

**DARE FAMILY SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED COMPARATIVE TOTALS INFORMATION FOR 2015)**

# 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> .....	7-24
--	------



## 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, 2016, 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 audits. We conducted our audits 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, 2016, 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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 16, 2015. In our opinion, the summarized comparative totals information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Boston, MA  
November 15, 2016

# DARE FAMILY SERVICES, INC.

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 4,406,227	\$ 4,572,049
Cash - client funds	<u>22,935</u>	<u>24,406</u>
<b>Total Cash and Cash Equivalents</b>	4,429,162	4,596,455
Certificates of deposit	1,591,625	1,586,194
Accounts receivable - less allowance for doubtful accounts of \$1,400 in both years	1,792,153	1,815,083
Prepaid expenses and deposits	127,517	124,848
Restricted cash and cash equivalents	175,042	188,842
Investments designated for endowment	2,066,830	2,109,725
Property and equipment, net	<u>946,444</u>	<u>838,906</u>
<b>Total Assets</b>	<u>\$ 11,128,773</u>	<u>\$ 11,260,053</u>
<b>Liabilities</b>		
Accounts payable	\$ 251,080	\$ 245,725
Accounts payable - client funds held	22,935	24,406
Capital advances	92,525	92,525
Note payable	143,395	--
Accrued expenses	998,627	1,326,796
Obligations under capital leases	<u>81,790</u>	<u>108,895</u>
<b>Total Liabilities</b>	<u>1,590,352</u>	<u>1,798,347</u>
<b>Net Assets</b>		
Unrestricted net assets:		
Operations	6,699,462	6,714,495
Property and equipment	772,129	637,486
Board designated endowment fund	<u>2,066,830</u>	<u>2,109,725</u>
<b>Total Net Assets</b>	<u>9,538,421</u>	<u>9,461,706</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 11,128,773</u>	<u>\$ 11,260,053</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, 2016**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	Programs	Board Designated Endowment Fund	Total	
			2016	2015
<b>Support and Revenue</b>				
Department of Children & Families	\$ 17,588,620	\$ --	\$ 17,588,620	\$ 18,229,235
Department of Developmental Services	3,652,166	--	3,652,166	3,675,388
Executive Office of Human Services	12,535	--	12,535	1,622
Client contributions	320,929	--	320,929	316,707
Private service fees	9,281	--	9,281	9,760
Other state income	1,976,013	--	1,976,013	2,233,124
Contributions	56,347	--	56,347	45,613
Investment return	5,761	(42,895)	(37,134)	134,442
	<u>23,621,652</u>	<u>(42,895)</u>	<u>23,578,757</u>	<u>24,645,891</u>
Gain on disposal of assets	2,379	--	2,379	118
Other	46,159	--	46,159	898
	<u>48,538</u>	<u>--</u>	<u>48,538</u>	<u>1,016</u>
<b>Total Support and Revenue</b>	<u>23,670,190</u>	<u>(42,895)</u>	<u>23,627,295</u>	<u>24,646,907</u>
<b>Expenses</b>				
Program services:				
Residential services	3,154,523	--	3,154,523	3,164,765
Counseling services	822,021	--	822,021	756,962
Mentor services	17,036,953	--	17,036,953	17,778,926
Total program services	<u>21,013,497</u>	<u>--</u>	<u>21,013,497</u>	<u>21,700,653</u>
Supporting services:				
General and administrative	2,515,795	--	2,515,795	2,495,125
Fundraising	21,288	--	21,288	13,519
Total supporting services	<u>2,537,083</u>	<u>--</u>	<u>2,537,083</u>	<u>2,508,644</u>
<b>Total Expenses</b>	<u>23,550,580</u>	<u>--</u>	<u>23,550,580</u>	<u>24,209,297</u>
<b>Change in Net Assets</b>	119,610	(42,895)	76,715	437,610
<b>Net Assets, Beginning of Year</b>	<u>7,351,981</u>	<u>2,109,725</u>	<u>9,461,706</u>	<u>9,024,096</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,471,591</u>	<u>\$ 2,066,830</u>	<u>\$ 9,538,421</u>	<u>\$ 9,461,706</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, 2016  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 76,715	\$ 437,610
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,494	136,626
Unrealized depreciation (appreciation) on investments	35,931	(44,033)
Realized loss (gain) on sales of investments, net	24,637	(46,292)
Loss (gain) on disposal of equipment	2,379	(118)
Decrease (increase) in:		
Accounts receivable	22,930	152,321
Prepaid expenses and deposits	(2,669)	(3,466)
Restricted cash and cash equivalents	13,800	(37,027)
Increase (decrease) in:		
Accounts payable	5,355	26,828
Accounts payable - client funds held	(1,471)	515
Accrued expenses	(328,169)	382,258
Total adjustments	(86,783)	567,612
<b>Net Cash (Used in) Provided by Operating Activities</b>	(10,068)	1,005,222
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,007,881)	(706,489)
Proceeds from sales of investments	990,208	668,661
Purchases of property and equipment	(236,843)	(123,795)
Proceeds from sales of property and equipment	--	172
Purchase of certificates of deposit	(5,431)	(5,993)
<b>Net Cash Used in Investing Activities</b>	(259,947)	(167,444)
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	143,395	--
Payments of obligations under capital leases	(40,673)	(36,479)
<b>Net Cash Provided by (Used in) Financing Activities</b>	102,722	(36,479)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(167,293)	801,299
<b>Cash and Cash Equivalents, Beginning of Year</b>	4,596,455	3,795,156
<b>Cash and Cash Equivalents, End of Year</b>	\$ 4,429,162	\$ 4,596,455
<b>Supplemental Disclosures</b>		
Capital lease obligations incurred in acquisition of equipment	\$ 13,568	\$ 36,757
Cash paid during the year for interest	\$ 8,151	\$ 9,425

*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, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

	Program Services				Supporting Services		Total Expenses	
	Residential	Counseling	Mentor Services	Total Program Services	Management and General	Fundraising	2016	2015
Mentor payments	\$ --	\$ --	\$ 9,130,783	\$ 9,130,783	\$ --	\$ --	\$ 9,130,783	\$ 9,767,533
Salaries	1,673,494	499,183	4,433,553	6,606,230	1,438,910	4,338	8,049,478	8,265,423
Payroll taxes and fringe benefits	597,819	178,322	1,583,789	2,359,930	514,019	1,550	2,875,499	2,838,520
Rent	118,719	72,718	585,103	776,540	91,475	969	868,984	754,956
Outside services	303,702	2,888	43,889	350,479	137,171	13,250	500,900	446,631
Clothing/birthday supplements	10,753	--	392,132	402,885	--	--	402,885	444,341
Recreation and youth expenses	16,807	7,001	267,568	291,376	--	--	291,376	215,682
Travel and transportation	12,276	26,495	229,635	268,406	21,078	--	289,484	275,613
Telephone	21,589	11,395	98,598	131,582	20,947	186	152,715	137,951
Insurance	56,527	4,417	44,369	105,313	42,147	50	147,510	134,850
Depreciation and amortization	69,650	5,277	44,498	119,425	20,858	211	140,494	136,626
Legal and accounting	--	--	--	--	131,130	--	131,130	193,036
Food	104,197	245	3,200	107,642	8,214	--	115,856	110,335
Utilities	67,625	2,264	18,599	88,488	6,094	62	94,644	100,907
Office supplies/expenses	11,000	4,192	46,341	61,533	22,944	147	84,624	87,743
Repairs and maintenance	37,777	3,433	33,475	74,685	8,799	69	83,553	86,952
Staff training	2,632	911	35,409	38,952	11,372	--	50,324	69,381
Postage	1,160	1,831	18,942	21,933	18,052	69	40,054	37,042
Supplies	30,550	143	455	31,148	13	--	31,161	29,746
Advertising	1,894	31	15,166	17,091	--	--	17,091	15,479
Dues and subscriptions	735	--	570	1,305	9,279	330	10,914	10,067
Vehicle leasing and other expense	10,904	--	--	10,904	--	--	10,904	17,489
Interest	790	344	4,262	5,396	2,727	28	8,151	9,425
Printing	469	398	3,366	4,233	2,333	24	6,590	8,648
Miscellaneous	775	--	2,169	2,944	7,377	--	10,321	4,803
Noncapital equipment and furnishings	1,959	43	55	2,057	369	--	2,426	4,030
Equipment rental	--	490	1,027	1,517	487	5	2,009	5,387
Property and excise taxes	720	--	--	720	--	--	720	701
<b>Total Expenses</b>	<b>\$ 3,154,523</b>	<b>\$ 822,021</b>	<b>\$ 17,036,953</b>	<b>\$ 21,013,497</b>	<b>\$ 2,515,795</b>	<b>\$ 21,288</b>	<b>\$ 23,550,580</b>	<b>\$ 24,209,297</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, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

---

#### **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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2015, 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, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### 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, 2016 or 2015.

##### 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, 2016 or 2015.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

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

##### *FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

The Agency reports unrestricted contributions as unrestricted revenue and net assets when received or unconditionally promised. 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 – COMMONWEALTH OF MASSACHUSETTS*

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, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### 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, 2016 and 2015, the valuation allowance was \$1,400.

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

The Agency had restricted cash and cash equivalents amounting to \$175,042 and \$188,842, at June 30, 2016 and 2015, 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

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

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

##### *INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)*

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.

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.

# **DARE FAMILY SERVICES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

---

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

##### ***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, 2016 and 2015.

##### ***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 \$17,091 and \$15,479 for the years ended June 30, 2016 and 2015, 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. The Agency had no unrelated business income in 2016 and 2015. 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.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

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

##### *INCOME TAX STATUS (CONTINUED)*

The Agency recognizes and measures its unrecognized tax positions in accordance with FASB ASC 740-10, *Accounting for Uncertainties in Income Taxes*. Under that guidance, the Agency assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. The Agency has not identified any uncertain tax positions at June 30, 2016 or 2015. Interest and penalties associated with unrecognized income tax positions, if identified, would be classified as interest expense and additional income taxes, respectively, 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 15, 2016, which is the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

#### NOTE 3 - CERTIFICATES OF DEPOSIT

The Agency holds certificates of deposit totaling \$1,591,625, which mature at various dates through July, 2016 and bear interest rates ranging between .2% and .5% at June 30, 2016. The Agency held certificates of deposits totaling \$1,586,194 as of June 30, 2015. There were no sales of certificates of deposits during either of the years ended June 30, 2016 or 2015.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

#### 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, 2016		
Money market funds	\$ 11,595	\$ 11,595	\$ --
Government agency securities	380,789	381,006	217
Mutual funds	299,640	311,102	11,462
Equity securities	770,581	1,281,918	511,337
Exchange traded funds	78,974	81,209	2,235
	\$ 1,541,579	\$ 2,066,830	\$ 525,251

	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

Decrease in unrealized appreciation, net	\$ (35,931)
--	-------------

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, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### 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, 2016:

Operating Funds:		
Interest and dividend income	\$	5,761
Board Designated Funds:		
Interest and dividend income		32,813
Realized loss on sale of investments, net		(24,637)
Unrealized depreciation on investments, net		(35,931)
Investment management fees		<u>(15,140)</u>
		<u>(42,895)</u>
Total investment return	\$	<u>(37,134)</u>

#### NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2016	2015
Land	\$ 237,060	\$ 237,060
Buildings	433,940	433,940
Building improvements	665,193	655,721
Leasehold improvements	175,508	171,027
Furniture and equipment	1,044,621	963,001
Construction in progress	<u>143,395</u>	<u>--</u>
	2,699,717	2,460,749
Less accumulated depreciation and amortization	<u>(1,753,273)</u>	<u>(1,621,843)</u>
Property, plant and equipment, net	<u>\$ 946,444</u>	<u>\$ 838,906</u>

At June 30, 2016 and 2015, 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 \$140,494 and \$136,626 for the years ended June 30, 2016 and 2015, respectively.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### 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 \$3,685 through July 2021, at various interest rates. Depreciation of equipment under capital leases is included in depreciation expense. The Agency's office equipment at June 30, 2016, includes the following amounts for outstanding lease obligations that have been capitalized:

Office equipment	\$ 181,072
Accumulated amortization	<u>(126,507)</u>
Net	<u>\$ 54,565</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, 2016:

<u>Year ending June 30</u>	
2017	\$ 44,054
2018	38,235
2019	3,597
2020	3,228
2021	<u>269</u>
Total minimum lease payments	89,383
Less amount representing interest	<u>(7,593)</u>
Present value of net minimum lease payments	<u>\$ 81,790</u>

# **DARE FAMILY SERVICES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

---

#### **NOTE 8 – NOTES PAYABLE**

Notes payable consist of one loan received during the year ended June 30, 2016, from the Newton Community Development Authority (the “NCDA”). The purpose of this loan was to underwrite the cost of capital improvements to an established facility for a supportive housing program. This loan, in the amount of \$143,395, accrues simple interest at 0% per year, provided that the organization is not in default of the loan. The note shall be repaid to NCDA upon the occurrence of any of the following events: (1) any legal or beneficial interest in the property is transferred; or (2) there is a change in ownership; or (3) if the property, or any portion thereof, is otherwise conveyed; or (4) the property ceases to be occupied by an income eligible household.

The agency is not required to make periodic repayments under the loan provided it continues the operation of a supportive housing program for a period of fifteen years from the date of the note. The Agency must also maintain at least six occupants, each who have an income that does not exceed 50% of the area median income for the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area, adjusted for family size. The Agency does not anticipate to be in non-compliance with the stated terms. Repayments under this loan are secured by the mortgage of the property.

#### **NOTE 9 - 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 prime rate as published in the Wall Street Journal plus .5% (3.5% at June 30, 2016 or 4%). There was no outstanding balance on the note at either June 30, 2016 or 2015. The note is secured by all business assets of the Agency.

#### **NOTE 10 - RELATED PARTY TRANSACTIONS**

The Agency employed several individuals that are family members of management staff of the Agency. Wages paid for these services to three individuals totaled approximately \$68,000 during the year ended June 30, 2016. Wages paid for services to five individuals totaled approximately \$62,000 during the year ended June 30, 2015.

The Agency received legal services on a pro bono basis from Choate, Hall & Stewart LLP during the year ended June 30, 2016, of which a member of the Agency’s Board of Directors is a senior counsel. The value of the pro bono services provided totaled \$45,006 for the year ended June 30, 2016 and has been recorded as donated revenue and expense in the Statement of Activities and Changes in Net Assets.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### NOTE 11 - 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 January, 2026. 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, 2016:

<u>Year ending June 30:</u>	
2017	\$ 628,488
2018	463,775
2019	206,422
2020	103,512
2021	84,857
Thereafter	<u>404,663</u>
	<u>\$ 1,891,717</u>

Rent expense for building and office space charged to operations amounted to \$868,984 and \$846,063 for the years ended June 30, 2016 and 2015, respectively. Rent expense for vehicles and equipment charged to operations amounted to \$10,904 and \$17,489 for the years ended June 30, 2016 and 2015, respectively. Rent expense for the use of parking spaces charged to operations amounted to \$4,800 for both the years ended June 30, 2016 and 2015.

#### NOTE 12 - 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 for both the years ended June 30, 2016 and 2015.

#### NOTE 13 - 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, 2016. At various times during the year, the Agency had balances at these banks in excess of the insured limit.

# **DARE FAMILY SERVICES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

---

#### **NOTE 14 – 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 15 - 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.

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.

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### NOTE 15 - BOARD DESIGNATED ENDOWMENT (CONTINUED)

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Board designated endowment funds	\$ 2,066,830	\$ 2,109,725

#### Changes in Board Designated Endowment Net Assets for Years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 2,109,725	\$ 1,981,572
Net (loss) gain on investments	<u>(42,895)</u>	<u>128,153</u>
Endowment net assets, end of year	<u>\$ 2,066,830</u>	<u>\$ 2,109,725</u>

# **DARE FAMILY SERVICES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

---

#### **NOTE 15 - BOARD DESIGNATED ENDOWMENT (CONTINUED)**

##### ***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, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

---

#### NOTE 16 - 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, 2016 and 2015.

**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, 2016 or 2015. There were no transfers to or from Levels 1, 2 and 3 during the years ended June 30, 2016 and 2015.



# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

#### NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of financial instruments measured on a recurring basis at June 30, 2016 and 2015, are as follows:

June 30, 2016	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 11,595	\$ --	\$ --	\$ 11,595
Government agency securities				
U.S. Treasury Bills	381,006	--	--	381,006
Mutual funds:				
Fixed income	162,639	--	--	162,639
Equities	148,463	--	--	148,463
	<u>311,102</u>	--	--	311,102
Equity securities:				
Consumer discretionary	209,576	--	--	209,576
Consumer staples	205,336	--	--	205,336
Healthcare	201,040	--	--	201,040
Energy	92,969	--	--	92,969
Financials	89,791	--	--	89,791
Industrials	182,836	--	--	182,836
Information technology	300,370	--	--	300,370
	<u>1,281,918</u>			1,281,918
Exchange-traded funds	<u>81,209</u>	--	--	<u>81,209</u>
	<u>\$ 2,066,830</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,066,830</u>

# DARE FAMILY SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

#### NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

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
	349,235	--	--	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
	1,255,676			1,255,676
Exchange-traded funds	135,652	--	--	135,652
	<u>\$ 2,109,725</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,109,725</u>