CROSSROADS FOR KIDS, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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DECEMBER 31, 2011

To the Board of Trustees
Crossroads for Kids, Inc.
Duxbury, Massachusetts

Re: Independent Auditor's Report

Ladies and Gentlemen:

We have audited the accompanying statement of financial position of Crossroads for Kids, Inc. (a Massachusetts nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Crossroads for Kids, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's December 31, 2010 financial statements and, in our report dated April 10, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Crossroads for Kids, Inc. as of December 31, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2012 on our consideration of Crossroads for Kids, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purposes of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
May 10, 2012

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STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 WITH COMPARATIVE TOTALS FOR 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and Cash Equivalents	$ 487,435	$ 369,813
Investments, Short-term	450,000	450,000
Accounts Receivable - Program Services	39,314	36,071
Contributions Receivable - Current Portion	233,956	146,734
Prepaid Expenses	3,876	6,882
TOTAL CURRENT ASSETS	1,214,581	1,009,500
PROPERTY AND EQUIPMENT		
Land, Buildings and Equipment	6,016,307	5,801,471
Less: Accumulated Depreciation	(2,997,325)	(2,825,213)
Net Property and Equipment	3,018,982	2,976,258
OTHER ASSETS		
Long-Term Investments	5,068,225	5,572,492
Contributions Receivable - Less Portion Due Currently	181,406	-
Deposits	483	483
TOTAL OTHER ASSETS	5,250,114	5,572,975
TOTAL ASSETS	$ 9,483,677	$ 9,558,733

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts Payable	$ 32,329	$ 26,809
Accrued Expenses	47,796	25,266
TOTAL CURRENT LIABILITIES	80,126	52,075
TOTAL LIABILITIES	80,126	52,075
NET ASSETS		
Unrestricted	5,522,512	5,553,627
Temporarily Restricted	3,721,039	3,793,031
Permanently Restricted	160,000	160,000
TOTAL NET ASSETS	9,403,551	9,506,658
TOTAL LIABILITIES AND NET ASSETS	$ 9,483,677	$ 9,558,733

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011 WITH COMPARATIVE TOTALS FOR 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2011	2010
REVENUES, GAINS, AND OTHER SUPPORT					
Program Service Fees	$ 1,064,380	$ -	$ -	**$ 1,064,380**	$ 1,081,057
Contributions, Gifts, Legacies, Bequests and Special Events	1,377,696	543,914	-	**1,921,610**	941,670
Investment Revenue	50,614	37,121	-	**87,735**	55,775
Realized and Unrealized Investment Gains (Losses)	(36,638)	(29,470)	-	**(66,108)**	221,016
In-Kind Contributions	81,935	-	-	**81,935**	60,536
Other Income	11,000	-	-	**11,000**	4,000
Gain from Sale of Equipment	3,500	-	-	**3,500**	3,550
Net Assets Released - Time Restrictions	162,500	(162,500)	-	**-**	-
Net Assets Released - Condition Restrictions	461,057	(461,057)	-	**-**	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	3,176,044	(71,992)	-	**3,104,052**	2,367,604
EXPENSES					
Program Services	2,546,567	-	-	**2,546,567**	2,385,956
Development	331,807	-	-	**331,807**	285,742
Management and General	328,785	-	-	**328,785**	372,820
TOTAL EXPENSES	3,207,159	-	-	**3,207,159**	3,044,518
CHANGES IN NET ASSETS	(31,115)	(71,992)	-	**(103,107)**	(676,914)
NET ASSETS - BEGINNING OF YEAR	5,553,627	3,793,031	160,000	**9,506,658**	10,183,572
NET ASSETS - END OF YEAR	$ 5,522,512	$ 3,721,039	$ 160,000	**$ 9,403,551**	$ 9,506,658

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Camp Programs	Group Rentals and Year-Round Camping	Total Program Services	Development	Management and General	Total 2011	Total 2010
Salaries and Wages	$ 1,082,080	$ 111,085	$ 1,193,165	$ 231,786	$ 177,790	**$ 1,602,741**	$ 1,515,217
Payroll Taxes	100,619	10,579	111,198	17,350	20,724	**149,272**	157,332
Employee Benefits	62,857	7,080	69,937	15,863	11,653	**97,453**	95,433
Program Supplies	402,236	44,945	447,181	43	128	**447,352**	379,038
Contracted Services	55,717	563	56,280	39,625	43,498	**139,403**	146,828
Insurance Expense	79,773	3,013	82,786	3,783	3,745	**90,314**	98,304
Depreciation Expense	181,419	8,504	189,923	1,417	4,252	**195,592**	191,840
Utilities and Maintenance Expense	184,337	43,282	227,619	820	4,618	**233,057**	243,049
Telephone Expense	6,144	1,010	7,154	1,200	2,506	**10,860**	16,789
Office Expense	17,576	819	18,395	3,461	45,873	**67,729**	58,898
Vehicle Expenses	92,668	3,076	95,744	497	3,620	**99,861**	82,218
Promotion and Marketing	5,178	-	5,178	14,671	552	**20,401**	15,274
Other Expenses	41,568	439	42,007	1,291	9,826	**53,124**	44,298
Total Functional Expenses	$ 2,312,172	$ 234,395	$ 2,546,567	$ 331,807	$ 328,785	**$ 3,207,159**	$ 3,044,518

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ (103,107)**	$ (676,914)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities		
Depreciation	**195,593**	191,840
Donated Property and Equipment	**(10,000)**	-
Donated Securities	**-**	(8,336)
Net Realized and Unrealized Investment Gains	**66,108**	(221,016)
Reinvested Investment Income and Gains	**(87,735)**	(55,775)
Gains on Sales of Equipment	**(3,500)**	(3,550)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	**(3,243)**	(645)
Contributions Receivable	**(268,628)**	214,849
Prepaid Expenses	**3,006**	16,598
Increase (Decrease) in Liabilities:		
Accounts Payable	**5,520**	(80,264)
Accrued Expenses	**22,530**	18,529
NET CASH (USED) BY OPERATING ACTIVITIES	**(183,456)**	(604,684)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property & Equipment	**(228,318)**	(93,465)
Proceeds from Sales of Investments	**562,896**	653,029
Purchases of Investments	**(37,000)**	(47,000)
Proceeds from Sales of Equipment	**3,500**	3,550
NET CASH PROVIDED BY INVESTING ACTIVITIES	**301,078**	516,114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**117,622**	(88,570)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**369,813**	458,383
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 487,435**	$ 369,813

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2011	2010
Non-Cash Transactions:		
Cost of fully-depreciated assets sold	**$ 23,482**	$ 35,900
Accumulated depreciation on assets sold	**$ (23,482)**	$ (35,900)

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. NATURE OF THE ORGANIZATION

Crossroads for Kids, Inc. (the “Organization”), since 1936, has served at-risk youth from Greater Boston living in environments that include abuse, violence, neglect, poverty and homelessness. Many of the youth spend more than a decade of their childhood as part of the Organization’s community. The Organization supports kids through the most critical transitions of their young lives and sees incredible success as a result of its unique approach of offering multi-year experiences in a combination of its summer and year-round programs. More kids are staying in school, taking on leadership and community service roles in their communities, and building a positive vision for the future which includes college and meaningful employment.

Program Descriptions
The Organization serves almost 1,700 young people through its summer camp and year-round programs. The Organization has many community partners enabling it to serve youth in Boston and the Greater Boston area including Lowell, Lawrence, Brockton, New Bedford, the South Shore, and Cape Cod, and their surrounding communities.

The Organization serves at-risk and in-crisis youth ages 7-18 through eight programs:

Camp Mitton - (ages 7-13) In a family-style environment, Camp Mitton provides traditional summer camp experiences for youth who have or are experiencing crisis situations such as homelessness, abuse or neglect. The youth who attend are experiencing low self-image, feelings of hopelessness, and an inability to understand and communicate their feelings in healthy ways, and are struggling with behavioral manifestations of these problems.

Camp Wing - (ages 7-16) Camp Wing is our largest summer program. The youth in this program need guidance in learning how to handle the stresses of their home environments which can include violence, neglect, and abuse. At Camp Wing, we foster their development of coping skills, peer relation abilities, conflict resolution and life skills.

Camper Continuity Initiative (CCI) -Year-round (ages 9-12) This four-year program consists of 20 days at camp each summer and one weekend each month at one of our sites during the school year for skill-building and developmental programs. CCI participants receive mentoring from both our staff and from the participants in our C5 teen leadership program through the “Sparks” mentoring initiative.

C5 Teen Leadership Program - Year-round (ages 13-17) This five-year leadership program for high potential youth includes two summers at Camp Lapham participating in Camp Leadership U, a two week wilderness trek, a college tour, and a week-long community leadership experience during their fifth summer. During the school year, our teen leaders complete 30+ hours of community service, attend and plan cultural events, visit museums and theaters, and participate in workshops on finances, college, employment, and public speaking. Our oldest C5 teens are eligible for the Apprentice program and many graduate to become staff members at Camp Wing and Mitton.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. **NATURE OF THE ORGANIZATION** (Continued)

Apprentices - Year-round (ages 16-17) Teens shadow all positions at camp and learn first-hand the skills that create successful team members and mentors to younger children. They attend year-round events as junior staff members and participate in career readiness programming.

Camp Wing Day Camp - Camp Wing Day Camp is a program for local youth during the summer months at our Camp Wing site in Duxbury, MA. There are 200 campers, ages 5 – 17, per session and there are 4 two-week sessions each summer. These campers participate in creative arts, outdoor pursuits, daily instructional swim, group games, team building and much more. This is a mission compatible, revenue-generating program that helps to fund, support, and complement our primary mission programs.

Crossroads Connects - Crossroads Connects provides staffing and program design, delivery, and management throughout the year to a wide range of mission compatible groups, such as schools, youth groups, and other not-for-profit organizations. The programs are comprised of educationally based activities and challenges designed to teach participants important interpersonal skills. This is a mission compatible, revenue-generating program that helps to fund, support, and complement our primary mission programs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Financial Statement Presentation**
The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with ASC 958, Not-For-Profit Entities. Under such standards financial position and activities are reported based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three categories of net assets (permanently restricted, temporarily restricted, and unrestricted) and the statement of activities displays the amounts of change in each of those categories.

Unrestricted Net Assets – Net assets are not subject to donor-imposed restrictions. Included in this category are Board Designated net assets. See Note 7 for additional information.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions where the gift principal is not required to be maintained in perpetuity. This category also includes uncollected promises to give not intended to benefit the fiscal year for which the promise is made. In addition, Massachusetts regulations require that realized and unrealized appreciation on permanently restricted net assets be classified in this category until such time as they are appropriated for expenditure by Board action. Restrictions are typically met, either by the expenditure funds or passage of time. When a restriction expires the amount is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Financial Statement Presentation** (Continued)

Permanently Restricted Net Assets – These include endowment funds where the principal must be maintained intact in perpetuity. Included are uncollected contributions, net of discount, if applicable. Investment income is reported as either unrestricted or temporarily restricted revenue in accordance with the donor's intent. Realized and unrealized gains and losses on investments are recorded as temporarily restricted revenues and are available for use subject to limitations of Massachusetts laws.

B. **Income Taxes**
The Organization is a not-for-profit organization that is in general exempt from income taxes under § 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Uncertain Tax Positions
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, 2011. 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, 2010, 2009 and 2008.

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

D. **Cash and Cash Equivalents**
For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use and with an initial maturity of three months or less, to be cash equivalents. However, certain investments are with bank or other money market instruments. While these are cash equivalents they are part of the investment portfolio and are so classified.

E. **Investments**
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets and are released to unrestricted net assets when the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are expended.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **Fair Value Measurements**
Professional standards require disclosure of the sources of how the fair value of certain financial assets and liabilities are measured by establishing a fair value hierarchy that prioritizes inputs used to measure fair value. Such assets consist of items carried at fair value on a recurring basis consist primarily of investments, financial instruments which are valued primarily based upon quoted prices in active or brokered markets for identical or similar assets or liabilities.

The fair value measurement hierarchy is as follows:

Level 1 – Quoted market prices for identical assets
Level 2 – Significant other observable inputs
Level 3 – Significant unobservable inputs

All of the Organization's inputs for investments are Level 1 inputs.

G. **Impairment of Long-Lived Assets**
The Organization evaluates long-lived assets and intangible assets with definite lives for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the future discounted cash flows arising from the assets with the carrying value of the asset. If impairment is indicated, the asset is written down to its estimated fair value on a discounted basis. During 2011 there were no changes in events or business circumstances that would require such an evaluation.

H. **Promises to Give**
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the permanency of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

After an analysis of contributions receivable management has determined that an allowance for uncollectible contributions is not required.

Long-term promises to give are recorded at the present value of estimated future cash flows, after taking into account any allowance for uncollectible contributions. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Accretion of the discount is included in contribution revenues. Non-current contributions receivable represent amounts not expected to be received within the following fiscal year.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Accounts Receivable**
Accounts receivable are carried at an amount equal to uncollected revenue less an allowance for doubtful accounts. An allowance for doubtful accounts is established based on a history of past write-offs and current credit conditions. Accounts receivable are unsecured and do not accrue interest. As of December 31, 2011 the allowance is $4,086.

J. **Donated Items**
Donated items are recorded at their estimated fair value at the date of receipt. During 2011 the Organization received donations of materials amounting to $71,935. Also, during 2011, the Organization received a donation of furniture in the amount of $10,000 without a stipulation on the length of its use. If the donor stipulates how long the asset must be used, the contribution is recorded as restricted support. In the absence of such a stipulation, contribution of property and equipment is recorded as unrestricted support.

K. **Functional Allocation of Expenses**
The costs of providing various programs and other supporting activities have been summarized on a functional basis in the statement of functional expenses. Whenever possible, expenses incurred are charged directly to a program or supporting service. Supporting services include Development which raises funds on behalf of the Organization, and management and general which comprises administrative expenses. Such expenses are allocated to programs and development based on various methodologies.

L. **Property and Equipment**
It is the Organization's policy to capitalize property and equipment over $1,000. Other amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with specific restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are expended or placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 – 40 Years
Furniture and Equipment	3 – 10 Years
Motor Vehicles	5 Years

M. **Special Events**
The Organization has determined that special events are incidental to its operations and therefore has reported the special event revenue net of direct costs.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has reviewed and evaluated transactions and events ("subsequent events") after the statement of financial position date, December 31, 2011, and up to and including May 10, 2012 the date the financial statements were available to be issued.

The objective of this review was to determine if any events occurred subsequent to December 31, 2011 which provided additional evidence of conditions which may have required recognition or disclosure in the accompanying financial statements. In management's opinion, no such events have occurred.

O. **Summarized Financial Information for 2010**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

3. **CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give, described as contributions receivable in the statement of financial position, consist of the following at December 31, 2011:

Unrestricted Promises:	$ 433,956
Less: Unamortized Discount	(18,594)
Net Unconditional Promises to Give	$ 415,362
Amounts due in:	
Less than One Year	$ 233,956
One to Five Years	181,406
	$ 415,362

Unconditional promises to give initially due in more than one year are reported at the present value of future cash flows using discount rates of 3% - 5%.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. **INVESTMENTS**

Investments at December 31, 2011 are composed of the following:

	Fair Value	Cost	Unrealized Gain
Money Market Funds	$ 1,823,358	$1,823,358	$ -
Mutual Funds	3,694,867	3,576,727	118,140
Total Investments	$ 5,518,225	$5,400,085	$ 118,140

Investment Return Consisted of the Following:	Unrestricted	Restricted
Interest and Dividends	$ 50,614	$ 37,121
Realized Gains	3,159	2,288
Net Unrealized Losses	(39,797)	(31,750)
Total Investment Return	$ 13,976	$ 7,659

Investments are classified as non-current in the statement of financial position with the exception of the amount the Board estimates will be needed for 2012 activities. The current portion is invested in money market funds thus there is no realized or unrealized gain or loss.

Sources of Fair Values

The sources for fair values are quoted market prices for the specific investments at December 31, 2011, which is a Level 1 source input. The Organization has no investments Observable (Level 2) or Unobservable (Level 3) inputs.

5. **ENDOWMENT FUNDS**

The following is additional information on the endowment funds which include unrestricted, board designated, funds-functioning-as-endowment which are part of unrestricted net assets and permanently donor restricted endowment funds.

Board's Interpretation of Massachusetts' Uniform Prudent Management of Institutional Funds Act (UPMIFA)

UPMIFA requires the Board or its designee to consider many factors prior to investing institutional funds. These factors include, the purposes of the fund, the charitable purposes of the organization, the need to invest in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, only incur costs that are reasonable in relation to the assets, allocate costs on a reasonable basis among the funds, the general economic conditions including the possible effects of inflation and deflation, the role of each investment in the portfolio, the expected total return from income and the appreciation of investments, the diversification of its investments unless special circumstances dictate otherwise, the need to periodically rebalance the portfolio to

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

5. **ENDOWMENT FUNDS** (Continued)

Board's Interpretation of Massachusetts' Uniform Prudent Management of Institutional Funds Act (UPMIFA)

bring the funds into compliance with the purposes, terms and distribution requirements of the institution, and the delegation to an external agent the management and investment of institutional funds.

In addition, terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only "income", "interest", "dividends" or "rents, issues or profits", or "to preserve the principal intact" or words of similar import shall create an endowment fund of permanent duration unless other language in the gift instrument limits the duration of the fund.

As of December 31, 2011 the Organization held one permanent donor restricted fund with a fair value of $160,000 invested in a money market fund.

Appropriation Policy for Board-Designated Funds (Functioning-as-Endowment)
The Board's policy for appropriations (spending) policy is to withdraw only amounts needed to support current operations of the Organization. During 2011, the funds-functioning-as-endowment had a 5% spending policy based upon a three year rolling average of the fair value of the funds. The projected spending amount is appropriated annually through the budget approval process.

Investment Policy for Board Designated Funds
Investments should be broadly diversified in both equity and fixed income portfolios to maximize total return consistent with prudent risk control. The approach is long-term. Current income is not a primary objective. The long-term target allocation is a mix of 60% equities and 40% fixed-income investments. Cash equivalents are generally maintained at the level of anticipated withdrawals for the next year. This allocation mix will be evaluated annually. The current investment vehicles are through the Vanguard group of mutual funds, with primary emphasis on index funds, as well as Vanguard's money market products.

Composition of Invested Funds Functioning As Endowment
The composition of the board designated funds-functioning-as-endowment, at fair value, at December 31, 2011 is as follows:

Money Market Fund	$ 108,991
Equity Funds	1,280,009
Bond Fund	705,943
Total Board Designated	$2,094,943

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

5. **ENDOWMENT FUNDS** (Continued)

2011 Reconciliation of Endowment Funds Activity is as follows:

	Funds-Functioning As Endowment	Endowment
Balance at beginning of the year	$2,145,809	$160,000
Additions	37,000	-
Withdrawals	(101,839)	-
Net investment return	13,973	-
Balance at the end of the year	$2,094,943	$160,000

6. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Land and Improvements	$ 939,859
Buildings and Improvements	4,415,367
Furniture and Equipment	590,670
Motor Vehicles	70,411
	6,016,307
Less Accumulated Depreciation	(2,997,325)
Net Property and Equipment	$3,018,982

Depreciation expense amounted to $195,593 for 2011.

7. **NET ASSETS**

A. **Unrestricted Net Assets**—Unrestricted net assets include Board designated funds amounting to $2,094,943 made up of the Norman Knight Fund for $286,818 and other funds-functioning-as-endowment totaling $1,808,125. The Norman Knight Fund is set aside for the purpose of providing financial scholarships to qualifying campers and is invested in certain money market and mutual funds.

B. **Temporarily Restricted Net Assets** – Temporarily restricted net assets consists of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Donor restrictions limit the use of the resources within the particular purposes listed below. Temporarily restricted net assets consisted of the following:

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

7. **NET ASSETS** (Continued)

B. **Temporarily Restricted Net Assets** (Continued)

Nature of Restriction:	
Unconditional Promises to Give, net of discount:	
Devonshire restricted – until December 2013	381,406
Annual Appeal	2,381
Empower the Future Campaign	6,667
Camper Continuity Initiative	4,385
C5 Teen Leadership Program:	
Grant- Program Support	225,000
Principal Restricted—until June 2013	1,708,807
Other C5 program funds received	1,322,716
Foundation grant support	60,000
Where Life Takes Flight	9,677
Total	$3,721,039

C. **Permanently Restricted Net Assets—**In late 2009 the Organization received a permanently restricted asset in the amount of $160,000, the income of which is to be used to support the C5 Program. See Note 1 for a description of the C5 program.

8. **EMPLOYEE BENEFITS**

The Organization participates in a Simple IRA retirement plan which allows employees to contribute to the plan on a pre-tax basis. All employees who will earn at least $5,000 in the current calendar year and who have received at least $5,000 in compensation during any previous two calendar years are eligible to participate. The Organization contributes up to 3% of participating employee's compensation. The Organization contributed $16,085 during 2011.

9. **UNCERTAINTIES, COMMITMENTS, AND CONTINGENCIES**

Contractual Uncertainties – The Organization receives a portion of its funding from the Department of Children and Families and the Department of Elementary & Secondary Education, Commonwealth of Massachusetts governmental agencies, under unit rate service contracts. The contracts are subject to audit by the governmental agency and could result in the recapture of revenue previously reported by the Organization. Management is of the opinion that no material liability will result from such audits.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

9. **UNCERTAINTIES, COMMITMENTS, AND CONTINGENCIES** (Continued)

Leases – The Organization leases equipment under non-cancelable leases with various expiration dates. Lease expense amounted to $9,221 for 2011.Future minimum lease payments are as follows:

Year	Expense
2012	$ 6,875
2013	6,875
2014	4,423
2015	1,040
2016	1,040
Total	$20,253

Concentrations of Credit Risk – The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits (Federal Deposit Insurance Corporation is $250,000 per depositor). The amount of uninsured deposits was $487,767 at December 31, 2011. The Organization has not experienced any losses on such accounts and the credit risk on such accounts is considered by management to be remote.

10. **SURPLUS REVENUE REGULATIONS**

The Commonwealth of Massachusetts, Operational Services Division (OSD), has a Surplus Revenue Retention Policy. In accordance with this policy, the Organization is allowed to retain a “surplus” of up to 5% of revenues attributable to delivering services to clients of the OSD. The cumulative amount retained may not exceed 20% of the prior year’s revenues from OSD purchasing agencies, and must be segregated as surplus revenue in the net assets of the Organization.

Such surplus may be retained as unrestricted net assets to further its charitable purposes, provided that no portion of the surplus be used for any non-reimbursable costs under the OSD regulations.

The following is a schedule of the Organization’s cumulative surplus revenue retention net asset pool included in unrestricted net assets:

Accumulated Deficit at December 31, 2010	$(3,317,573)
Deficit-Year Ended December 31, 2011	(84,514)
Accumulated Deficit at December 31, 2011	$(3,402,087)