit
003/29

INDEPENDENT AUDITORS' REPORT

Board of Directors
Family & Children's Service of Greater Lynn, Inc.
Lynn, Massachusetts

We have audited the accompanying financial statements of Family & Children's Service of Greater Lynn, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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. The prior year summarized comparative information has been derived from Family & Children's Service of Greater Lynn, Inc.'s 2011 financial statements, and in our report dated April 18, 2012 we expressed an unqualified opinion on those 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.



An independent member of Nexia International

G
0
1
0
/
2
4
/
2
0
1
1
3

Board of Directors
Family & Children's Service of Greater Lynn, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Service of Greater Lynn, Inc. as of December 31, 2012, 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.



CliftonLarsonAllen LLP

Quincy, Massachusetts
April 22, 2013

G
O
1
/
2
4
/
2
0
1
3

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 61,812	\$ 267,862
Accounts Receivable	123,716	113,597
Pledge Receivable	165,000	-
Prepaid Expenses	6,210	16,917
Investments	3,666,997	3,339,432
Cash Surrender Value of Life Insurance	37,089	32,799
Total Current Assets	4,060,824	3,770,607
PROPERTY AND EQUIPMENT, NET	80,016	75,511
BENEFICIAL INTERESTS IN THIRD-PARTY TRUSTS	2,516,884	2,355,416
Total Assets	\$ 6,657,724	\$ 6,201,534
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,797	\$ 6,094
Accrued Expenses	5,600	24,470
Other Current Liabilities	42,717	40,346
Total Current Liabilities	57,114	70,910
NET ASSETS		
Unrestricted	658,331	569,911
Temporarily Restricted	2,675,556	2,455,458
Permanently Restricted	3,266,723	3,105,255
Total Net Assets	6,600,610	6,130,624
Total Liabilities and Net Assets	\$ 6,657,724	\$ 6,201,534

See accompanying Notes to Financial Statements.

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2011 Total</u>
OPERATING REVENUE AND SUPPORT					
Contributions	\$ 76,391	\$ 220,500	\$ -	\$ 296,891	\$ 104,606
In-Kind Contributions	26,715	-	-	26,715	32,938
United Way of Mass Bay	155,842	-	-	155,842	179,695
State Contracts	559,017	-	-	559,017	411,458
City Contracts	156,474	-	-	156,474	146,389
Program Service Fees	58,931	-	-	58,931	58,878
Interest and Dividends	108,769	85,002	-	193,771	182,642
Realized Gains on Investments	30,938	220,167	-	251,105	24,372
Other Income	172	-	-	172	38,462
Net Assets Released from Restriction	<u>340,644</u>	<u>(340,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	1,513,893	185,025	-	1,698,918	1,179,440
PROGRAM EXPENSES					
Program Services					
Early Childhood	379,506	-	-	379,506	397,458
Youth Development	350,069	-	-	350,069	219,790
Elderly Services	193,700	-	-	193,700	264,277
Family Counseling	108,562	-	-	108,562	50,808
Fiscal Agent	<u>136,415</u>	<u>-</u>	<u>-</u>	<u>136,415</u>	<u>208,613</u>
Total Program Expenses	1,168,252	-	-	1,168,252	1,140,946
SUPPORTING SERVICES					
Administrative	209,507	18,972	-	228,479	134,923
Fundraising	<u>63,721</u>	<u>-</u>	<u>-</u>	<u>63,721</u>	<u>90,546</u>
Total Supporting Services	273,228	18,972	-	292,200	225,469
Total Program and Supporting Services Expenses	<u>1,441,480</u>	<u>18,972</u>	<u>-</u>	<u>1,460,452</u>	<u>1,366,415</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>72,413</u>	<u>166,053</u>	<u>-</u>	<u>238,466</u>	<u>(186,975)</u>
NON-OPERATING CHANGES					
Change in Beneficial Interests in Third-Party Trusts	-	-	161,468	161,468	(153,594)
Net Unrealized Gains (Losses) on Investments	<u>16,007</u>	<u>54,045</u>	<u>-</u>	<u>70,052</u>	<u>(229,805)</u>
Total Non-Operating Changes	16,007	54,045	161,468	231,520	(383,399)
INCREASE (DECREASE) IN NET ASSETS	88,420	220,098	161,468	469,986	(570,374)
Net Assets - Beginning of Year	<u>569,911</u>	<u>2,455,458</u>	<u>3,105,255</u>	<u>6,130,624</u>	<u>6,700,998</u>
NET ASSETS - END OF YEAR	<u>\$ 658,331</u>	<u>\$ 2,675,556</u>	<u>\$ 3,266,723</u>	<u>\$ 6,600,610</u>	<u>\$ 6,130,624</u>

See accompanying Notes to Financial Statements.

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

2012

	Early Childhood	Youth Development	Elderly Services	Family Counseling	Fiscal Agent	Total Program Services	Fundraising	Administrative	Total	2011
Employee Compensation										
Salaries	\$ 251,341	\$ 224,446	\$ 117,861	\$ 76,472	\$ 72,741	\$ 742,861	\$ 38,402	\$ 138,249	\$ 919,512	\$ 812,421
Employee Benefits	57,391	47,383	27,294	21,556	9,097	162,721	6,283	26,525	195,529	204,846
Total Employee Compensation	308,732	271,829	145,155	98,028	81,838	905,582	44,685	164,774	1,116,041	1,017,267
Operating Expenses:										
Direct Program Expenses	42,260	52,030	27,251	2,479	50,770	174,790	-	-	174,790	188,403
Operations and Administrative	15,287	14,037	11,548	4,371	-	45,243	17,021	36,898	98,960	87,565
Occupancy Expenses	10,165	9,334	7,884	2,906	3,807	34,096	1,589	5,875	41,580	64,927
Depreciation	3,062	2,839	1,862	778	-	8,541	426	2,162	11,129	12,247
Total Operating Expenses	70,774	78,240	48,545	10,534	54,577	262,670	19,036	44,733	326,439	333,142
Total Program and Supporting Services Expenses	\$ 379,506	\$ 350,069	\$ 193,700	\$ 108,562	\$ 138,415	\$ 1,168,252	\$ 63,721	\$ 209,507	\$ 1,441,480	\$ 1,350,409

See accompanying Notes to Financial Statements.

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 469,986	\$ (570,374)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operations:		
Depreciation	11,129	12,247
Change in Beneficial Interests in Third-Party Trusts	(161,468)	153,594
Net Unrealized and Realized (Gains) Losses on Investments	(321,157)	205,433
(Increase) Decrease in:		
Accounts Receivable	(10,119)	10,051
Pledge Receivable	(165,000)	-
Prepaid Expenses	10,707	(2,752)
Increase (Decrease) in:		
Accounts Payable	2,703	(1,125)
Accrued Expenses	(18,870)	(3,385)
Deferred Revenue	-	(4,827)
Other Liabilities	2,371	(897)
Net Cash Used by Operating Activities	(179,718)	(202,035)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	2,685,093	1,860,216
Purchases of Investments	(2,695,791)	(1,714,093)
Purchases of Property and Equipment	(15,634)	-
Net Cash Provided (Used) by Investing Activities	(26,332)	146,123
 NET DECREASE IN CASH	(206,050)	(55,912)
 Cash - Beginning of Year	267,862	323,774
 CASH AT END OF YEAR	\$ 61,812	\$ 267,862

See accompanying Notes to Financial Statements.

G
0
1
/
2
4
/
2
0
1
3

**FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Family & Children's Service of Greater Lynn, Inc. (the Agency) has been helping families thrive since 1885. Our mission is to strengthen the life skills of families, children and individuals of all ages. This is accomplished through a range of preventive programs offered directly or in collaboration with other organizations in our community.

Services include early childhood programs, which support early literacy and healthy child development, and parent education and support programs, to build strong families. Our Asset-Building Groups for Girls and Youth Drop-in build resiliency and confidence, and connect at-risk youth with positive role models. Our Elder Care Management, Mental Health Counseling, and Emergency Financial Assistance programs serve the neediest of the needy: those vulnerable, isolated or in despair. Our programs are instructive and therapeutic, executed by early childhood and mental health professionals. We are one of the few agencies that serve individuals and families concurrently through generations; that teaches skills and supports learning in the achievement of long-term goals that contribute to community wellness. As vibrant and relevant today as in our founding, Family & Children's Service of Greater Lynn, Inc. helps children and families of all ages develop their capacity to thrive and succeed in life.

Prior Year Summarized Information

The financial statements contain prior year comparative information in total but not by net asset class and with no accompanying financial statement notes. Consequently, such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

Net Assets

Net assets of the Agency are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.

Permanently Restricted Net Assets

Include contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 ORGANIZATION AND 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 and Cash Equivalents

The Agency considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions are not considered cash or cash equivalents for the purposes of the statement of cash flows.

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 statement of financial position date. The Agency has not recorded an allowance for doubtful accounts at December 31, 2012.

Investments

Investments in equity securities with readily determinable fair values and investments in fixed income securities are measured at their fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the increase (decrease) in net assets from operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from increases in net assets from operations.

Investments consist of both unrestricted assets and endowment assets. The Board of Directors (the "Board") has classified its endowment and related appreciation in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was signed into Massachusetts general law under G.L. 180A. The Board has interpreted Massachusetts general law as requiring net realized and unrealized gains of permanently restricted net assets to be retained in a temporary restricted net asset classification until appropriated by the Board for expenditure, subject to specific designations by the donor. Massachusetts general law allows the Board to appropriate as much of net appreciation of permanently restricted net assets as prudent considering the Agency's short and long-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

G
O
1
0
/
2
4
/
2
0
1
3

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurement

The Agency categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Transfers between levels are considered annually at the end of the reporting period.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Property and Equipment

Property and equipment are recorded at cost. Assets with an estimated useful life of more than one year and a historical cost in excess of \$2,000 are considered for capitalized. Gifts of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

G
O

1
/
2
/
4
/
2
/
0
/
1
/
3

**FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment (Continued)

The useful lives of property and equipment for the purposes of computing depreciation are as follows:

Building	21 - 33 Years
Improvements	5 - 25 Years
Furnishings and Equipment	5 Years

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.

Statement of Activities

The statement of activities includes the increase (decrease) in net assets from operations. Changes in unrestricted net assets which are excluded from operating activities, consistent with industry practice, include the change in net unrealized gains (losses) on investments, the change in beneficial interests in third-party trusts, and transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such 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. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

In-Kind Contributions

The Agency reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. Contributed services in the amount of \$26,715 were recorded for the year ended December 31, 2012, respectively for donated program-related clerical services and various direct program expenses.

Program Service Fees, State and City Contracts

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

G
O

1
0
/
2
4
/
2
0
1
3

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

The Agency is a not-for-profit corporation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to section 501(a) of the code. The Agency files as a tax-exempt organization. Should that status be challenged in the future, the entity's 2009 through 2012 tax years are open for examination by federal and state taxing authorities.

Life Insurance

A former executive director is the beneficiary of a life insurance policy that is recorded on the statement of financial position at face value. The Agency has an asset and an offsetting liability on its statement of financial position for the amount of the cash surrender value.

Reclassification

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

Subsequent Events

Subsequent events were evaluated through April 22, 2013, which is the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as of December 31, 2012:

Governmental Agencies	<u>\$ 123,716</u>
Total	<u>\$ 123,716</u>

NOTE 3 PLEDGE RECEIVABLE

At December 31, 2012, the Agency had a pledge receivable in the amount of \$165,000 expected to be collected in 2013. The donor is an unrelated not-for-profit organization; however, one director of the donor's board of directors is also a member of the Agency's board of directors.

NOTE 4 INVESTMENTS

The Agency has adopted investment and spending policies for unrestricted investments and endowment assets that set prudent limits for both asset allocation and asset quality. The Agency's investment policy is designed to produce a regular and predictable stream of income while avoiding risk or realization of significant capital loss. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity.

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 INVESTMENTS (CONTINUED)

The following is a summary of the relationship between cost and fair value of investments as of December 31, 2012:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Gain</u>
Equities	\$ 2,217,383	\$ 2,381,238	\$ 163,855
Fixed Income Corporate Bonds	938,815	939,727	912
Fixed Income Exchange Traded Funds	<u>329,949</u>	<u>346,032</u>	<u>16,083</u>
Total Investments	<u>\$ 3,486,147</u>	<u>\$ 3,666,997</u>	<u>\$ 180,850</u>

The following summarizes the Agency's fair value hierarchy for those investments measured at fair value on a recurring basis as of December 31, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 2,381,238	\$ -	\$ -
Fixed Income Corporate Bonds	939,727	-	-
Fixed Income Exchange Traded Funds	<u>346,032</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,666,997</u>	<u>\$ -</u>	<u>\$ -</u>

The objective of the Agency's spending policy is to appropriate 5% of the average market value of the endowment for the previous 12 quarters for expenditure. This policy is consistent with Agency's objective to produce a regular and predictable stream of income while avoiding risk or realization of significant capital loss.

The following summarizes the sources of increases to and decreases from investments included in the endowment as of December 31, 2012:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment Balance at Beginning of Year	\$ 2,316,728	\$ 749,839	\$ 3,066,567
Investment Return:			
Investment Income	85,002	-	85,002
Net Unrealized Loss	54,045	-	54,045
Net Realized Gain	<u>220,167</u>	<u>-</u>	<u>220,167</u>
Total Investment Return	359,214	-	359,214
Appropriation of Funds	(236,064)	-	(236,064)
Investment Fees	<u>(18,972)</u>	<u>-</u>	<u>(18,972)</u>
Endowment Balance at End of Year	<u>\$ 2,420,906</u>	<u>\$ 749,839</u>	<u>\$ 3,170,745</u>

G
0
1
0
/
2
4
/
2
0
0
1
3

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 BENEFICIAL INTERESTS IN THIRD-PARTY TRUSTS

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 Agency. The Agency has legally enforceable rights or claims to such assets, including the right to income there from. 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.

Beneficial interests in third-party trust are reflected at fair market value as of December 31, 2012. The fair value of beneficial interests in third-party trusts are determined based on the Agency's beneficial portion of the fair market value of the underlying assets in each respective trust. The underlying assets for the beneficial interests in third-party trusts consist of marketable securities. The fair value of the beneficial interests in third-party trusts as of December 31, 2012 is as follows:

	Fair Value
Annie Wilson Trust	\$ 1,866,390
George E. Barnard Trust	546,962
Henry H. Downing Trust	103,532
Total	<u>\$ 2,516,884</u>

The following summarizes the Agency's beneficial interests in third-party trusts by fair value hierarchy levels as of December 31, 2012:

	Level 1	Level 2	Level 3
Beneficial Interests in Third-Party Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,516,884</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,516,884</u>

The following summarizes of changes in fair value of the Agency's beneficial interests in third-party trust classified as level 3 for the year ended December 31, 2012:

Balance as of December 31, 2011	\$ 2,355,416
Change in Beneficial Interests in Third-Party Trusts	161,468
Balance as of December 31, 2012	<u>\$ 2,516,884</u>

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land and Building	\$ 62,770
Improvements	236,418
Furnishings and Equipment	33,953
	<u>333,141</u>
Less: Accumulated Depreciation	<u>(253,125)</u>
Total	<u>\$ 80,016</u>

Depreciation expense for the year ended December 31, 2012 was \$11,129.

NOTE 7 RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 are available for the following purposes:

Parenting Groups	\$ 6,157
Youth Programs	10,500
Windows and Door Replacements	6,400
Counseling	46,593
Emergency Financial Assistance	185,000
Net Appreciation of Endowment Funds	<u>2,420,906</u>
Total	<u>\$ 2,675,556</u>

Permanently restricted net assets represent contributions to be permanently invested and interests in third-party trusts subject to donor stipulations in which the Agency does not have access to the corpus. Permanently restricted net assets consist of the following as of December 31, 2012:

Endowment	\$ 749,839
Beneficial Interests in Third-Party Trusts	<u>2,516,884</u>
Total	<u>\$ 3,266,723</u>

NOTE 8 CONCENTRATIONS

Cash

The Agency maintains balances in bank accounts and brokerage accounts. Bank accounts are insured by the Federal Deposit Insurance Agency (FDIC) up to \$250,000 per institution. Brokerage accounts are not covered by the FDIC. However, the Securities Investors Protection Corporation (SIPC) insures claims up to \$500,000 per customer of a brokerage firm. At December 31, 2012 there was an account balance in excess of the insured amount.

G
O
1
/
2
4
/
2
0
1
3

FAMILY & CHILDREN'S SERVICE OF GREATER LYNN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8 CONCENTRATIONS (CONTINUED)

Investments

Investments consist of equity and fixed income securities at a carrying value of \$3,666,997 at December 31, 2012.

Beneficial Interests in Third-Party Trusts

Beneficial interests in third-party trusts with a carrying value of \$2,516,884 at December 31, 2012.

Importance of Operations

The Agency received approximately 50% of its support and revenue in 2012 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.

NOTE 9 PENSION PLAN

The Agency has an age-weighted defined contribution pension plan covering substantially all of its employees. The Board votes on the amount of Agency contributions each year. Pension expense for the year ended December 31, 2012 was \$29,750.