# THE COMMUNITY FAMILY, INC.

INDEPENDENT AUDITOR'S REPORT ON AUDITS OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Ercolini
& Company

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
**The Community Family, Inc.**
Everett, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of The Community Family, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Family, Inc. as of December 31, 2012 and 2011, and the results of its operations, 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.

## Report on Additional Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information (shown on pages 23 through 30) is presented for purposes of additional analysis and is 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 audits 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.

Ercolini & Company LLP

Boston, Massachusetts
April 10, 2013

**THE COMMUNITY FAMILY, INC.**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

## ASSETS

| | 2012 | 2011 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents - operating | **$ 1,567,417** | $ 1,456,124 |
| Accounts and pledges receivable, net | **516,049** | 592,638 |
| Prepaid expenses | **41,358** | 35,003 |
| Total current assets | **2,124,824** | 2,083,765 |
| **PROPERTY AND EQUIPMENT** | | |
| Land | **861,745** | 861,745 |
| Buildings | **3,078,922** | 3,078,922 |
| Furniture, fixtures and equipment | **711,925** | 674,671 |
| Motor vehicles | **450,519** | 450,519 |
| Miscellaneous fixed assets | **5,177** | 5,177 |
| | **5,108,288** | 5,071,034 |
| Less - accumulated depreciation | **(1,298,465)** | (1,086,923) |
| Net property and equipment | **3,809,823** | 3,984,111 |
| **OTHER ASSETS** | | |
| Investments - Board designated | **916,240** | 610,470 |
| Deferred financing costs, net of accumulated amortization of $2,009 and $1,671, respectively | **5,256** | 5,594 |
| Total other assets | **921,496** | 616,064 |
| **TOTAL ASSETS** | **$ 6,856,143** | $ 6,683,940 |

## LIABILITIES AND NET ASSETS

| | 2012 | 2011 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term debt | **$ 65,841** | $ 61,913 |
| Accounts payable and accrued expenses | **90,531** | 99,048 |
| Accrued payroll, vacation and payroll taxes | **133,077** | 137,000 |
| Deferred revenue | **26,668** | 25,567 |
| Total current liabilities | **316,117** | 323,528 |
| **LONG-TERM DEBT** | | |
| Mortgage notes payable, net of current maturities | **1,400,368** | 1,455,754 |
| Total liabilities | **1,716,485** | 1,779,282 |
| **NET ASSETS** | | |
| Unrestricted net assets: | | |
| Unrestricted | **4,223,418** | 4,294,188 |
| Board designated for purpose | **916,240** | 610,470 |
| Total net assets | **5,139,658** | 4,904,658 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 6,856,143** | $ 6,683,940 |

**THE COMMUNITY FAMILY, INC.**

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **UNRESTRICTED NET ASSETS:** | | |
| **SUPPORT AND REVENUE:** | | |
| Program | **$ 2,285,603** | $ 2,305,638 |
| Transportation | **795,562** | 773,680 |
| USDA income | **148,577** | 136,677 |
| Interest and dividend income | **23,300** | 18,924 |
| Miscellaneous income | **8,751** | 1,239 |
| Grants and donations | **175,295** | 170,916 |
| Net assets released from restrictions | **-** | 10,000 |
| Total support and revenue | **3,437,088** | 3,417,074 |
| **FUNCTIONAL EXPENSES:** | | |
| Program services | **2,632,300** | 2,617,526 |
| General and administrative | **608,170** | 608,729 |
| Development | **1,362** | 1,858 |
| Total functional expenses | **3,241,832** | 3,228,113 |
| Subtotal | **195,256** | 188,961 |
| Realized and unrealized gain (loss) on investments | **39,744** | (16,899) |
| **Increase (decrease) in Unrestricted Net Assets** | **235,000** | 172,062 |
| **TEMPORARILY RESTRICTED NET ASSETS:** | | |
| Net assets released from restrictions | **-** | (10,000) |
| **Increase (decrease) in Temporarily Restricted Net Assets** | **-** | (10,000) |
| **Total Increase (Decrease) in Net Assets** | **235,000** | 162,062 |
| **Net Assets, Beginning of Year** | **4,904,658** | 4,742,596 |
| **Net Assets, End of Year** | **$ 5,139,658** | $ 4,904,658 |

**THE COMMUNITY FAMILY, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **PROGRAM SERVICES:** | | |
| Payroll | **$ 1,564,726** | $ 1,578,060 |
| Payroll taxes | **117,562** | 114,873 |
| Activities | **19,022** | 20,458 |
| Depreciation and amortization | **207,141** | 191,902 |
| Food | **141,162** | 136,167 |
| Fringe benefits | **153,175** | 161,378 |
| Insurance | **77,953** | 65,604 |
| Medical supplies | **17,563** | 12,648 |
| Staff training | **2,580** | 1,159 |
| Supplies | **14,008** | 15,290 |
| Taxes - Other | **22,419** | 21,213 |
| Transportation | **247,960** | 240,154 |
| Travel | **346** | 520 |
| Utilities | **46,683** | 58,100 |
| Total program services | **2,632,300** | 2,617,526 |
| **GENERAL AND ADMINISTRATIVE:** | | |
| Payroll | **207,805** | 175,966 |
| Payroll taxes | **15,811** | 13,248 |
| Advertising - employment | **1,634** | 376 |
| Advertising - marketing | **5,407** | 934 |
| Audit | **20,640** | 13,012 |
| Bad debt | **1,983** | 2,494 |
| Board expense | **2,784** | 3,530 |
| Casual labor | **580** | 2,920 |
| Cleaning and janitorial | **82,361** | 79,922 |
| Consulting | **11,868** | 3,135 |
| Depreciation and amortization | **4,739** | 5,458 |
| Dues and subscriptions | **9,012** | 8,355 |
| Equipment leases | **8,606** | 8,859 |
| Food | **1,132** | 1,494 |
| Fringe benefits | **16,860** | 18,830 |
| Insurance | **5,354** | 13,716 |
| Interest | **90,170** | 109,478 |
| Legal | **-** | 483 |
| Office supplies and expenses | **36,086** | 39,189 |
| Payroll service and bank charges | **23,793** | 27,474 |
| Postage | **5,315** | 5,360 |
| Repairs and maintenance | **35,793** | 53,528 |
| Staff training | **235** | 1,154 |
| Telephone | **18,945** | 18,227 |
| Travel | **1,257** | 1,587 |
| Total general and administrative | **608,170** | 608,729 |

See notes to financial statements.

**THE COMMUNITY FAMILY, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **DEVELOPMENT:** | | |
| Dues and subscriptions | **$ 275** | $ 275 |
| Fundraising | **1,087** | 1,583 |
| Total development | **1,362** | 1,858 |
| **Total Functional Expenses** | **$ 3,241,832** | $ 3,228,113 |

See notes to financial statements.

**THE COMMUNITY FAMILY, INC.**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | **$ 235,000** | $ 162,062 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | **211,542** | 197,022 |
| Amortization | **338** | 338 |
| Net realized and unrealized (gains) losses on investments | **(39,744)** | 16,899 |
| Provision for doubtful accounts | **(4,109)** | - |
| Changes in assets and liabilities | | |
| (Increase) decrease in assets: | | |
| Accounts and pledges receivable | **80,698** | (82,772) |
| Prepaid expenses | **(6,355)** | (16,686) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | **(8,517)** | 36,332 |
| Accrued payroll, vacation and payroll taxes | **(3,923)** | 11,691 |
| Deferred revenue | **1,101** | 7,069 |
| Net cash provided by (used in) operating activities | **466,031** | 331,955 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Maturities of certificates of deposit | **-** | 105,304 |
| Purchase of investments | **(905,791)** | (70,818) |
| Sale or maturity of investments | **639,765** | 64,746 |
| Purchases of property and equipment | **(37,254)** | (120,899) |
| Net cash provided by (used in) investing activities | **(303,280)** | (21,667) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Mortgage principal payments | **(51,458)** | (245,215) |
| Net cash provided by (used in) financing activities | **(51,458)** | (245,215) |
| Net increase (decrease) in cash and cash equivalents | **111,293** | 65,073 |
| Cash and cash equivalents, beginning of year | **1,456,124** | 1,391,051 |
| Cash and cash equivalents, end of year | **$ 1,567,417** | $ 1,456,124 |

See notes to financial statements.

## 1. Organization and summary of significant accounting policies

### Organization and nature of operations

The Community Family, Inc. (the "Organization") was formed in 1978 as a tax-exempt corporation under Chapter 180 of the laws of the Commonwealth of Massachusetts. The Organization provides adult day-care services in Everett, Massachusetts. The Organization also has two adult day-care centers, with a primary function of caring for clients suffering from Alzheimer's disease, located in Medford and Lowell, Massachusetts. The Organization provides transportation services for some of its clients.

The Organization is subject to revenue rates as established by the Division of Health Care Finance and Policy of the Commonwealth of Massachusetts for its Adult and Alzheimer's Disease Day Care Program contracts. The Commonwealth of Massachusetts Division of Medical Assistance has certified the Organization as a provider of Adult Day Health Care.

Following is a summary of significant accounting policies consistently applied in the preparation of the financial statements:

### Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with guidance issued by the Financial Accounting Standards Board (FASB). 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 restrictions; |
| *Temporarily restricted net assets* | Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and |
| *Permanently restricted net assets* | Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. |

Grants which are limited to the use of various Organization programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Organization within the limits of the Organization's Articles of Organization. At December 31, 2012 and 2011, the Organization has no temporarily or permanently restricted net assets.

### 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 certain reported amounts of assets and liabilities and disclosures 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.

## 1. Organization and summary of significant accounting policies - continued

### Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of corporate bonds and mutual funds that are invested in equity securities, bonds, money market and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization’s account balances.

The Organization receives reimbursements from federal funding agencies, including Medicaid and USDA, and third party service providers which are public agencies for providing adult day health program services. Reimbursement rates are set by geographic region, federal and state regulations, and federal and state budgets. Due to the level of risk associated with certain reimbursement providers due to federal and state budgetary cuts, it is at least reasonably possible that changes in reimbursement rates will occur in the near term and such changes could materially affect the Organization's account balances.

### Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less, as well as investments in interest bearing money market accounts, to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

### Investments and investment pools

The Organization’s investments consist of investments in marketable securities with readily determinable fair values and investments in debt securities which are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on the average cost method for mutual funds and specific identification of securities sold for corporate bonds. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### Endowment

The Organization’s endowment consists of approximately 15 individual funds that are restricted by the Board of Directors as a working capital reserve. No funds have been restricted by donors to function as endowments as of December 31, 2012 and 2011. In conformity with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

## 1. Organization and summary of significant accounting policies - continued

### Endowment - continued

*Interpretation of relevant law*

The Board of Directors has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (the Act), governing the Organization’s net asset classification of restricted endowment funds, as requiring the preservation of the fair value of the restricted endowment funds absent of explicit stipulations to the contrary.

As a result of this interpretation, the Organization may accumulate so much of the annual net income as is deemed prudent to meet (1) the long and short term needs to the Organization in carrying out its mission, (2) problems specific to the Organization, (3) present and anticipated financial requirements, (4) expected total return on its investments, (5) price level trends, and (6) general economic conditions. In addition, the Organization may hold any or all such accumulated income for subsequent expenditure for the uses and purposes for which the endowment was established or may add any or all of the accumulated income to the principal endowment fund that is deemed prudent.

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Organization and the restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Organization, and (vii) the investment policies of the Organization.

*Investment and spending policies*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. At December 31, 2012 and 2011 there were no donor-restricted endowment funds. Under the investment and spending policies, as approved by the Board of Directors, the endowment assets are invested in a pre-approved listing of different types of securities that aim to preserve principal, generate income and provide the opportunity for conservative growth. The Organization expects its endowment funds, over time, to provide an average annual rate of return of approximately 4 – 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

The Organization has not adopted a policy to appropriate a portion of its endowment for distribution each year as the Organization’s intent is to hold the endowment in perpetuity until such a time arises when the Board of Directors specifies a use for the funds. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

## 1. Organization and summary of significant accounting policies - continued

### Accounts and pledges receivable

Accounts and pledges receivable are stated at the amount the Organization expects to collect from outstanding balances. Organization management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after Organization management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The Organization does not have any policies requiring collateral or other security to secure accounts receivable. Federal funding agencies, including Medicaid and USDA, and third party providers which are public agencies, do not permit collateralization of their accounts. Consequently, the Organization does not believe any policy is necessary.

### Property and equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments in excess of $500 that materially prolong the useful lives of assets are capitalized. Building and improvements are being depreciated over their estimated useful lives ranging from 20 to 40 years utilizing the straight line method. Furnishings and equipment and motor vehicles are being depreciated over their estimated useful lives ranging from 5 to 7 years utilizing the straight line method.

At December 31, 2012 and 2011, property and equipment with an original cost of approximately $502,500 and $472,300, respectively, was fully depreciated and still in service.

### Deferred financing costs

Costs related to obtaining the mortgage debt financing for the Lowell, Massachusetts facility and Everett, Massachusetts facility are amortized over the term of the related debt using the straight-line method.

### Impairment

The Organization's long-lived assets are reviewed for impairment when events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

In 2012 and 2011, no events or circumstances occurred or existed which indicated that the Organization's long-lived assets might be impaired; accordingly no such loss provision was included in the accompanying financial statements.

### Contract revenue and client fees

Contract revenue and client fees are recognized as revenue in the year in which the services are performed. Contract revenue and client fees received in advance are deferred and reflected as prepaid revenue until the service is provided.

## 1. Organization and summary of significant accounting policies - continued

### Contributions

Contributions, including grants, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, the net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

### Contributed services

Contributed services that require specialized skills are recognized as revenue at the estimated fair value when the service is received. During the years ended December 31, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements under the FASB's accounting standards was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

### General and administrative expenses

The Organization allocates general and administrative expenses directly to programs for which separately identifiable costs can be attributed. All other general and administrative expenses are paid by the Home Office and allocated among program sites based on service units provided by location.

During the years ended December 31, 2012 and 2011, the allocations of general and administrative expenses were approximately as follows:

| | **2012** | 2011 |
|---|---|---|
| Everett | **44%** | 38% |
| Medford | **27%** | 30% |
| Lowell | **29%** | 32% |
| | **100%** | 100% |

## 1. Organization and summary of significant accounting policies - continued

### Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the years ended December 31, 2012 and 2011 were $5,407 and $934, respectively.

### Income taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the years ended December 31, 2012 and 2011. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of December 31, 2012. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended December 31, 2009, 2010 and 2011.

### Recent accounting pronouncements

In May, 2011, the FASB issued guidance which further amends the measurement and disclosure requirements related to recurring and nonrecurring fair value measurements. The standard clarifies the fair value measurement guidance applicable to highest-and-best-use and valuation premise, measuring fair value of an instrument classified in equity and financial instruments managed within a portfolio, and the application of premiums and discounts in a fair value measurement. Additionally, the guidance requires expanded disclosure of fair value measurements categorized in Level 3, use of an asset in a way that differs from the asset's highest-and-best-use, and items not measured at fair value but for which fair value is required to be disclosed. These disclosures are effective for fiscal years and interim periods beginning after December 15, 2011. Adoption by the Organization of this guidance in 2012 had no material impact on the Organization's 2012 financial statements.

In October 2011, the FASB issued Accounting Standards Update (ASU) No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this ASU require a not-for-profit entity (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources for long-

## 1. Organization and summary of significant accounting policies - continued

### Recent accounting pronouncements - continued

term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The guidance is effective for fiscal years and interim periods beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption is permitted only if an NFP's financial statements for those fiscal years and interim periods within those years have not yet been made available for issuance. The Organization does not believe that its adoption of the guidance in 2014 will have a material impact on the Organization's 2014 financial statements.

### Subsequent events

The Organization has evaluated subsequent events through April 10, 2013, the date the financial statements were available to be issued.

## 2. Certificates of deposit

As part of its cash management program, the Organization maintained a portfolio of marketable investment securities. These securities were held in certificate of deposit accounts whose fair value approximated cost plus accrued interest

The proceeds of a certificate of deposit held in 2010 totaled approximately $105,300 and at maturity on January 9, 2011, was rolled into a savings account with Lowell Five Cent Savings Bank. There are no certificates of deposit held as of December 31, 2012 and 2011.

## 3. Accounts and pledges receivable

Accounts and pledges receivable consists of the following at December 31, 2012 and 2011:

| | **2012** | 2011 |
|---|---|---|
| Trade receivables | | |
| Medicaid | **$ 296,254** | $ 319,535 |
| Veterans Administration | **56,525** | 120,775 |
| Other providers | **75,088** | 86,042 |
| Private pay | **72,984** | 76,802 |
| USDA | **11,702** | 11,841 |
| Subtotal | **512,553** | 614,995 |
| Less: Allowance for doubtful accounts | **( 18,248)** | ( 22,357) |
| | **494,305** | 592,638 |
| Other receivables | **21,744** | - |
| Total accounts receivable, net | **$ 516,049** | $ 592,638 |

There were no pledges receivable as of December 31, 2012 and 2011.

## 4. Investments

The Organization maintains a portfolio of investments in a pooled account. The cost and fair market value of these investments at December 31, 2012 and 2011 are as follows:

| Portfolio of Pooled Investments | 2012 Cost | 2012 Market Value | 2011 Cost | 2011 Market Value |
|---|---|---|---|---|
| Mutual Funds: | | | | |
| Fixed income | **$ 345,387** | **$ 367,431** | $ 292,327 | $ 308,404 |
| Equities | **334,008** | **394,168** | 191,798 | 250,230 |
| Short-term investments and money market funds | **78,272** | **78,272** | 51,836 | 51,836 |
| Real Estate investment trusts | **76,300** | **76,369** | - | - |
| | **$ 833,967** | **$ 916,240** | $ 535,961 | $ 610,470 |

Realized and unrealized gains (losses) on investments for the years ended December 31, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|---|---|---|
| Realized gain on investments | **$ 31,980** | $ 1,234 |
| Realized loss on investments | **-** | - |
| Unrealized gain on investments | **7,764** | - |
| Unrealized loss on investments | **-** | ( 18,133) |
| Net realized and unrealized gain (loss) on investments | **$ 39,744** | ($ 16,899) |

For the years ended December 31, 2012 and 2011, investment activity for the portfolio of pooled investments was as follows:

| | 2012 | 2011 |
|---|---|---|
| Investments, beginning of year | **$ 610,470** | $ 621,297 |
| Investment income: | | |
| Dividends and interest, net of expenses totaling $6,669, and $8,454 respectively | **16,026** | 6,072 |
| Realized and unrealized gains (losses) | **39,744** | ( 16,899) |
| Deposits | **250,000** | - |
| Investments, end of year | **$ 916,240** | $ 610,470 |

## 4. Investments - continued

The endowment net asset composition by type of fund as of December 31, 2012 was as follows:

| **Fund Type** | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|---|
| **Donor-restricted endowment** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Board-designated endowment** | **916,240** | **-** | **-** | **916,240** |
| | **$ 916,240** | **$ -** | **$ -** | **$ 916,240** |

Changes in the endowment net assets for the year ended December 31, 2012 was as follows:

| | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|---|
| **Endowment net assets, beginning of year** | **$ 610,470** | **$ -** | **$ -** | **$ 610,470** |
| **Investment return:** | | | | |
| **Investment Income** | **22,695** | **-** | **-** | **22,695** |
| **Appreciation (depreciation), realized and unrealized** | **39,744** | **-** | **-** | **39,744** |
| **Total investment return** | **672,909** | **-** | **-** | **672,909** |
| **Contributions** | **250,000** | **-** | **-** | **250,000** |
| **Appropriation of endowment assets for expenditure** | **-** | **-** | **-** | **-** |
| **Investment management fees** | **( 6,669)** | **-** | **-** | **( 6,669)** |
| **Endowment net assets, end of year** | **$ 916,240** | **$ -** | **$ -** | **$ 916,240** |

The endowment net asset composition by type of fund as of December 31, 2011 was as follows:

| Fund Type | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment | $ - | $ - | $ - | $ - |
| Board-designated endowment | 610,470 | - | - | 610,470 |
| | $ 610,470 | $ - | $ - | $ 610,470 |

## 4. Investments - continued

Changes in the endowment net assets for the year ended December 31, 2011 was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 621,297 | $ - | $ - | $ 621,297 |
| Investment return: | | | | |
| Investment Income | 14,526 | - | - | 14,526 |
| Appreciation (depreciation), realized and unrealized | ( 16,899) | - | - | ( 16,899) |
| Total investment return | 618,924 | - | - | 618,924 |
| Contributions | - | - | - | - |
| Appropriation of endowment assets for expenditure | - | - | - | - |
| Investment management fees | ( 8,454) | - | - | ( 8,454) |
| Endowment net assets, end of year | $ 610,470 | $ - | $ - | $ 610,470 |

## 5. Fair value measurements

The Organization follows FASB's guidance on fair value measurements. The guidance framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs.

The fair value hierarchy under the guidance is as follows:

*Level 1* Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

*Level 3* Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance requires the use of observable data if such data is available without undue cost and effort.

## 5. Fair value measurements - continued

The fair value of assets measured on a recurring basis at December 31, 2012 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
|---|---|---|---|---|
| **Investments - endowment** | | | | |
| **Money market funds** | **$ 78,272** | **$ 78,272** | **$ -** | **$ -** |
| **Fixed income** | **367,431** | **367,431** | **-** | **-** |
| **Equities** | **394,168** | **394,168** | **-** | **-** |
| **Real estate investment trust** | **76,369** | **-** | **76,369** | **-** |
| **Total assets** | **$ 916,240** | **$ 839,871** | **$ 76,369** | **$ -** |

The fair value of assets measured on a recurring basis at December 31, 2011 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
|---|---|---|---|---|
| Investments - endowment | | | | |
| Money market funds | $ 51,836 | $ 51,836 | $ - | $ - |
| Fixed income | 308,404 | 308,404 | - | - |
| Equities | 250,230 | 250,230 | - | - |
| Total assets | $ 610,470 | $ 610,470 | $ - | $ - |

Fair values for investments are determined by reference to quoted market prices for Level I inputs and other relevant information generated by market transactions for Level II inputs.

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level III inputs) at December 31, 2012 and 2011.

## 6. Mortgage notes payable

Long-term debt consists of the following at December 31:

| | 2012 | 2011 |
|---|---|---|
| Mortgage note payable, Everett Cooperative Bank, secured by real estate in Everett, Massachusetts and other assets of the Organization, payable in monthly installments of interest only, at a fixed rate of 6.50%, through April 13, 2010. Final draws totaling $215,600 were received during 2010 resulting in a total loan of $1,376,958. Payments of principal and interest, at a fixed rate of 6.50%, in monthly installments of $9,456 commenced in April 2010. During December, 2011, the Organization made an optional prepayment in the amount of $200,000. The loan is scheduled to mature in October 2034. Interest of $73,581 and $88,984 was incurred during 2012 and 2011, respectively. There was no accrued interest payable at December 31, 2012 and 2011. | **$ 1,108,142** | $ 1,137,197 |
| Mortgage note payable, Lowell Five Cent Savings Bank, secured by real estate in Lowell, Massachusetts and maturing October 2024. Interest from inception of the loan through September 2011 was at 5.5% per annum. Commencing in October 2011, the interest rate was changed to 4.5% per annum. The rate will be adjusted every five years thereafter to a rate equal to the bank's prime rate plus 1.25%. Monthly payments through September 2011 were $3,513. Commencing October 2011, the monthly payment was changed to $3,257. Interest of $16,589 and $20,494 was incurred during 2012 and 2011, respectively. Accrued interest payable at December 31, 2012 and 2011 totaled $1,366 and $1,453, respectively. The Lowell Five Cent Savings Bank loan requires funds equal to 20% of the outstanding balance to be maintained at the bank as additional collateral. This requirement has been met by funds held at the financial institution in a cash account at December 31, 2012 and 2011 in the amount of $106,589 and $105,890, respectively. | **358,067** | 380,470 |
| Total mortgage notes payable | **$ 1,466,209** | $ 1,517,667 |

## 6. Mortgage notes payable – continued

| | 2012 | 2011 |
|---|---|---|
| Current portion | $ **65,841** | $ 61,913 |
| Long-term portion | **1,400,368** | 1,455,754 |
| Total mortgage notes payable | **$ 1,466,209** | $ 1,517,667 |

Estimated annual principal payments on the mortgage notes payable for the next five years and in the aggregate as of December 31, 2012 are as follows:

| | |
|---|---|
| 2013 | $ 65,841 |
| 2014 | 69,524 |
| 2015 | 74,000 |
| 2016 | 78,281 |
| 2017 | 83,190 |
| Thereafter | 1,095,373 |
| Total mortgage notes payable | $ 1,466,209 |

## 7. Board designated assets

At December 31, 2012 and 2011, $916,240 and $610,470, respectively, of investments are held in a Board designated endowment fund as a working capital reserve. During 2012, the Board authorized an increase to the Board designated endowment fund of $250,000.

## 8. Operating lease commitments

### Office equipment

The Organization leases certain office equipment under various operating leases. Terms of the leases generally are for terms ranging from 12-51 months and expire at various dates through October 2013. Payments range from $30 to $306 per month plus excess usage charges. Total office equipment lease expense for the years ended December 31, 2012 and 2011 totaled $8,606 and $8,859, respectively.

## 9. Concentrations of economic risk

A significant portion of total support and revenue is derived from the Commonwealth of Massachusetts Division of Medical Assistance and various agencies of the Commonwealth. Billings for these services are rendered on a semi-monthly or monthly basis. The 2012 and 2011, earned revenues from these payors were approximately as follows:

## 9. Concentrations of economic risk - continued

| | **2012** | 2011 |
|---|---|---|
| Percent of earned revenue: | | |
| Medicaid/USDA | **60%** | 58% |
| Veterans Administration | **8%** | 11% |
| Other | **14%** | 15% |
| | **82%** | 84% |
| Percent of accounts receivable: | | |
| Medicaid/USDA | **62%** | 56% |
| Veterans Administration | **11%** | 20% |
| Other | **15%** | 15% |
| | **88%** | 91% |

## 10. Commitments and contingencies

The Organization receives a significant portion of its funding from contracts with governmental agencies and third-party payors. These contracts are subject to laws and regulations governing the programs contractual agreements and medical assessment; all of which are subject to interpretation. The contracts provide the appropriate agencies the right to audit the Organization, and could result in the recapture of revenue previously reported by the Organization.

In the opinion of management, the results of such audits, if any, should not have a material effect on the Organization's financial position or results of operations.

## 11. Concentration of credit risk

The Organization maintains operating cash balances at financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. In addition, all funds in a non-interest bearing transaction deposit account are fully insured by the FDIC through December 31, 2012. This temporary unlimited insurance coverage is in addition to and separate from the coverage of at least $250,000 available under the FDIC's general deposit insurance rules.

In addition, the Organization's financial institutions participate in either the Share Insurance Fund (SIF) which insures all deposits at co-operative banks in Massachusetts above FDIC limits or the Depositors Insurance Fund which insures all deposits above FDIC limits at Massachusetts chartered savings banks. As of December 31, 2012 and 2011, the Organization's cash balances were fully insured under these programs.

The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalent balances.

## 12. Supplemental cash flow information

| | **2012** | 2011 |
|---|---|---|
| Schedule of noncash investing and financing activities: | | |
| Costs incurred for property and equipment, including construction in progress | **($ 37,254)** | ($ 107,520) |
| Amounts included in accounts payable at end of year | **-** | - |
| Amounts included in accounts payable at beginning of year | **-** | ( 13,379) |
| | **($ 37,254)** | ($ 120,899) |
| Cash paid during the year for interest, net of amounts capitalized | **($ 90,257)** | ($ 109,899) |

# ADDITIONAL INFORMATION

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF REVENUE AND EXPENSES

EVERETT FACILITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **UNRESTRICTED NET ASSETS:** | | |
| **SUPPORT AND REVENUE:** | | |
| Program | **$ 930,632** | $ 842,536 |
| Transportation | **379,236** | 336,359 |
| USDA income | **73,540** | 56,340 |
| Miscellaneous income | **88** | - |
| Grants and donations | **45,860** | 60,458 |
| Total support and revenue | **1,429,356** | 1,295,693 |
| **FUNCTIONAL EXPENSES:** | | |
| Program services | **982,711** | 880,919 |
| General and administrative | **268,437** | 253,293 |
| Development | **350** | - |
| Total functional expenses | **1,251,498** | 1,134,212 |
| **Increase (decrease) in Net Assets** | **$ 177,858** | $ 161,481 |

See independent auditor's report on additional information, pages 1 - 2.

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF FUNCTIONAL EXPENSES

EVERETT FACILITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **PROGRAM SERVICES:** | | |
| Payroll | **$ 555,102** | $ 508,488 |
| Payroll taxes | **40,963** | 36,393 |
| Activities | **8,268** | 11,363 |
| Depreciation and amortization | **93,484** | 83,572 |
| Food | **69,074** | 55,179 |
| Fringe benefits | **62,235** | 63,569 |
| Insurance | **28,811** | 22,272 |
| Medical supplies | **4,810** | 2,695 |
| Staff training | **1,035** | 234 |
| Supplies | **5,674** | 5,470 |
| Taxes - Other | **22,419** | 21,213 |
| Transportation | **77,120** | 58,212 |
| Travel | **-** | 253 |
| Utilities | **13,716** | 12,006 |
| Total program services | **982,711** | 880,919 |
| **GENERAL AND ADMINISTRATIVE:** | | |
| Advertising - employment | **520** | 370 |
| Advertising - marketing | **100** | 71 |
| Bad debt | **-** | 1,798 |
| Casual labor | **280** | 1,840 |
| Cleaning and janitorial | **34,375** | 31,635 |
| Dues and subscriptions | **1,943** | 1,786 |
| Equipment leases | **3,230** | 3,405 |
| Home office allocation | **138,460** | 107,635 |
| Interest | **55,447** | 67,208 |
| Office supplies and expenses | **7,307** | 7,663 |
| Payroll service and bank charges | **3,690** | 4,561 |
| Postage | **87** | 166 |
| Repairs and maintenance | **16,586** | 19,373 |
| Telephone | **6,412** | 5,782 |
| Total general and administrative | **268,437** | 253,293 |
| **DEVELOPMENT** | | |
| Fundraising | **350** | - |
| Total development | **350** | - |
| **Total Functional Expenses** | **$ 1,251,498** | $ 1,134,212 |

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF REVENUE AND EXPENSES

MEDFORD FACILITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **UNRESTRICTED NET ASSETS:** | | |
| **SUPPORT AND REVENUE:** | | |
| Program | **$ 666,362** | $ 716,475 |
| Transportation | **201,398** | 205,511 |
| USDA income | **38,539** | 39,125 |
| Miscellaneous income | **736** | 1,000 |
| Grants and donations | **93,529** | 76,640 |
| Total support and revenue | **1,000,564** | 1,038,751 |
| **FUNCTIONAL EXPENSES:** | | |
| Program services | **829,698** | 857,062 |
| General and administrative | **167,550** | 185,491 |
| Development | **587** | 984 |
| Total functional expenses | **997,835** | 1,043,537 |
| **Increase (decrease) in Unrestricted Net Assets** | **$ 2,729** | $ (4,786) |

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF FUNCTIONAL EXPENSES

MEDFORD FACILITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **PROGRAM SERVICES:** | | |
| Payroll | **$ 541,022** | $ 572,380 |
| Payroll taxes | **41,665** | 42,652 |
| Activities | **7,740** | 5,476 |
| Depreciation and amortization | **51,215** | 48,600 |
| Food | **38,114** | 37,577 |
| Fringe benefits | **33,898** | 34,700 |
| Insurance | **26,208** | 23,294 |
| Medical supplies | **10,093** | 8,266 |
| Staff training | **835** | 726 |
| Supplies | **2,651** | 3,887 |
| Transportation | **60,153** | 56,868 |
| Travel | **-** | 29 |
| Utilities | **16,104** | 22,607 |
| Total program services | **829,698** | 857,062 |
| **GENERAL AND ADMINISTRATIVE:** | | |
| Advertising - employment | **722** | - |
| Advertising - marketing | **-** | 71 |
| Bad debt | **1,525** | 696 |
| Cleaning and janitorial | **30,358** | 30,605 |
| Dues and subscriptions | **2,429** | 2,046 |
| Equipment leases | **2,995** | 3,344 |
| Home office allocation | **83,181** | 86,802 |
| Interest | **12,264** | 14,825 |
| Office supplies and expenses | **9,892** | 12,461 |
| Payroll service and bank charges | **3,272** | 2,910 |
| Postage | **627** | 870 |
| Repairs and maintenance | **15,409** | 26,186 |
| Telephone | **4,876** | 4,675 |
| Total general and administrative | **167,550** | 185,491 |
| **DEVELOPMENT:** | | |
| Fundraising | **587** | 984 |
| Total development | **587** | 984 |
| **Total Functional Expenses** | **$ 997,835** | $ 1,043,537 |

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF REVENUE AND EXPENSES

LOWELL FACILITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **UNRESTRICTED NET ASSETS:** | | |
| **SUPPORT AND REVENUE:** | | |
| Program | **$ 688,609** | $ 746,627 |
| Transportation | **214,928** | 231,810 |
| USDA income | **36,498** | 41,212 |
| Miscellaneous income | **325** | 239 |
| Grants and donations | **30,906** | 33,818 |
| Total support and revenue | **971,266** | 1,053,706 |
| **FUNCTIONAL EXPENSES:** | | |
| Program services | **819,891** | 879,545 |
| General and administrative | **152,307** | 157,542 |
| Development | **150** | 150 |
| Total functional expenses | **972,348** | 1,037,237 |
| **Increase (decrease) in Net Assets** | **$ (1,082)** | $ 16,469 |

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF FUNCTIONAL EXPENSES

LOWELL FACILITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **PROGRAM SERVICES:** | | |
| Payroll | $ **468,602** | $ 497,192 |
| Payroll taxes | **34,934** | 35,828 |
| Activities | **3,014** | 3,619 |
| Depreciation and amortization | **62,442** | 59,730 |
| Food | **33,974** | 43,411 |
| Fringe benefits | **57,042** | 63,109 |
| Insurance | **22,934** | 20,038 |
| Medical supplies | **2,660** | 1,687 |
| Staff training | **710** | 199 |
| Supplies | **5,683** | 5,933 |
| Transportation | **110,687** | 125,074 |
| Travel | **346** | 238 |
| Utilities | **16,863** | 23,487 |
| Total program services | **819,891** | 879,545 |
| **GENERAL AND ADMINISTRATIVE:** | | |
| Advertising - employment | **392** | - |
| Advertising - marketing | **5,057** | 370 |
| Bad debt | **458** | - |
| Casual labor | **100** | 760 |
| Cleaning and janitorial | **17,628** | 17,682 |
| Dues and subscriptions | **1,653** | 1,333 |
| Equipment leases | **1,442** | 1,048 |
| Home office allocation | **92,116** | 91,208 |
| Interest | **16,589** | 20,494 |
| Office supplies and expenses | **4,753** | 8,249 |
| Payroll service and bank charges | **2,889** | 2,678 |
| Postage | **1,212** | 1,178 |
| Repairs and maintenance | **3,571** | 7,969 |
| Telephone | **4,447** | 4,573 |
| Total general and administrative | **152,307** | 157,542 |
| **DEVELOPMENT:** | | |
| Fundraising | **150** | 150 |
| Total development | **150** | 150 |
| **Total Functional Expenses** | $ **972,348** | $ 1,037,237 |

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF REVENUE AND EXPENSES

HOME OFFICE

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **UNRESTRICTED NET ASSETS:** | | |
| **SUPPORT AND REVENUE:** | | |
| Interest and dividend income | **$ 23,300** | $ 18,924 |
| Miscellaneous income | **7,602** | - |
| Grants and donations | **5,000** | - |
| Total support and revenue | **35,902** | 18,924 |
| **FUNCTIONAL EXPENSES:** | | |
| General and administrative | **333,633** | 298,048 |
| Development | **275** | 724 |
| Total functional expenses | **333,908** | 298,772 |
| Less: home office allocation | **(313,757)** | (285,645) |
| Subtotal | **20,151** | 13,127 |
| Realized and unrealized gain (loss) on investments | **39,744** | (16,899) |
| **Increase (decrease) in Net Assets** | **$ 55,495** | $ (11,102) |

**THE COMMUNITY FAMILY, INC.**

SCHEDULES OF FUNCTIONAL EXPENSES

HOME OFFICE

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **GENERAL AND ADMINISTRATIVE:** | | |
| Payroll | **$ 207,805** | $ 175,966 |
| Payroll taxes | **15,811** | 13,248 |
| Advertising - employment | **-** | 6 |
| Advertising - marketing | **250** | 422 |
| Audit | **20,640** | 13,012 |
| Board expense | **2,784** | 3,530 |
| Casual labor | **200** | 320 |
| Consulting | **11,868** | 3,135 |
| Depreciation and amortization | **4,739** | 5,458 |
| Dues and subscriptions | **2,987** | 3,190 |
| Equipment leases | **939** | 1,062 |
| Food | **1,132** | 1,494 |
| Fringe benefits | **16,860** | 18,830 |
| Insurance | **5,354** | 13,716 |
| Interest | **5,870** | 6,951 |
| Legal | **-** | 483 |
| Office supplies and expenses | **14,134** | 10,816 |
| Payroll service and bank charges | **13,942** | 17,325 |
| Postage | **3,389** | 3,146 |
| Repairs and maintenance | **227** | - |
| Staff training | **235** | 1,154 |
| Telephone | **3,210** | 3,197 |
| Travel | **1,257** | 1,587 |
| Total general and administrative | **333,633** | 298,048 |
| **DEVELOPMENT:** | | |
| Dues and subscriptions | **275** | 275 |
| Fundraising | **-** | 449 |
| Total development | **275** | 724 |
| **Total Functional Expenses** | **$ 333,908** | $ 298,772 |
| **Less home office allocation:** | | |
| Everett | **$ 138,460** | $ 107,635 |
| Medford | **83,181** | 86,802 |
| Lowell | **92,116** | 91,208 |
| Total home office allocation | **313,757** | 285,645 |
| **Total Expenses After Allocation** | **$ 20,151** | $ 13,127 |