

# Community Resources for Justice, Inc.

Financial Statements  
and  
Supplementary Information

Years Ended June 30, 2012 and 2011

# Community Resources for Justice, Inc.

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
Years Ended June 30, 2012 and 2011

---

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses .....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-22
Supplementary Information:	
Independent Auditor's Report on Supplementary Information.....	23
Schedules of Revenues and Expenses for the State of New Hampshire.....	24-25



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Resources for Justice, Inc.  
Boston, Massachusetts

We have audited the accompanying statements of financial position of Community Resources for Justice, Inc. (the "Agency") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Community Resources for Justice, Inc. as of June 30, 2012 and 2011, 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.

*McGladrey LLP*

December 14, 2012  
Boston, Massachusetts

# Community Resources for Justice, Inc.

Statements of Financial Position

June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash (Note 2)	\$ 504,103	\$ 1,386,092
Restricted cash	-	20,628
Contracts and grants receivable, net (Note 3)	3,374,341	3,015,542
Investments, at fair value (Notes 4 and 5)	4,767,765	4,812,274
Prepaid expenses and other	592,682	454,681
Total current assets	<u>9,238,891</u>	<u>9,689,217</u>
Property and equipment, net (Notes 6, 7 and 8)	16,062,393	15,948,574
Other assets	<u>283,352</u>	<u>291,515</u>
Total assets	<u><u>\$ 25,584,636</u></u>	<u><u>\$ 25,929,306</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt (Note 8)	\$ 428,389	\$ 1,883,382
Accounts payable	536,547	438,343
Accrued liabilities	1,470,352	1,573,465
Deferred revenue	381,938	626,696
Total current liabilities	<u>2,817,226</u>	<u>4,521,886</u>
Long-term debt, net of current portion (Note 8)	9,536,488	8,316,444
Interest rate swap agreement obligation (Notes 5 and 10)	1,888,791	920,134
Deposits and other liabilities (Note 2)	30,780	32,230
Total liabilities	<u>14,273,285</u>	<u>13,790,694</u>
Net assets:		
Unrestricted net assets	11,311,351	12,117,984
Temporarily restricted net assets (Note 14)	-	20,628
Total net assets	<u>11,311,351</u>	<u>12,138,612</u>
Total liabilities and net assets	<u><u>\$ 25,584,636</u></u>	<u><u>\$ 25,929,306</u></u>

See notes to financial statements.

# Community Resources for Justice, Inc.

Statements of Activities

Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues and other support:						
Program services fees	\$ 31,087,674	\$ -	\$ 31,087,674	\$ 27,604,409	\$ -	\$ 27,604,409
Grants, gifts and contributions	1,480,553	-	1,480,553	1,155,109	20,628	1,175,737
Consulting	124,267	-	124,267	461,942	-	461,942
Other revenues (Note 11)	382,915	-	382,915	374,250	-	374,250
Net assets released from restrictions (Note 15)	20,628	(20,628)	-	-	-	-
Total revenues and other support	<b>33,096,037</b>	<b>(20,628)</b>	<b>33,075,409</b>	29,595,710	20,628	29,616,338
Expenses						
Program services:						
Adult offender services	6,017,859	-	6,017,859	5,326,559	-	5,326,559
Youth services	2,507,321	-	2,507,321	2,408,474	-	2,408,474
Community strategies - Massachusetts	14,015,287	-	14,015,287	12,634,703	-	12,634,703
Community strategies - New Hampshire	2,595,954	-	2,595,954	2,313,799	-	2,313,799
Community strategies - Connecticut	507,237	-	507,237	-	-	-
Crime and Justice Institute	2,675,052	-	2,675,052	1,703,574	-	1,703,574
Venturing out	48,338	-	48,338	-	-	-
Other programs	292,309	-	292,309	350,720	-	350,720
Total program services	<b>28,659,357</b>	-	<b>28,659,357</b>	24,737,829	-	24,737,829
Fundraising	309,644	-	309,644	294,947	-	294,947
General and administrative	4,046,254	-	4,046,254	4,008,409	-	4,008,409
Total expenses	<b>33,015,255</b>	-	<b>33,015,255</b>	29,041,185	-	29,041,185
Change in net assets from operations	<b>80,782</b>	<b>(20,628)</b>	<b>60,154</b>	554,525	20,628	575,153
Non-operating income (expense):						
Investment income	164,607	-	164,607	149,381	-	149,381
Net realized and unrealized gain (loss) on investments	(180,776)	-	(180,776)	649,174	-	649,174
Unrealized gain (loss) on interest rate swap agreement obligation (Note 10)	(968,657)	-	(968,657)	232,606	-	232,606
Gain on involuntary conversion of nonmonetary assets (Note 6)	97,411	-	97,411	-	-	-
Total non-operating income (expense)	<b>(887,415)</b>	-	<b>(887,415)</b>	1,031,161	-	1,031,161
Change in net assets	<b>(806,633)</b>	<b>(20,628)</b>	<b>(827,261)</b>	1,585,686	20,628	1,606,314
Net assets, beginning of year	<b>12,117,984</b>	<b>20,628</b>	<b>12,138,612</b>	10,532,298	-	10,532,298
Net assets, end of year	<b>\$ 11,311,351</b>	<b>\$ -</b>	<b>\$ 11,311,351</b>	\$ 12,117,984	\$ 20,628	\$ 12,138,612

See notes to financial statements.

## Community Resources for Justice, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2012

	Adult Offender Services	Youth Services	Community Strategies - Massachusetts	Community Strategies - New Hampshire	Community Strategies - Connecticut	Crime and Justice Institute	Venturing Out	Other Programs	Total Program Services	Fundraising	General and Administrative	Total
Salaries	\$ 2,857,782	\$ 1,597,420	\$ 8,501,266	\$ 1,204,403	\$ 287,988	\$ 1,227,889	\$ -	\$ 36,264	\$ 15,713,012	\$ 168,112	\$ 2,151,103	\$ 18,032,227
Payroll taxes and benefits (Note 12)	686,378	385,025	2,055,798	289,071	68,519	302,623	-	8,796	3,796,210	39,205	519,812	4,355,227
Program operations and supplies	1,031,370	91,272	552,247	152,238	19,411	-	-	-	1,846,538	-	40	1,846,578
Occupancy (Note 13)	455,968	81,741	802,188	96,540	60,043	12,314	195	137,509	1,646,498	2,163	213,788	1,862,449
Program consultants	6,740	8,900	443,019	674,299	-	-	-	-	1,132,958	-	-	1,132,958
Professional fees	7,108	-	130,389	8	3,375	692,349	-	8,243	841,472	15,618	451,068	1,308,158
Transportation (Note 13)	103,220	48,908	750,278	63,037	28,384	156,455	-	3,407	1,153,689	2,077	117,964	1,273,730
Depreciation and amortization	418,327	102,479	214,682	16,771	3,737	4,871	-	70,472	831,339	762	39,354	871,455
Interest	153,460	105,812	184,747	15,236	-	-	-	26,559	485,814	-	33,346	519,160
Insurance	25,589	14,352	76,220	10,843	2,537	10,996	-	324	140,861	1,476	68,105	210,442
Communications	96,930	26,310	103,155	27,193	5,035	61,237	-	441	320,301	7,247	89,266	416,814
Administrative	134,227	36,094	148,820	33,048	26,387	28,254	100	144	407,074	24,921	140,483	572,478
Professional and organizational development	37,115	7,916	42,058	5,921	521	177,462	2,503	150	273,646	45,962	198,860	518,468
Miscellaneous	1,497	395	7,483	50	1,100	257	45,540	-	56,322	913	1,110	58,345
Recruitment	2,148	697	2,937	7,296	200	345	-	-	13,623	1,188	21,955	36,766
Donated goods and services	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 6,017,859</b>	<b>\$ 2,507,321</b>	<b>\$ 14,015,287</b>	<b>\$ 2,595,954</b>	<b>\$ 507,237</b>	<b>\$ 2,675,052</b>	<b>\$ 48,338</b>	<b>\$ 292,309</b>	<b>\$ 28,659,357</b>	<b>\$ 309,644</b>	<b>\$ 4,046,254</b>	<b>\$ 33,015,255</b>

See notes to financial statements.

## Community Resources for Justice, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2011

	Adult Offender Services	Youth Services	Community Strategies - Massachusetts	Community Strategies - New Hampshire	Community Strategies - Connecticut	Crime and Justice Institute	Venturing Out	Other Programs	Total Program Services	Fundraising	General and Administrative	Total
Salaries	\$ 2,474,350	\$ 1,541,787	\$ 7,534,353	\$ 1,073,822	\$ -	\$ 810,695	\$ -	\$ 83,443	\$ 13,518,450	\$ 118,519	\$ 2,229,127	\$ 15,866,096
Payroll taxes and benefits (Note 12)	591,239	365,212	1,753,559	254,126	-	193,678	-	20,095	3,177,909	31,076	517,161	3,726,146
Program operations and supplies	879,964	88,366	480,186	110,199	-	66	-	144	1,558,925	11	215	1,559,151
Occupancy (Note 13)	480,901	93,873	728,557	67,650	-	15,596	-	128,712	1,515,289	2,821	226,904	1,745,014
Program consultants	6,480	13,835	474,854	650,711	-	-	-	279	1,146,159	-	10,307	1,156,466
Professional fees	16,697	-	122,875	3,491	-	385,751	-	17,753	546,567	35,988	389,521	972,076
Transportation (Note 13)	41,825	23,758	598,602	60,672	-	98,597	-	5,600	829,054	6,690	127,125	962,869
Depreciation and amortization	383,565	93,640	238,572	12,985	-	4,748	-	63,776	797,286	1,532	28,949	827,767
Interest	162,602	102,391	210,651	20,215	-	100	-	27,927	523,886	-	40,040	563,926
Insurance	26,600	23,192	120,285	13,578	-	7,672	-	1,266	192,593	1,068	82,034	275,695
Communications	81,030	23,784	115,832	20,451	-	55,105	-	1,518	297,720	6,588	60,204	364,512
Administrative	134,123	27,192	220,436	17,430	-	25,525	-	181	424,887	26,612	116,266	567,765
Professional and organizational development	41,522	7,195	30,405	5,376	-	104,477	-	10	188,985	44,473	170,743	404,201
Miscellaneous	3,119	1,488	2,763	453	-	101	-	16	7,940	321	3,498	11,759
Recruitment	2,542	2,761	2,773	2,640	-	1,463	-	-	12,179	249	6,315	18,743
Donated goods and services	-	-	-	-	-	-	-	-	-	18,999	-	18,999
<b>Total expenses</b>	<b>\$ 5,326,559</b>	<b>\$ 2,408,474</b>	<b>\$ 12,634,703</b>	<b>\$ 2,313,799</b>	<b>\$ -</b>	<b>\$ 1,703,574</b>	<b>\$ -</b>	<b>\$ 350,720</b>	<b>\$ 24,737,829</b>	<b>\$ 294,947</b>	<b>\$ 4,008,409</b>	<b>\$ 29,041,185</b>

See notes to financial statements.

# Community Resources for Justice, Inc.

## Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (827,261)	\$ 1,606,314
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	871,455	827,767
Gain on involuntary conversion of nonmonetary assets	(97,411)	-
Net realized and unrealized loss (gain) on investments	180,776	(649,174)
Unrealized loss (gain) on interest rate swap agreement	968,657	(232,606)
Change in cash restricted for programmatic purposes	20,628	(20,628)
Change in contracts and grants receivable	(358,799)	(751,175)
Change in prepaid expenses and other	(20,442)	(92,514)
Change in accounts payable	98,204	(152,843)
Change in accrued liabilities	(103,113)	(121,450)
Change in deferred revenue	(244,758)	453,372
Change in deposits and long-term accruals	(1,450)	(12,140)
Decrease in assets limited as to use	-	319,554
Decrease in employee pension benefit plan	-	(319,554)
Net cash provided by operating activities	<u>486,486</u>	<u>854,923</u>
Cash flows from investing activities:		
Purchases of investments	(933,413)	(1,680,640)
Proceeds from sales of investments	797,146	1,306,507
Purchases of property and equipment	(1,047,259)	(1,280,764)
Insurance proceeds	50,000	-
Net cash used in investing activities	<u>(1,133,526)</u>	<u>(1,654,897)</u>
Cash flows from financing activities:		
Payments on long-term debt	(234,949)	(202,744)
Proceeds from long-term debt	-	367,000
Net cash (used in) provided by financing activities	<u>(234,949)</u>	<u>164,256</u>
Net change in cash	<u>(881,989)</u>	<u>(635,718)</u>
Cash, beginning of year	<u>1,386,092</u>	<u>2,021,810</u>
Cash, end of year	<u>\$ 504,103</u>	<u>\$ 1,386,092</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 519,037</u>	<u>\$ 565,255</u>

See notes to financial statements.



# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

---

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

Community Resources for Justice, Inc. (the "Agency") operates community-based correctional, human service, residential, employment and education programs for adult males and females, juveniles and families. The Agency also develops and implements innovative programs and serves as a resource for the criminal justice community and for the general public.

A summary of the Agency's significant accounting policies follows:

### Basis of Presentation

The Agency's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") to ensure financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("FASB ASC").

### Classification and Reporting of Net Assets

The Agency's financial statement presentation follows the recommendations of FASB ASC 958, "Financial Statements of Not-for-Profit Organizations". Under ASC 958, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Agency that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- 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.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Agency. As of June 30, 2012 and 2011, the Agency does not have permanently restricted net assets.

### Recognition of Donor Restrictions

All donor-restricted support is reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets.

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 1. NATURE OF ACTIVITIES AND 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Cash

The Agency maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

### Restricted Cash

Restricted cash is earmarked for programmatic purposes. Receipts into this cash account are recorded as restricted contributions which are released when program expenses are incurred. There is no restricted cash as of June 30, 2012 as previously restricted cash amounts were expended for programmatic purposes.

### Assets Limited as to Use

Assets whose use is limited are included in long term assets and are certain funds that have been set aside by the Board to fund a "top hat" employee pension benefit plan for an executive of the Agency. During the year ended June 30, 2011, the Board approved a distribution to the executive of all funds held in the plan.

### Contracts and Grants Receivable

Contracts and grants receivable are reported at the original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual contract and grantor receivables and considering the services provided and the current economic conditions. Contracts and grants receivable are written off when deemed uncollectible. Recoveries of contracts and grants receivable previously written off are recorded as revenue when received.

### Property and Equipment, Depreciation and Amortization

Property and equipment acquisitions are recorded at cost. Depreciation and amortization of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

<u>Description</u>	<u>Years</u>
Buildings and improvements	20-39
Furniture and equipment	3-10
Leasehold improvements	5-20
Motor vehicles	5

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

---

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Property and Equipment, Depreciation and Amortization...continued

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

The Agency follows FASB ASC 410, "Asset Retirement Obligations and Environmental Obligations". This standard requires that a liability be recorded for the fair value of an asset retirement obligation specific to certain legal environmental obligations such as asbestos, medical waste removal, and lead paint removal. The recording of a liability is required if such conditions exist and the obligation can be reasonably estimated. As of June 30, 2012 and 2011, the Agency is unaware of any such obligations. The Agency will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate the fair value.

### Impairment of Long-Lived Assets

The Agency has given consideration to FASB ASC 360, "Property and Equipment" as it relates to the accounting for the impairment or disposal of long-lived assets in its presentation of those financial statements. As of June 30, 2012 and 2011, the Agency has not recognized any reduction in the carrying value of its property when considering this standard.

### Derivative Financial Instruments

Derivative financial instruments are recognized as either assets or liabilities at their fair value on the statements of financial position with the changes in the fair value reported in revenues, gains or losses and other support on the statements of activities.

### Investments and Investment Income

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets.

The Agency follows ASU 2010-06, "Improving Disclosures about Fair Value Measurements". Under ASC 820, "Fair Value Measurements and Disclosures", additional disclosures required about fair value measurements include, among other things, (a) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (b) the gross, rather than net, basis for certain Level 3 roll-forward information, (c) use of a "class" basis rather than a "major category" basis for assets and liabilities, and (d) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The following information incorporates these disclosure requirements.

Under the FASB's authoritative guidance on fair value measurements, 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. In determining fair value, the Agency uses the market approach method. Based on this approach, the Agency often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

# Community Resources for Justice, Inc.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

---

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Investments and Investment Income...continued

Based on the observability of the inputs used in the valuation techniques, the Agency is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. Level 2 also includes investments carried at the per share net asset value ("NAV") with redemption periods of ninety days or less.
- Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. Level 3 also includes investments carried at the per share NAV with redemption periods of more than ninety days.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

#### Mutual Funds, Money Market Funds, and Equities

The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

#### Derivative Instruments

Derivatives are fair valued according to their classification as over-the-counter ("OTC"). OTC derivatives consist of interest rate swaps. These derivatives are fair valued using an option adjusted discounted cash flow model using third party services and are considered Level 2 under the fair value hierarchy. Observable market inputs include yield curves such as the LIBOR swap curve.

There have been no changes to the valuation methodologies as of June 30, 2012 and 2011.

# Community Resources for Justice, Inc.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

---

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short maturity of these instruments. Rates currently available to the Agency for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. The Agency uses quoted market prices for its long-term debt when traded as an asset in an active market. When quoted market prices are not available, fair value of long-term debt is estimated using an expected present value technique.

### Deferred Financing Costs and Original Issue Discount

Costs incurred in connection with the bond issuance, including the original issue discount, are being amortized over thirty years, the term of the bonds, commencing November 2005, when the proceeds from the bond were received. During the year ended June 30, 2010, additional financing costs were incurred and capitalized relating to an amendment to the bond dated March 1, 2010. These amounts are included in other assets.

### Revenue Recognition

The Agency receives significant grants from federal, state and local governments. Entitlement to the resources is generally conditional upon compliance with terms and conditions of the grant and contract agreements and applicable governmental regulations. For the years ended June 30, 2012 and 2011, grants and contracts from governmental sources accounted for 93% and 92%, respectively, of total program services fees.

The state program of the Agency is principally funded by the Department of Developmental Services of the Commonwealth of Massachusetts. Revenue is recorded in individual programs at the rate of reimbursement for unit rate contracts and at costs incurred for cost reimbursement contracts as certified by the Massachusetts Operational Services Division. Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Agency for expenditures in accordance with its exempt purpose, provided such expenditures are reimbursable under the Operational Services Division's regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment and are reported as liabilities.

Grants are evaluated to determine whether they constitute an exchange contract (fee for service agreements) or are granted for a specific purpose or time period. If they are exchange contracts, they are recorded as revenue as the service is performed and deferred revenue if they are received in advance of the service being performed. If they are not exchange contracts, they are treated in the same manner as contributions described below.

### Program Service Fees

Revenue is recognized when services are rendered.

# Community Resources for Justice, Inc.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

---

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Contributions, Gifts and Grants

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period the promise is received. 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 to be received after one year are discounted at an appropriate discount rate commensurate with the risk and duration 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 receivable may be 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.

Contributions received with donor-imposed restrictions are reported as revenues of the temporarily restricted net asset class when they are received if the restrictions are not satisfied in the same year. A release to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Agency if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods or space is received.

During the years ended June 30, 2012 and 2011, the Agency received donated legal services of approximately \$100,000 and \$116,000, respectively. In addition, the Agency recorded \$2,000 and \$18,999 in donated items for its Annual Event in 2012 and 2011, respectively. The items were recorded at their estimated fair market value. A corresponding expense was also recorded for the same estimated value.

### Functional 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 charged directly. Other expenses that are common to several functions are allocated using various statistical bases.

# Community Resources for Justice, Inc.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

---

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Tax Status

The Agency is a not-for-profit organization generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency follows FASB ASC 740, "Income Taxes", which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes that the Agency has no material uncertainties in income taxes.

The Agency is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009.

The Agency will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

### Advertising Costs

The Agency expenses advertising costs as incurred.

### Operating Activities

The statements of activities reflect a subtotal for the change in net assets from operations. This subtotal reflects revenue that the Agency received for operating purposes and all operating expenses. Non-operating activity reflects all other activity, including but not limited to the change in the value of swap agreements, change in value of investments, investment income, and gain on involuntary transfer of nonmonetary assets.

### Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation.

### Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820) "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04). The amendments in this update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in this update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The Agency adopted this guidance on July 1, 2012 and it is not expected to have a material impact on the Agency's financial statements.

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 2. CASH HELD IN ESCROW

Included in cash as of June 30, 2012 and 2011 is \$12,598 and \$12,573 of tenant rental deposits, respectively. A related liability is reported in the statements of financial position.

## 3. CONCENTRATION OF CREDIT RISK

The following is a summary of contracts and grants receivable as of June 30:

	<u>2012</u>	<u>2011</u>
Contracts and grants receivable, gross	\$ 3,374,341	\$ 3,040,542
Less – allowance for doubtful accounts	<u>-</u>	<u>25,000</u>
Contracts and grants receivable, net	<u>\$ 3,374,341</u>	<u>\$ 3,015,542</u>

Contracts and grants receivable from government agencies and third-party payors as of June 30 are as follows:

	<u>2012</u>	<u>2011</u>
State and federal agencies	95%	94%
Other	<u>5%</u>	<u>6%</u>
	<u>100%</u>	<u>100%</u>

## 4. INVESTMENTS

The following is a summary of investments at fair value as of June 30:

	<u>2012</u>	<u>2011</u>
Fixed income mutual funds	\$ 1,666,751	\$ 1,494,314
Domestic equity mutual funds	1,613,239	1,573,732
International equity mutual funds	677,145	784,606
Domestic equities	589,949	566,089
Money market funds	<u>220,681</u>	<u>393,533</u>
	<u>\$ 4,767,765</u>	<u>\$ 4,812,274</u>

As of June 30, 2012 and 2011, the Agency incurred investment fees of \$28,173 and \$27,048, respectively, directly to an investment manager.



# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 5. FAIR VALUE MEASUREMENTS

The following table summarized the valuation of the Agency's investments and liabilities measured at fair value on a recurring basis by the fair value hierarchy as of June 30:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
<u>2012</u>				
<u>Investments:</u>				
Fixed income mutual funds	\$ 1,666,751	\$ -	\$ -	\$ 1,666,751
Domestic equity mutual funds	1,613,239	-	-	1,613,239
International equity mutual funds	677,145	-	-	677,145
Domestic equities	589,949	-	-	589,949
Money market funds	220,681	-	-	220,681
	<u>\$ 4,767,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,767,765</u>
<u>Liabilities:</u>				
Interest rate swap agreement obligation	\$ -	\$ 1,888,791	\$ -	\$ 1,888,791
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
<u>2011</u>				
<u>Investments:</u>				
Fixed income mutual funds	\$ 1,494,314	\$ -	\$ -	\$ 1,494,314
Domestic equity mutual funds	1,573,732	-	-	1,573,732
International equity mutual funds	784,606	-	-	784,606
Domestic equities	566,089	-	-	566,089
Money market funds	393,533	-	-	393,533
	<u>\$ 4,812,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,812,274</u>
<u>Liabilities:</u>				
Interest rate swap agreement obligation	\$ -	\$ 920,134	\$ -	\$ 920,134

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 6. PROPERTY AND EQUIPMENT

As of June 30, property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,069,413	\$ 2,069,413
Building and improvements	21,990,448	20,853,867
Furniture and equipment	1,699,588	1,591,133
Motor vehicles	16,825	44,235
Construction in progress	<u>73,072</u>	<u>458,006</u>
	25,849,346	25,016,654
Less – accumulated depreciation and amortization	<u>(9,786,953)</u>	<u>(9,068,080)</u>
Property and equipment, net	<u>\$ 16,062,393</u>	<u>\$ 15,948,574</u>

As of June 30, 2012, construction in progress represented costs incurred in connection with the original purchase, installation of furnishings and equipment, and land improvements. These projects are expected to be completed by December 2012 and will cost approximately \$635,000 to complete.

As of June 30, 2011, construction in progress represented costs incurred in connection with the original purchase, construction, renovations of, and alteration of, as well as installation of furnishings and equipment to various Agency locations. Included are the original costs to purchase and improvements thereon through June 30, 2011 of the Agency's Albany, New York property. All the projects were completed in July and September 2011 and costs of approximately \$181,000 were incurred to complete and place all assets in service.

During the year ended June 30, 2012, the Agency reached an agreement for an insurance settlement relating to damages sustained to a property as a result of construction being done on neighboring land by an unrelated party. The Agency received \$50,000 from the insurance company for these damages during 2012 and received an additional \$91,103 in August 2012. The Agency is expecting to receive an additional \$26,485 in fiscal year 2013 when repairs have been completed. The Agency has recognized a gain on involuntary conversion of nonmonetary assets of \$97,411 during the year ended June 30, 2012.

## 7. LINE OF CREDIT

On December 2, 2003, the Agency entered into a demand line of credit agreement with a bank for up to \$1,600,000. The December 2, 2003 agreement was modified on January 26, 2010 resulting in an amended maximum obligation of \$1,200,000, which expires in June 2013 with an option to renew annually.

The line is secured by mortgage and lease assignments on three buildings and other business assets of the Agency. Interest is charged on outstanding balances at the LIBOR advantage rate or the bank's prime rate plus 3.50% (3.74% and 3.69% as of June 30, 2012 and 2011, respectively). There was no outstanding balance as of June 30, 2012 and 2011. The line includes certain financial and operating covenants. The Agency was in violation of the debt service coverage ratio covenant and obtained a written waiver of compliance from the bank.

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 8. LONG-TERM DEBT

### MDFA Bonds:

On November 3, 2005, the Agency entered into a thirty-year bond agreement aggregating \$7,500,000, and funded by the Massachusetts Development Finance Agency ("MDFA") through a bank, the Trustee, with a variable interest rate (2.54% and 2.51% as of June 30, 2012 and 2011, respectively). Proceeds were used for repayment of debt, construction of, renovation of, alteration of as well as installation of furnishings and equipment to the Agency's various properties.

On March 1, 2010, the Agency, MDFA and Trustee amended the bond agreement. The amendment converts the interest rate from a *Weekly Rate* to the *Bank Purchase Rate* effective April 1, 2010. The *Bank Purchase Rate* means a rate of interest equal to 68% of the sum of the Adjusted LIBOR Rate, as determined for each LIBOR Interest Period, plus 3.50%. At the end of five years from the date of closing, there will be a mandatory tender, following which the bonds may be remarketed in any other mode permissible under the bond indenture or in the Bank Purchase Mode with the tax-effective percentage and the spread adjusted as may be necessary to remarket.

Under the December 1, 2008 amended terms of the bonds, annual installments of principal will continue to be due on December 1 each year. The annual principal installments start at \$130,000 in 2008 escalating each year to \$480,000 in 2035. Under the terms of the amendment, interest payments are due on the first of each month commencing May 1, 2010. The Agency's letter of credit issued by RBS Citizens, N.A. was cancelled effective with this amendment.

Concurrent with the issuance of the MDFA bonds, the Agency entered into an interest rate cap agreement. During 2007, this agreement was sold and replaced with an interest rate swap agreement.

The notes payable to RBS Citizens, N.A. include certain financial and operating covenants and are secured by certain Agency real estate and business assets. The Agency was in violation of the debt service coverage ratio covenant and obtained a written waiver of compliance from the bank.

Long-term debt as of June 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Massachusetts Development Finance Agency (MDFA) Bonds (See above)	\$ 6,950,000	\$ 7,100,000
7.63% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$2,506 to May 2026. This note was secured by a mortgage on one piece of real property and was refinanced during the year ended June 30, 2012.	-	<u>269,994</u>
Balance Forward	\$ 6,950,000	\$ 7,369,994

# Community Resources for Justice, Inc.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

## 8. LONG-TERM DEBT...continued

	<u>2012</u>	<u>2011</u>
Balance Forward	\$ 6,950,000	\$ 7,369,994
4.9% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$2,113 to May 2016. This note is secured by a mortgage on one piece of real property.	255,652	-
7.92% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$2,821 to June 2031. This note was secured by a mortgage on one piece of real property and was refinanced during the year ended June 30, 2012.	-	339,716
4.3% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$2,109 to June 2016. This note is secured by a mortgage on one piece of real property.	328,189	-
Mortgage note payable to RBS Citizens, N. A. in monthly installments of \$1,691 plus interest at London Interbank Offered Rate ("LIBOR") plus 1.75% (1.99% and 1.94% at June 30, 2012 and 2011, respectively). This note was refinanced during fiscal year 2013 (see Note 16). This note is secured by a mortgage on one piece of real property.	909,581	929,873
7.20% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$1,598 with a balloon payment due in full on April 3, 2012. This note was secured by a mortgage on one piece of real property and was refinanced during the year ended June 30, 2012.	-	206,454
4.12% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$1,598 through September 3, 2011, followed by 54 consecutive payments of \$1,255 beginning on October 3, 2011 through March 3, 2016, followed by the final lump sum payment on April 3, 2016.	201,993	-
Term note payable to RBS Citizens, N. A. in monthly installments of \$920 plus interest at LIBOR plus 1.60% (1.84% and 1.60% as of June 30, 2012 and 2011, respectively). This note was refinanced during fiscal year 2013 (See Note 16). This note is secured by all mortgaged properties.	<u>549,352</u>	<u>561,140</u>
Balance Forward	\$ 9,194,767	\$ 9,407,177

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 8. LONG-TERM DEBT...continued

	<u>2012</u>	<u>2011</u>
Balance Forward	\$ 9,194,767	\$ 9,407,177
Mortgage note payable to RBS Citizens, N. A. in monthly installments of \$405 plus interest at LIBOR plus 1.60% (1.84% and 1.95% as of June 30, 2012 and 2011, respectively). This note was refinanced during fiscal year 2013 (See Note 16). This note is secured by a mortgage on one piece of real property.	183,224	188,168
5.40% mortgage note payable to RBS Citizens, N. A. in monthly installments of \$1,505 to May 2015. This note is secured by a mortgage on one piece of real property.	239,085	243,876
6.5% mortgage payable to Pioneer Savings Bank, fixed for five years, adjustable September 1, 2015 but in no event less than 6.50% per annum, in monthly installments of \$1,301 to August 1, 2020 with a balloon payment in full on August 1, 2020. This mortgage is secured by one piece of real property.	163,220	171,752
4.4% mortgage payable to RBS Citizens, N. A. in monthly installments of \$1,056, with a balloon payment due in full on September 15, 2015. This note is secured by one piece of real property.	<u>184,581</u>	<u>188,853</u>
	9,964,877	10,199,826
Less – current portion	<u>428,389</u>	<u>1,883,382</u>
Long term debt, net of current portion	<u>\$ 9,536,488</u>	<u>\$ 8,316,444</u>

As of June 30, 2012 and 2011, the carrying value of long-term debt approximates fair value.

The aggregate maturities, including balloon payments, required on long-term debt as of June 30, 2012 have been adjusted to reflect new terms on notes refinanced through the date of this report and are as follows:

2013	\$ 428,389
2014	259,503
2015	495,889
2016	1,099,313
2017	1,447,025
Thereafter	<u>6,234,758</u>
	<u>\$ 9,964,877</u>

The total amount of interest cost incurred amounted to \$519,160 and \$563,926 during the years ended June 30, 2012 and 2011, respectively.

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 9. EMPLOYEE PENSION BENEFIT PLAN

The Agency established a “top hat” employee pension benefit plan (the “Plan”) during fiscal year 2007. As part of this plan, the annuities that were in the name of the Agency’s executive were subject to substantial risk of forfeiture should the executive terminate employment before the age of 62. During fiscal year 2011, the Board of Directors met and voted to remove the substantial risk of forfeiture clause and the Agency’s executive elected to take a distribution of such funds. The related assets and liability was removed from the Agency’s books and records during fiscal year 2011.

## 10. INTEREST RATE SWAP AGREEMENT

The Agency maintains an interest rate risk management strategy that uses derivative instruments to minimize significant, unanticipated net asset fluctuations caused by interest rate volatility. The Agency’s specific goal is to lower the cost of its borrowed funds.

During the year ended June 30, 2007, the Agency entered into an interest rate swap agreement with RBS Citizens, N.A. The agreement has a fixed rate of 3.98% with a notional amount of \$7,500,000. In April 2010, the Agency entered into a new swap agreement and terminated the former swap agreement when restructuring the MDFA bonds, which converted existing SIFMA-based fixed rate swap to a Libor-based fixed rate swap.

The new interest rate swap agreement is with RBS Citizens, N. A. and has a fixed rate of 3.55% with a notional amount of \$6,950,000 and \$7,100,000 as of June 30, 2012 and 2011, respectively.

### Effect of the Interest Rate Swap in Cash Flow Hedging Relationships on the Statements of Financial Position as of June 30, 2012 and 2011

Derivative	Statements of Financial Position Location	Fair Value 2012	Fair Value 2011
Interest rate contract	Interest rate swap agreement obligation	<u>\$ 1,888,791</u>	<u>\$ 920,134</u>

### Effect of Interest Rate Swap on the Statements of Activities for the Years Ended June 30, 2012 and 2011

Derivative	Statements of Activities Location	Amount Loss Recognized in Revenues, Gains, and Other Support	
		2012	2011
Interest rate contract	Unrealized gain (loss) on interest rate swap agreement	<u>\$ (968,657)</u>	<u>\$ 232,606</u>

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 11. RENTAL INCOME

The Agency leases certain office and residential space in four buildings primarily used for Agency operations. Rental income for the years ended June 30, 2012 and 2011 was \$318,709 and \$280,166, respectively.

The following is a schedule by years of the future minimum lease revenue under the non-cancelable leases as of June 30:

2013	\$ 269,970
2014	229,755
2015	210,125
2016	165,000
2017	<u>82,500</u>
	<u>\$ 957,350</u>

## 12. 401(K) RETIREMENT PLAN

The Agency maintains a 401(k) tax deferred plan and a 401(k) Roth retirement plan. All employees, with the exception of Co-Op students, Interns and Temporary employees who have at least thirty (30) days of continuous service are eligible to participate. Eligible employees' participation begins on the first of the month following thirty days of employment. Employees who are 21 years of age or older are eligible for an Agency match after six months of continuous employment. The plan includes a provision for loans to participants. Each eligible participant may contribute up to the federal allowed maximum, in addition to the federal limit for the catch-up provisions. The Agency will match 100% for the employees' first 3% and 50% for the next 2% of employees' contributions. The Agency may make additional proportionate contributions at its discretion. The Agency contributed \$286,804 and \$197,667 to the plan during the years ended June 30, 2012 and 2011, respectively, which is included in payroll taxes and benefits in the accompanying statements of functional expenses. A favorable determination has been received from the Internal Revenue Service regarding the plan's tax-exempt status.

## 13. OPERATING LEASES

The Agency leases various program sites, equipment and vehicles. Future minimum lease payments due under these agreements are as follows as of June 30:

	<u>Total</u>	<u>Real Estate</u>	<u>Equipment</u>	<u>Vehicles</u>
2013	\$ 849,303	\$ 513,949	\$ 55,934	\$ 279,420
2014	698,610	473,366	35,784	189,460
2015	535,787	417,653	1,300	116,834
2016	<u>149,033</u>	<u>140,723</u>	<u>-</u>	<u>8,310</u>
	<u>\$ 2,232,733</u>	<u>\$ 1,545,691</u>	<u>\$ 93,018</u>	<u>\$ 594,024</u>

The above leases provide for annual escalation charges for property taxes and operating expenses as stipulated in the lease agreements.

# Community Resources for Justice, Inc.

Notes to Financial Statements  
Years Ended June 30, 2012 and 2011

## 13. OPERATING LEASES...continued

Total real estate lease/rent expense for the Agency was \$627,174 and \$501,287, respectively, for the years ended June 30, 2012 and 2011. Total vehicle lease expense for the Agency was \$324,023 and \$298,681 for the years ended June 30, 2012 and 2011, respectively. Total equipment lease expense was \$86,526 and \$85,566 for the years ended June 30, 2012 and 2011, respectively.

## 14. TEMPORARILY RESTRICTED NET ASSETS

Following is a summary as of June 30:

	<u>2012</u>	<u>2011</u>
Contributions restricted as to purpose	<u>\$ -</u>	<u>\$ 20,628</u>

## 15. NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2012, \$20,628 was released from restriction by satisfying purpose restrictions imposed by donors. There were no net assets released from restriction for the year ended June 30, 2011.

## 16. SUBSEQUENT EVENTS

During August 2012, the Agency entered into a temporary development line of credit agreement with RBS Citizens, N. A. with a maximum obligation of \$400,000. The line is secured by all mortgaged properties. Interest is charged on outstanding balances at 3.73%.

During August 2012, the Agency purchased two properties in Marlboro, Massachusetts and Fitchburg, Massachusetts for \$595,000. The Agency financed \$416,000 of this purchase using a temporary development line of credit with RBS Citizens, N. A. The Agency intends to convert this balance into a traditional mortgage by the end of fiscal year 2013.

On August 15, 2012, the Agency refinanced its term note payable to RBS Citizens, N. A. for its Manchester location. The new note calls for monthly installments of \$5,272, which includes interest at 3.75% per annum. This note is secured by all mortgaged properties.

On August 15, 2012, the Agency refinanced its term note payable to RBS Citizens, N. A. for renovations. The new note calls for monthly installments of \$3,257 plus interest at 3.75% per annum. The note is secured by all mortgaged properties.

The Agency evaluated subsequent events through December 14, 2012 when the financial statements were issued.



---

SUPPLEMENTARY INFORMATION

---

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Community Resources for Justice, Inc.  
Boston, Massachusetts

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and expenses for the State of New Hampshire for the years ended June 30, 2012 and 2011 are presented for purposes of additional analysis and are not a required part of the 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 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 financial statements as a whole.

*McGladrey LLP*

December 14, 2012  
Boston, Massachusetts

# Community Resources for Justice, Inc.

Schedule of Revenues and Expenses for the State of New Hampshire

Year Ended June 30, 2012

	Pathways of the River Valley	Monadnock Developmental Services	Moore Center Services	Community Developmental Services	Community Support Services	Unity House Services	Community Bridges Services	Total
<b>Revenues:</b>								
Program service fees	\$ 603,359	\$ 861,519	\$ 450,716	\$ 465,521	\$ 55,101	\$ -	\$ 201,291	\$ 2,637,507
<b>Expenses:</b>								
Salaries	229,837	356,898	113,672	228,728	1,358	-	111,455	1,041,948
Payroll taxes and benefits	55,625	87,271	27,163	54,972	329	-	26,960	252,320
Program operations and supplies	26,352	63,845	24,283	25,321	240	-	8,627	148,668
Occupancy	13,174	9,282	23,001	24,601	-	-	6,795	76,853
Program consultants	156,548	187,985	188,835	100,704	38,661	-	1,108	673,841
Transportation	2,131	4,644	9,125	9,380	71	-	5,204	30,555
Depreciation and amortization	10,689	-	-	916	-	-	2,678	14,283
Interest	10,649	-	-	1,064	-	-	3,522	15,235
Insurance	2,205	3,265	1,014	1,934	12	-	1,012	9,442
Communications	1,938	3,070	3,381	3,127	-	-	838	12,354
Administrative	3,686	1,827	17	7,150	-	-	382	13,062
Professional and organizational development	654	-	11	619	-	-	44	1,328
Recruitment	799	641	381	1,375	-	-	54	3,250
Indirects	141,369	198,491	105,700	121,494	11,348	-	32,336	610,738
Total expenses	655,656	917,219	496,583	581,385	52,019	-	201,015	2,903,877
Excess (deficiency) of revenues over expenses	\$ (52,297)	\$ (55,700)	\$ (45,867)	\$ (115,864)	\$ 3,082	\$ -	\$ 276	\$ (266,370)

## Community Resources for Justice, Inc.

Schedule of Revenues and Expenses for the State of New Hampshire  
Year Ended June 30, 2011

	Pathways of the River Valley	Monadnock Developmental Services	Moore Center Services	Community Developmental Services	Community Support Services	Unity House Services	Community Bridges Services	Total
Revenues:								
Program service fees	\$ 306,898	\$ 793,557	\$ 381,948	\$ 387,353	\$ 54,686	\$ 202,009	\$ 171,641	\$ 2,298,092
Expenses:								
Salaries	43,163	366,568	78,625	159,178	1,608	159,585	85,196	893,923
Payroll taxes and benefits	10,285	87,585	18,621	37,610	384	37,863	20,044	212,392
Program operations and supplies	11,031	49,790	15,472	14,656	307	11,098	6,110	108,464
Occupancy	-	6,452	11,922	12,077	-	14,910	4,423	49,784
Program consultants	153,681	176,420	190,452	88,744	38,608	1,400	1,029	650,334
Transportation	1,938	6,909	9,433	9,098	49	2,225	4,834	34,486
Depreciation and amortization	-	-	-	991	-	9,822	2,016	12,829
Interest	-	-	-	1,190	-	16,128	2,897	20,215
Insurance	340	3,042	1,417	2,076	13	1,294	1,165	9,347
Communications	-	2,081	2,592	903	-	2,403	863	8,842
Administrative	120	268	195	3,127	-	1,594	888	6,192
Professional and organizational development	159	-	-	14	-	-	11	184
Miscellaneous	-	-	-	79	-	-	-	79
Recruitment	-	-	8	31	-	-	-	39
Overhead allocation	72,700	239,166	108,219	86,280	13,855	87,765	27,739	635,724
Total expenses	293,417	938,281	436,956	416,054	54,824	346,087	157,215	2,642,834
Excess (deficiency) of revenues over expenses	\$ 13,481	\$ (144,724)	\$ (55,008)	\$ (28,701)	\$ (138)	\$ (144,078)	\$ 14,426	\$ (344,742)