Acre Family Child Care, Inc.

Financial Statements

December 31, 2011 and 2010

ANSTISS | CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Acre Family Child Care, Inc.

We have audited the accompanying statements of financial position of Acre Family Child Care, Inc., (a non-profit organization), as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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 Acre Family Child Care, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2012 on our consideration of Acre Family Child Care, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
April 12, 2012

Acre Family Child Care, Inc.
Statements of Financial Position
December 31, 2011 and 2010

Assets

	2011	2010
Current assets		
Cash and cash equivalents	$ 750,826	$ 767,546
Investments (Note 3)	685,332	705,098
Contracts receivable (Note 6)	289,123	333,579
Other receivables - net of allowance for doubtful accounts (Note 5)	46,459	21,549
Prepaid expenses	46,611	37,312
Total current assets	1,818,351	1,865,084
Fixed assets - net (Note 2)	90,752	137,971
Other assets		
Beneficial interest in an agency endowment (Notes 4 and 7)	93,465	95,981
Security deposits	1,116	1,116
Total other assets	94,581	97,097
Total assets	$ 2,003,684	$ 2,100,152

Liabilities & Net Assets

	2011	2010
Current liabilities		
Accounts payable	$ 20,308	$ 16,328
Provider contracts payable	193,876	214,776
Accrued expenses	14,490	14,957
Accrued wages and salaries	34,271	32,563
Accrued vacation and benefits	16,900	16,700
Deferred revenue	8,435	9,015
Current portion of capital lease obligation	32,573	30,125
Total current liabilities	320,853	334,464
Capital lease obligation (Note 9)	66,926	97,184
Total liabilities	387,779	431,648
Net assets		
Unrestricted net assets	1,615,905	1,668,504
Total net assets	1,615,905	1,668,504
Total liabilities & net assets	$ 2,003,684	$ 2,100,152

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statements of Activities
For the Years Ended December 31, 2011 and 2010

	Unrestricted	Temporarily Restricted	Total 2011	Unrestricted	Temporarily Restricted	Total 2010
Revenue and support:						
Program service fees	$ 3.878,619	$ -	$ 3,878,619	$ 3,726,266	$ -	$ 3,726,266
Grants and contributions	61,583	36,701	98,284	50,919	168,179	219,098
Investment income - net (Note 3)	1,934	-	1,934	83,110	-	83,110
Change in fair market value of beneficial interest in an agency endowment (Note 7)	(2,516)	-	(2,516)	8,712	-	8,712
Gain on the sale of fixed asset	4,500	-	4,500	-	-	-
Net assets released from restrictions	36,701	(36,701)	-	168,179	(168,179)	-
Total revenue and support	3,980,821	-	3,980,821	4,037,186	-	4,037,186
Expenses:						
Program	3,506,841	-	3,506,841	3,397,875	-	3,397,875
General administrative	525,638	-	525,638	500,873	-	500,873
Fundraising	941	-	941	5,607	-	5,607
Total expenses	4,033,420	-	4,033,420	3,904,355	-	3,904,355
Change in net assets	(52,599)	-	(52,599)	132,831	-	132,831
Net assets at beginning of year	1,668,504	-	1,668,504	1,535,673	-	1,535,673
Net assets at end of year	$ 1,615,905	$ -	$ 1,615,905	$ 1,668,504	$ -	$ 1,668,504

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Child Care Services	Transportation Services	Total Program Services	General and Administrative	Fundraising	Total For 2011
Salaries and payroll taxes	$ 354,303	$ 235,928	$ 590,231	$ 331,112	$ -	$ 921,343
Fringe benefits	82,661	57,797	140,458	77,366	-	217,824
Advertising	-	404	404	2,156	-	2,560
Vehicle expenses	276	78,510	78,786	-	-	78,786
Information technology	10,834	6,980	17,814	10,178	-	27,992
Direct care subcontractors	2,421,583	128,261	2,549,844	-	-	2,549,844
Consultants	-	-	-	7,355	-	7,355
Events	6,349	-	6,349	-	-	6,349
Insurance	6,750	4,349	11,099	6,341	-	17,440
Interest expense	-	7,918	7,918	48	-	7,966
Legal and accounting	-	-	-	13,800	-	13,800
Licenses and permits	-	-	-	530	-	530
Meetings and conferences	486	22	508	9,416	-	9,924
Rent	13,005	8,378	21,383	12,217	-	33,600
Office expense	-	-	-	11,497	941	12,438
Office supplies	118	283	401	7,295	-	7,696
Printing and membership dues	138	300	438	11,292	-	11,730
Program expenses	228	1,140	1,368	127	-	1,495
Provider training	14,302	-	14,302	-	-	14,302
Repairs and maintenance	2,774	1,787	4,561	2,606	-	7,167
Staff training	1,351	1,537	2,888	8,400	-	11,288
Telephone	5,294	1,897	7,191	8,043	-	15,234
Travel	739	219	958	3,035	-	3,993
Bad debt expense	5,545	-	5,545	-	-	5,545
Depreciation expense	3,005	41,390	44,395	2,824	-	47,219
Total	$ 2,929,741	$ 577,100	$ 3,506,841	$ 525,638	$ 941	$ 4,033,420

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	Child Care Services	Transportation Services	Total Program Services	General and Administrative	Fundraising	Total For 2010
Salaries and payroll taxes	$ 304,478	$ 205,074	$ 509,552	$ 317,611	$ -	$ 827,163
Fringe benefits	78,403	60,968	139,371	72,065	-	211,436
Advertising	25	1,114	1,139	4,355	-	5,494
Vehicle expenses	-	73,194	73,194	231	-	73,425
Information technology	14,346	7,260	21,606	10,817	-	32,423
Direct care subcontractors	2,394,939	103,855	2,498,794	-	-	2,498,794
Consultants	7,500	-	7,500	7,750	5,600	20,850
Events	5,508	-	5,508	-	-	5,508
Insurance	6,419	4,323	10,742	6,441	-	17,183
Interest expense	-	6,024	6,024	-	-	6,024
Legal and accounting	-	-	-	13,750	-	13,750
Licenses and permits	-	-	-	265	-	265
Meetings and conferences	-	-	-	5,643	-	5,643
Rent	12,551	8,454	21,005	12,595	-	33,600
Office expense	-	226	226	10,303	7	10,536
Office supplies	695	11	706	5,837	-	6,543
Printing and membership dues	125	300	425	10,398	-	10,823
Program expenses	16,567	556	17,123	128	-	17,251
Provider training	32,713	-	32,713	-	-	32,713
Repairs and maintenance	2,776	1,870	4,646	3,068	-	7,714
Staff training	1,919	-	1,919	4,797	-	6,716
Telephone	2,775	2,389	5,164	7,984	-	13,148
Travel	473	12	485	3,922	-	4,407
Bad debt expense	3,500	-	3,500	-	-	3,500
Depreciation expense	2,990	33,543	36,533	2,913	-	39,446
Total	$ 2,888,702	$ 509,173	$ 3,397,875	$ 500,873	$ 5,607	$ 3,904,355

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

		2011		2010
Cash flows from operating activities:				
Change in net assets	$	(52,599)	$	132,831
Adjustments to reconcile change in net assets				
to net cash used for operating activities:				
Depreciation		47,219		39,446
Gain on the sale of fixed assets		(4,500)		-
Realized and unrealized loss (gain) on investments		28,581		(67,403)
Change in fair market value of a beneficial interest in an agency endowment		2,516		(8,712)
Bad debt expense		5,545		3,500
Changes in assets and liabilities				
Decrease (increase) in contracts and other receivables		14,001		(52,199)
(Increase) decrease in prepaid expenses and other assets		(9,299)		397
Increase in accounts payable		3,980		5,961
(Decrease) increase in provider contracts payable		(20,900)		26,407
Increase in accrued expenses		1,441		3,127
(Decrease) increase in deferred revenue		(580)		2,613
Net cash provided by operating activities		15,405		85,968
Cash flows from financing activities				
Proceeds from capital lease obligation		-		52,831
Payments on capital lease obligation		(27,810)		(26,652)
Net cash (utilized by) provided by financing activities		(27,810)		26,179
Cash flows from investing activities				
Purchase of investments		(118,507)		(255,506)
Proceeds from sale of investments		109,692		234,050
Purchase of fixed assets		-		(52,831)
Proceeds from sale of fixed assets		4,500		-
Net cash utilized by investing activities		(4,315)		(74,287)
Net (decrease) increase in cash and cash equivalents		(16,720)		37,860
Cash and cash equivalents - beginning		767,546		729,686
Cash and cash equivalents - ending	$	750,826	$	767,546
Supplemental data:				
Interest paid	$	7,966	$	6,024
Taxes paid	$	-	$	-
In-kind contributions	$	-	$	-

See accompanying auditor's report and notes to financial statements.

Note 1 - Organization

Acre Family Child Care, Inc. (the "Organization" or "Acre") was incorporated in the Commonwealth of Massachusetts as a not-for-profit organization on November 22, 1988. The Organization provides training programs in English, Spanish and Khmer, which enable women to run licensed family child care businesses out of their own homes. The training program begins with an initial three-month session and builds a career ladder through "Benchmarks for Child Care Quality" workshops and an accreditation track from the National Association for Family Child Care.

The Organization's network of family child care providers offers care to over 300 children on a daily basis. Acre offers training sessions and networking meetings on issues specific to child care regulations and makes regular visits to the child care homes to monitor the quality of care and to offer one-to-one technical assistance. The Organization also administers a loan program, which offers small business loans to contracting providers for equipment, facility development and educational needs. In addition, Acre offers transportation to and from child care via mini-school buses. The Organization transports approximately 120 children each day. All drivers have Commercial Drivers Licenses and are trained in CPR and First Aid.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Basis of Presentation

Acre reports net assets and revenues, expenses, gains, and losses in accordance with the provisions of ASC 958-205, "*Presentation of Financial Statements*". Under ASC 958-205, financial information is classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time are classified as temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2011 and 2010 the Organization had no temporarily restricted net assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization are classified as permanently restricted. Generally, the donors of these assets permit the corporation to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2011 and 2010 the Organization had no permanently restricted net assets.

Reclassifications

During 2011 certain amounts from the prior year financial statements were reclassified to conform to the current year's presentation.

Cash and Cash Equivalents

Cash equivalents are composed of highly liquid investments with an original maturity of three months or less.

Investments

Acre follows the provisions of ASC 958-320, "*Investments – Debt and Equity Securities*", whereby investments in marketable securities with readily determinable fair values are reported at their fair market values in the statement of financial position. The market value of publicly traded securities is based upon quotes from principal exchanges on which the securities are traded. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the accompanying statements of activities.

Fixed Assets

The Organization capitalizes major purchases of fixed assets, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance and repairs are charged to expense as incurred. Capitalized assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives (five to ten years) of the assets capitalized.

Fixed assets consisted of the following as of December 31st:

	2011	2010
Leasehold Improvements	$ 10,856	$ 10,856
Furniture & Equipment	77,076	95,293
School Buses	197,270	237,220
Total Fixed Assets	285,202	343,369
Less: Accumulated Depreciation	(194,450)	(205,398)
Fixed Assets - Net	$ 90,752	$ 137,971

Note 2 - Summary of Significant Accounting Policies (Continued)

Contracts

Contracts are recognized as revenue upon performance of reimbursable activities. In some cases, the contracts have been restricted by the funding source as being only available for use in specific programs. These funds are normally expended as received and are recorded together with other unrestricted contracts.

Expense Allocation

Expenses are allocated among program and supporting services directly or based on time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization.

Fair Value of Financial Instruments

The Organization follows ASC 820-10, "*Fair Value Measurements and Disclosures*". ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization 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 those 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.

ASC 825-10, "*Financial Instruments*", permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. Acre Family Child Care, Inc. has adopted the additional fair value option allowed in the standard for the presentation of its beneficial interest in an agency endowment (Note 7).

Note 2 - Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and contract receivables. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. Management periodically assesses the stability of the financial institutions that hold their funds and considers credit risk to be minimal. The Organization has not experienced any losses in such accounts. Credit risk associated with contracts receivable is concentrated among Federal and State agencies which comprise substantially all of the receivable balances as of December 31, 2011 and 2010.

Uncertain Tax Positions

The Organization, incorporated under Chapter 180 of the Massachusetts General Laws as a tax exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization is required by ASC 740-10, "*Income Taxes*", to evaluate and disclose tax positions that could have an effect on the Organization's financial statements. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of the Organization's income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax exempt not-for-profit entity.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Investments

Realized and unrealized gains or losses on investments are determined by comparison of the difference between market values and average cost, respectively. Dividend and interest income is recognized when earned. Investment income for the years ended December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Unrealized (loss) gain	$ (51,384)	$ 49,444
Realized gain	22,803	17,958
Interest and dividends	38,348	22,931
Investment fees	(7,833)	(7,223)
Total return on investments	$ 1,934	$ 83,110

Note 3 - Investments (continued)
Investment return is shown net of investment management and custody fees paid directly to investment managers. In addition, there were investment fees that were not paid directly to the managers, but rather netted from the return by the various funds.

Note 4 - Fair Value of Financial Instruments
Investment decisions are made by the Board of Directors, which has oversight responsibility for the Organization's investments. The Organization's portfolio is managed by outside investment managers who invest according to the investment guidelines established by the Board of Directors.

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures (see Note 2). The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2011 and 2010:

	2011			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Foreign large cap	$ 57,945	$ 57,945	$ -	$ -
Diversified emerging markets	40,971	40,971	-	-
Exchange traded	21,968	21,968	-	-
Large cap	178,247	178,247	-	-
Commodities broad basket	30,866	30,866	-	-
Market neutral	28,737	28,737	-	-
Small blend	19,679	19,679	-	-
Fixed income funds:				
Intermediate-term bond	241,840	241,840	-	-
Bank loan	35,456	35,456	-	-
High yield bond	29,623	29,623	-	-
Agency endowment	93,465	-	-	93,465
Total assets	$ 778,797	$ 685,332	$ -	$ 93,465

Note 4 - Fair Value of Financial Instruments (Continued)

	2010			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Foreign large cap	$ 65,033	$ 65,033	$ -	$ -
Diversified emerging markets	44,687	44,687	-	-
Exchange traded	22,538	22,538	-	-
Large cap	159,567	159,567	-	-
Commodities broad basket	39,173	39,173	-	-
Market neutral	25,712	25,712	-	-
Small blend	58,731	58,731	-	-
Fixed income funds:				
Intermediate-term bond	228,394	228,394	-	-
Bank loan	33,324	33,324	-	-
High yield bond	27,939	27,939	-	-
Agency endowment	95,981	-	-	95,981
Total assets	$ 801,079	$ 705,098	$ -	$ 95,981

Level 3 assets consist of a beneficial interest in an irrevocable agency endowment fund at the Greater Lowell Community Foundation (GLCF) as described in Note 7. Changes in assets with significant unobservable inputs for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Beginning balance	$ 95,981	$ 87,269
Additions	-	-
Fees and expenses	-	-
Change in fair market value	(2,516)	8,712
Ending balance	$ 93,465	$ 95,981

Note 5 - Receivables

Revenue is accounted for at established rates on the accrual basis. The Organization's policy is not to accrue interest on contracts receivable. The Organization records its accounts receivable at the outstanding principal amount, less an allowance for doubtful accounts. On a periodic basis, the Organization's management evaluates its accounts receivable and, if appropriate, establishes an allowance for doubtful accounts. The evaluation considers factors such as the history of write-offs and collections, as well as current credit conditions and estimated payment arrangement outcomes. The allowance for doubtful accounts was $15,000 and $9,500 as of December 31, 2011 and 2010, respectively.

The Organization has a business loan program that gives its provider network access to small business loans of up to $5,000 at an interest rate 4% to be used for child care center renovations, equipment or higher education. The provider loans are all due within one year from the date of disbursement. Management deems all loans to be collectible as monthly payments are withheld from the providers' compensation until the loan is paid in full. Therefore, no allowance has been recorded for these receivables. Included in other receivables as of December 31, 2011 and 2010 were provider loans of $6,483 and $2,167, respectively.

Note 6 - Contracts

The Organization received program service fee revenue of $3,878,619 and $3,726,266 during fiscal years ending December 31, 2011 and 2010, respectively. Included in this funding is $3,511,912 and $3,406,106, respectively, from several contracts through the U.S. Department of Health and Human Services which is used to assist in administering the Organization's programs. These contracts are subject to possible audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization as of December 31, 2011 and 2010 or on the changes in its net assets or cash flows for the years then ended. Amounts receivable under these contracts as of December 31, 2011 and 2010 were $289,123 and $333,579, respectively.

Note 7 - Beneficial Interest in an Agency Endowment

In 2003, an irrevocable agency endowment fund was established by the Organization's Board of Directors to be maintained by the GLCF. The fund agreement grants a variance power to the GLCF that allows for the modification of the agreement by GLCF in certain limited circumstances. The purpose of the fund is to provide the Organization with an annual distribution of unrestricted support in accordance with a "Spending Policy" adopted by the Community Foundation's board. The current spending policy allows for an annual distribution of 5% of the average value of the fund. No funds were distributed from the endowment in 2011 and 2010. In accordance with ASC 958-605, *"Transfers of Assets to a Not-for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others"*, the fund has been reported as an asset of the Organization. As of December 31, 2011 and 2010, the Organization's beneficial interest in the funds held by GLCF was $93,465 and $95,981, respectively. Net gains (losses) attributed to the fund (including realized and unrealized gains and losses, interest and dividend income and administration fees) amounting to $(2,516) and $8,712 for the years ending December 31, 2011 and 2010, respectively, have been included in the statements of activities.

Note 8 - Line of Credit

The Organization has an available $75,000 line of credit with Enterprise Bank & Trust Company. The variable interest rate, based on the bank's prime rate plus 1%, was 4.25% at December 31, 2011. The line is secured by all of the Organization's assets and is due on demand. As of December 31, 2011 and 2010, there were no outstanding balances.

Note 9 - Capital Lease Obligation Payable

The Organization has four capital lease obligations with Key Government Finance. The first lease, beginning in June 2007, matures June 2012. Payments are due monthly in the amount of $654, which includes principal and interest (at a rate of 2.5%). The second lease, beginning in December 2008, matures in December 2013. Payments are due monthly in the amount of $762, which includes principal and interest (at a rate of 2%). The third lease, beginning in May 2009, matures in April 2014. Payments are due monthly in the amount of $715, which includes principal and interest (at a rate of 9.9%). The fourth lease, beginning in May 2010, matures May 2015. Payments are due monthly in the amount of $846, which includes principal and interest (at a rate of 4.7%). Proceeds from each lease were used to purchase mini school buses. The leases are secured by the related property.

The value of the school buses under these leases, which are included in fixed assets, was $197,270 as of December 31, 2011 and 2010. Amortization on the lease obligations of $39,454 and $31,529 has been included in depreciation expense as of December 31, 2011 and 2010, respectively.

Future minimum lease payments due on these capital leases, which contain bargain purchase options, together with the present value of the net minimum lease payments as of December 31, 2011 are as follows:

Year ending December 31st:	Amount
2012	$ 37,535
2013	27,880
2014	30,394
2015	14,087
Total future minimum lease payments	109,896
Less: amount representing interest	(10,397)
Present value of future minimum lease payments	99,499
Less: current maturities of capital lease obligations	(32,573)
Capital lease obligations, net of current maturities	$ 66,926

Note 10 - Rent

The Organization leases its office space located in Lowell, MA as a tenant-at-will. The rent is payable monthly at a rate of $2,800 per month. Rent expense for each of the years ended December 31, 2011 and 2010 was $33,600.

Note 11 - Employee Retirement
The Organization adopted a Simplified Employee Pension Plan in 2006. All employees that have attained the age of 18 and received compensation of at least $450 during the plan year are eligible to participate. Vesting in the plan is immediate. Contributions shall be allocated in proportion to the compensation of the participants. Elective deferrals are not permitted. A contribution rate of 2% was approved by the Board of Directors for the years ended December 31, 2011 and 2010. Pension expense was $16,855 and $15,601 for the years ended December 31, 2011 and 2010, respectively.

Acre also has a deferred compensation agreement to provide deferred compensation for employees covered under Internal Revenue Code Section 403(b). The Plan is funded through elective employee contributions.

Note 12 - Related Party Activity
During 2011, four members of the Board of Directors were also members of Acre's network of family child care providers. The Organization paid $177,163 and $156,062 in direct care provider fees to those Board members during the years ended December 31, 2011 and 2010, respectively. Included in provider contracts payable as of December 31, 2011 and 2010 were direct care providers fees payable to those Board members in the amounts of $14,553 and $15,109, respectively. Included in other receivables as of December 31, 2011 were provider loans receivable to two of those Board members in the amount of $2,427.

Two members of the Board of Directors are also employees of Enterprise Bank where the Organization's cash, line of credit and investments are held. The Organization paid $7,833 and $7,223 in investment fees to Enterprise Bank for the years ended December 31, 2011 and 2010, respectively.

Note 13 - Subsequent Events
ASC 855-10, "*Subsequent Events*", defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent to December 31, 2011 through April 12, 2012, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

Note 14 - Surplus Revenue Retention
The Organization's contracts with the Commonwealth of Massachusetts are negotiated unit rate type contracts. The Commonwealth allows the Organization to retain a surplus of total revenues attributable to or generated by the Commonwealth funded child care programs to be utilized for the charitable purposes of the Organization. The deficit retention increased by $190,830 from $380,209 at December 31, 2010 to $571,039 at December 31, 2011. This accumulated deficit can be utilized to offset surpluses generated in the future.