

# **The Dimock Center**

**DIMOCK COMMUNITY FOUNDATION, INC.  
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

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JUNE 30, 2014 AND 2013**

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*Where Every Client Is A Valued Client*

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Dimock Community Foundation, Inc. and Affiliates:

**Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Dimock Community Foundation, Inc. and Affiliates (Massachusetts corporations, not for profit and a limited liability company) (collectively, the Foundation), which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Dimock Community Foundation, Inc. and Affiliates as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander, Aronson, Finning & Co., P.C.*

Boston, Massachusetts  
November 5, 2014

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014**

| <u>ASSETS</u>  | <u>UNRESTRICTED</u> |                                       |                      | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>         |
|--|---------------------|---------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <u>OPERATING</u>    | <u>PROPERTY<br/>AND<br/>EQUIPMENT</u> | <u>TOTAL</u>         |                                   |                                   |                      |
| <b>CURRENT ASSETS:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Cash and cash equivalents  | \$ 693,390          | \$ -                                  | \$ 693,390           | \$ 1,549,695                      | \$ -                              | \$ 2,243,085         |
| Current portion of restricted deposits   | -                   | 155,794                               | 155,794              | -                                 | -                                 | 155,794              |
| Accounts receivable, net of contractual allowance<br>and allowance for doubtful accounts of<br>approximately \$227,000 | 706,321             | -                                     | 706,321              | -                                 | -                                 | 706,321              |
| Grants and contracts receivable, net of allowance for<br>doubtful accounts of approximately \$48,000                   | 1,467,533           | -                                     | 1,467,533            | -                                 | -                                 | 1,467,533            |
| Inventory  | 275,696             | -                                     | 275,696              | -                                 | -                                 | 275,696              |
| Prepaid expenses and deposits  | 168,820             | -                                     | 168,820              | -                                 | -                                 | 168,820              |
| <b>Total current assets</b>  | <b>3,311,760</b>    | <b>155,794</b>                        | <b>3,467,554</b>     | <b>1,549,695</b>                  | <b>-</b>                          | <b>5,017,249</b>     |
| <b>PROPERTY AND EQUIPMENT:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Land, buildings and improvements   | -                   | 37,781,684                            | 37,781,684           | -                                 | -                                 | 37,781,684           |
| Furniture and equipment  | -                   | 6,728,461                             | 6,728,461            | -                                 | -                                 | 6,728,461            |
| Construction in progress   | -                   | 3,723,608                             | 3,723,608            | -                                 | -                                 | 3,723,608            |
| <b>Less - accumulated depreciation</b>   | <b>-</b>            | <b>48,233,753</b>                     | <b>48,233,753</b>    | <b>-</b>                          | <b>-</b>                          | <b>48,233,753</b>    |
| <b>Net property and equipment</b>  | <b>-</b>            | <b>26,864,345</b>                     | <b>26,864,345</b>    | <b>-</b>                          | <b>-</b>                          | <b>26,864,345</b>    |
| <b>OTHER ASSETS:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Investments  | 132,589             | -                                     | 132,589              | 661,386                           | 2,267,190                         | 3,061,165            |
| Note receivable  | 24,000              | -                                     | 24,000               | -                                 | -                                 | 24,000               |
| Restricted deposits, net of current portion  | -                   | 595,086                               | 595,086              | -                                 | -                                 | 595,086              |
| Financing fees, net of accumulated amortization<br>of \$159,410  | -                   | 374,904                               | 374,904              | -                                 | -                                 | 374,904              |
| <b>Total other assets</b>  | <b>156,589</b>      | <b>969,990</b>                        | <b>1,126,579</b>     | <b>661,386</b>                    | <b>2,267,190</b>                  | <b>4,055,155</b>     |
| <b>Total assets</b>  | <b>\$ 3,468,349</b> | <b>\$ 27,990,129</b>                  | <b>\$ 31,458,478</b> | <b>\$ 2,211,081</b>               | <b>\$ 2,267,190</b>               | <b>\$ 35,936,749</b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>   |                     |                                       |                      |                                   |                                   |                      |
| <b>CURRENT LIABILITIES:</b>  |                     |                                       |                      |                                   |                                   |                      |
| Current portion of long-term debt  | \$ -                | \$ 808,674                            | \$ 808,674           | \$ -                              | \$ -                              | \$ 808,674           |
| Accounts payable   | 1,715,767           | 692,580                               | 2,408,347            | -                                 | -                                 | 2,408,347            |
| Accrued expenses   | 1,434,133           | -                                     | 1,434,133            | -                                 | -                                 | 1,434,133            |
| <b>Total current liabilities</b>   | <b>3,149,900</b>    | <b>1,501,254</b>                      | <b>4,651,154</b>     | <b>-</b>                          | <b>-</b>                          | <b>4,651,154</b>     |
| <b>OTHER LIABILITIES:</b>  |                     |                                       |                      |                                   |                                   |                      |
| Long-term debt, net of current portion   | -                   | 13,282,489                            | 13,282,489           | -                                 | -                                 | 13,282,489           |
| Conditional liabilities  | -                   | 815,541                               | 815,541              | -                                 | -                                 | 815,541              |
| <b>Total other liabilities</b>   | <b>-</b>            | <b>14,098,030</b>                     | <b>14,098,030</b>    | <b>-</b>                          | <b>-</b>                          | <b>14,098,030</b>    |
| <b>Total liabilities</b>   | <b>3,149,900</b>    | <b>15,599,284</b>                     | <b>18,749,184</b>    | <b>-</b>                          | <b>-</b>                          | <b>18,749,184</b>    |
| <b>NET ASSETS:</b>   |                     |                                       |                      |                                   |                                   |                      |
| <b>Unrestricted:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Operating  | 218,449             | -                                     | 218,449              | -                                 | -                                 | 218,449              |
| Property and equipment   | -                   | 5,105,909                             | 5,105,909            | -                                 | -                                 | 5,105,909            |
| Custodial property   | -                   | 7,284,936                             | 7,284,936            | -                                 | -                                 | 7,284,936            |
| Board designated endowment   | 100,000             | -                                     | 100,000              | -                                 | -                                 | 100,000              |
| <b>Total unrestricted</b>  | <b>318,449</b>      | <b>12,390,845</b>                     | <b>12,709,294</b>    | <b>-</b>                          | <b>-</b>                          | <b>12,709,294</b>    |
| Temporarily restricted   | -                   | -                                     | -                    | 2,211,081                         | -                                 | 2,211,081            |
| Permanently restricted   | -                   | -                                     | -                    | -                                 | 2,267,190                         | 2,267,190            |
| <b>Total net assets</b>  | <b>318,449</b>      | <b>12,390,845</b>                     | <b>12,709,294</b>    | <b>2,211,081</b>                  | <b>2,267,190</b>                  | <b>17,187,565</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 3,468,349</b> | <b>\$ 27,990,129</b>                  | <b>\$ 31,458,478</b> | <b>\$ 2,211,081</b>               | <b>\$ 2,267,190</b>               | <b>\$ 35,936,749</b> |

*The accompanying notes are an integral part of these combined statements.*

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013**

| <u>ASSETS</u>  | <u>UNRESTRICTED</u> |                                       |                      | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>         |
|--|---------------------|---------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <u>OPERATING</u>    | <u>PROPERTY<br/>AND<br/>EQUIPMENT</u> | <u>TOTAL</u>         |                                   |                                   |                      |
| <b>CURRENT ASSETS:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Cash and cash equivalents  | \$ 314,003          | \$ -                                  | \$ 314,003           | \$ 1,312,083                      | \$ -                              | \$ 1,626,086         |
| Current portion of restricted deposits   | -                   | 217,908                               | 217,908              | -                                 | -                                 | 217,908              |
| Accounts receivable, net of contractual allowance<br>and allowance for doubtful accounts of<br>approximately \$110,000 | 680,189             | -                                     | 680,189              | -                                 | -                                 | 680,189              |
| Grants and contracts receivable, net of allowance for<br>doubtful accounts of approximately \$71,000                   | 1,424,223           | -                                     | 1,424,223            | -                                 | -                                 | 1,424,223            |
| Inventory  | 281,313             | -                                     | 281,313              | -                                 | -                                 | 281,313              |
| Prepaid expenses and deposits  | 151,706             | -                                     | 151,706              | -                                 | -                                 | 151,706              |
| <b>Total current assets</b>  | <b>2,851,434</b>    | <b>217,908</b>                        | <b>3,069,342</b>     | <b>1,312,083</b>                  | <b>-</b>                          | <b>4,381,425</b>     |
| <b>PROPERTY AND EQUIPMENT:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Land, buildings and improvements   | -                   | 35,999,798                            | 35,999,798           | -                                 | -                                 | 35,999,798           |
| Furniture and equipment  | -                   | 6,548,840                             | 6,548,840            | -                                 | -                                 | 6,548,840            |
| Construction in progress   | -                   | 281,630                               | 281,630              | -                                 | -                                 | 281,630              |
|  | -                   | 42,830,268                            | 42,830,268           | -                                 | -                                 | 42,830,268           |
| Less - accumulated depreciation  | -                   | 20,045,525                            | 20,045,525           | -                                 | -                                 | 20,045,525           |
| <b>Net property and equipment</b>  | <b>-</b>            | <b>22,784,743</b>                     | <b>22,784,743</b>    | <b>-</b>                          | <b>-</b>                          | <b>22,784,743</b>    |
| <b>OTHER ASSETS:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Investments  | 100,000             | -                                     | 100,000              | 258,858                           | 2,267,190                         | 2,626,048            |
| Note receivable  | 147,000             | -                                     | 147,000              | -                                 | -                                 | 147,000              |
| Restricted deposits, net of current portion  | -                   | 470,721                               | 470,721              | -                                 | -                                 | 470,721              |
| Financing fees, net of accumulated amortization<br>of \$137,688  | -                   | 396,626                               | 396,626              | -                                 | -                                 | 396,626              |
| <b>Total other assets</b>  | <b>247,000</b>      | <b>867,347</b>                        | <b>1,114,347</b>     | <b>258,858</b>                    | <b>2,267,190</b>                  | <b>3,640,395</b>     |
| <b>Total assets</b>  | <b>\$ 3,098,434</b> | <b>\$ 23,869,998</b>                  | <b>\$ 26,968,432</b> | <b>\$ 1,570,941</b>               | <b>\$ 2,267,190</b>               | <b>\$ 30,806,563</b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>   |                     |                                       |                      |                                   |                                   |                      |
| <b>CURRENT LIABILITIES:</b>  |                     |                                       |                      |                                   |                                   |                      |
| Current portion of long-term debt  | \$ -                | \$ 727,044                            | \$ 727,044           | \$ -                              | \$ -                              | \$ 727,044           |
| Accounts payable   | 1,492,898           | 146,869                               | 1,639,767            | -                                 | -                                 | 1,639,767            |
| Accrued expenses   | 1,201,363           | -                                     | 1,201,363            | -                                 | -                                 | 1,201,363            |
| <b>Total current liabilities</b>   | <b>2,694,261</b>    | <b>873,913</b>                        | <b>3,568,174</b>     | <b>-</b>                          | <b>-</b>                          | <b>3,568,174</b>     |
| <b>OTHER LIABILITIES:</b>  |                     |                                       |                      |                                   |                                   |                      |
| Long-term debt, net of current portion   | -                   | 12,858,586                            | 12,858,586           | -                                 | -                                 | 12,858,586           |
| Conditional liability  | -                   | 500,000                               | 500,000              | -                                 | -                                 | 500,000              |
| <b>Total other liabilities</b>   | <b>-</b>            | <b>13,358,586</b>                     | <b>13,358,586</b>    | <b>-</b>                          | <b>-</b>                          | <b>13,358,586</b>    |
| <b>Total liabilities</b>   | <b>2,694,261</b>    | <b>14,232,499</b>                     | <b>16,926,760</b>    | <b>-</b>                          | <b>-</b>                          | <b>16,926,760</b>    |
| <b>NET ASSETS:</b>   |                     |                                       |                      |                                   |                                   |                      |
| <b>Unrestricted:</b>   |                     |                                       |                      |                                   |                                   |                      |
| Operating  | 304,173             | -                                     | 304,173              | -                                 | -                                 | 304,173              |
| Property and equipment   | -                   | 5,545,964                             | 5,545,964            | -                                 | -                                 | 5,545,964            |
| Custodial property   | -                   | 4,091,535                             | 4,091,535            | -                                 | -                                 | 4,091,535            |
| Board designated endowment   | 100,000             | -                                     | 100,000              | -                                 | -                                 | 100,000              |
| <b>Total unrestricted</b>  | <b>404,173</b>      | <b>9,637,499</b>                      | <b>10,041,672</b>    | <b>-</b>                          | <b>-</b>                          | <b>10,041,672</b>    |
| Temporarily restricted   | -                   | -                                     | -                    | 1,570,941                         | -                                 | 1,570,941            |
| Permanently restricted   | -                   | -                                     | -                    | -                                 | 2,267,190                         | 2,267,190            |
| <b>Total net assets</b>  | <b>404,173</b>      | <b>9,637,499</b>                      | <b>10,041,672</b>    | <b>1,570,941</b>                  | <b>2,267,190</b>                  | <b>13,879,803</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 3,098,434</b> | <b>\$ 23,869,998</b>                  | <b>\$ 26,968,432</b> | <b>\$ 1,570,941</b>               | <b>\$ 2,267,190</b>               | <b>\$ 30,806,563</b> |

*The accompanying notes are an integral part of these combined statements.*

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014**

|  | <u>UNRESTRICTED</u> |                                       | <u>TEMPORARILY</u>  | <u>PERMANENTLY</u>  | <u>TOTAL</u>         |
|--|---------------------|---------------------------------------|---------------------|---------------------|----------------------|
|  | <u>OPERATING</u>    | <u>PROPERTY<br/>AND<br/>EQUIPMENT</u> | <u>RESTRICTED</u>   | <u>RESTRICTED</u>   | <u>TOTAL</u>         |
| <b>OPERATING REVENUES:</b>                       |                     |                                       |                     |                     |                      |
| Net patient service revenue                      | \$ 14,768,463       | \$ -                                  | \$ -                | \$ -                | \$ 14,768,463        |
| Grants and contracts                             | 14,514,810          | -                                     | -                   | -                   | 14,514,810           |
| Contributions and other                          | 1,613,172           | -                                     | 253,110             | -                   | 1,866,282            |
| In-kind goods and services                       | 815,739             | -                                     | -                   | -                   | 815,739              |
| Event revenue                                    | 735,445             | -                                     | -                   | -                   | 735,445              |
| Rental income                                    | 627,784             | -                                     | -                   | -                   | 627,784              |
| Investment income                                | 58,217              | -                                     | -                   | -                   | 58,217               |
| Net assets released from program restrictions    | 190,498             | -                                     | (190,498)           | -                   | -                    |
| Total operating revenues                         | <u>33,324,128</u>   | <u>-</u>                              | <u>62,612</u>       | <u>-</u>            | <u>33,386,740</u>    |
| <b>OPERATING EXPENSES:</b>                       |                     |                                       |                     |                     |                      |
| Program services:                                |                     |                                       |                     |                     |                      |
| Health Services                                  | 11,592,165          | 182,949                               | -                   | -                   | 11,775,114           |
| Behavioral Health                                | 7,769,695           | 244,786                               | -                   | -                   | 8,014,481            |
| Child and Family Development                     | 6,324,609           | 256,885                               | -                   | -                   | 6,581,494            |
| Career Development Services                      | 217,995             | 37,781                                | -                   | -                   | 255,776              |
| Total program services                           | <u>25,904,464</u>   | <u>722,401</u>                        | <u>-</u>            | <u>-</u>            | <u>26,626,865</u>    |
| Supporting services:                             |                     |                                       |                     |                     |                      |
| Fundraising                                      | 894,967             | 13,462                                | -                   | -                   | 908,429              |
| General and administrative                       | 2,962,101           | 410,743                               | -                   | -                   | 3,372,844            |
| Facilities                                       | 2,177,969           | 198,999                               | -                   | -                   | 2,376,968            |
| Total supporting services                        | <u>6,035,037</u>    | <u>623,204</u>                        | <u>-</u>            | <u>-</u>            | <u>6,658,241</u>     |
| Total operating expenses                         | <u>31,939,501</u>   | <u>1,345,605</u>                      | <u>-</u>            | <u>-</u>            | <u>33,285,106</u>    |
| Changes in net assets from operations            | <u>1,384,627</u>    | <u>(1,345,605)</u>                    | <u>62,612</u>       | <u>-</u>            | <u>101,634</u>       |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>        |                     |                                       |                     |                     |                      |
| Capital grants                                   | -                   | 2,751,600                             | 175,000             | -                   | 2,926,600            |
| Net realized and unrealized gains on investments | -                   | -                                     | 402,528             | -                   | 402,528              |
| Impairment loss                                  | (123,000)           | -                                     | -                   | -                   | (123,000)            |
| Total non-operating revenues (expenses)          | <u>(123,000)</u>    | <u>2,751,600</u>                      | <u>577,528</u>      | <u>-</u>            | <u>3,206,128</u>     |
| Changes in net assets                            | <u>1,261,627</u>    | <u>1,405,995</u>                      | <u>640,140</u>      | <u>-</u>            | <u>3,307,762</u>     |
| <b>NET ASSETS, beginning of year</b>             | <u>404,173</u>      | <u>9,637,499</u>                      | <u>1,570,941</u>    | <u>2,267,190</u>    | <u>13,879,803</u>    |
| Operational transfers                            | <u>(1,347,351)</u>  | <u>1,347,351</u>                      | <u>-</u>            | <u>-</u>            | <u>-</u>             |
| <b>NET ASSETS, end of year</b>                   | <u>\$ 318,449</u>   | <u>\$ 12,390,845</u>                  | <u>\$ 2,211,081</u> | <u>\$ 2,267,190</u> | <u>\$ 17,187,565</u> |

The accompanying notes are an integral part of these combined statements.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2013**

|   | <u>UNRESTRICTED<br/>PROPERTY<br/>AND<br/>EQUIPMENT</u> |              | <u>TOTAL</u>  | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>  |
|---|--|--------------|---------------|-----------------------------------|-----------------------------------|---------------|
| <b>OPERATING REVENUES:</b>                            |  |              |               |                                   |                                   |               |
| Net patient service revenue                           | \$ 14,200,389  | \$ -         | \$ 14,200,389 | \$ -                              | \$ -                              | \$ 14,200,389 |
| Grants and contracts                                  | 15,333,141   | -            | 15,333,141    | -                                 | -                                 | 15,333,141    |
| Contributions and other                               | 744,453  | -            | 744,453       | 285,549                           | -                                 | 1,030,002     |
| In-kind goods and services                            | 973,128  | -            | 973,128       | -                                 | -                                 | 973,128       |
| Event revenue   | 1,032,069  | -            | 1,032,069     | -                                 | -                                 | 1,032,069     |
| Rental income   | 627,784  | -            | 627,784       | -                                 | -                                 | 627,784       |
| Investment return appropriated for current operations | 100,000  | -            | 100,000       | -                                 | -                                 | 100,000       |
| Investment income                                     | 66,319   | -            | 66,319        | -                                 | -                                 | 66,319        |
| Net assets released from program restrictions         | 363,334  | -            | 363,334       | (363,334)                         | -                                 | -             |
| Total operating revenues                              | 33,440,617   | -            | 33,440,617    | (77,785)                          | -                                 | 33,362,832    |
| <b>OPERATING EXPENSES:</b>                            |  |              |               |                                   |                                   |               |
| Program services:                                     |  |              |               |                                   |                                   |               |
| Health Services                                       | 10,980,124   | 176,950      | 11,157,074    | -                                 | -                                 | 11,157,074    |
| Behavioral Health                                     | 8,096,124  | 236,761      | 8,332,885     | -                                 | -                                 | 8,332,885     |
| Child and Family Development                          | 6,651,622  | 248,463      | 6,900,085     | -                                 | -                                 | 6,900,085     |
| Career Development Services                           | 250,611  | 36,542       | 287,153       | -                                 | -                                 | 287,153       |
| Total program services                                | 25,978,481   | 698,716      | 26,677,197    | -                                 | -                                 | 26,677,197    |
| Supporting services:                                  |  |              |               |                                   |                                   |               |
| Fundraising   | 952,477  | 13,021       | 965,498       | -                                 | -                                 | 965,498       |
| General and administrative                            | 2,966,571  | 395,176      | 3,361,747     | -                                 | -                                 | 3,361,747     |
| Facilities  | 2,157,167  | 192,473      | 2,349,640     | -                                 | -                                 | 2,349,640     |
| Total supporting services                             | 6,076,215  | 600,670      | 6,676,885     | -                                 | -                                 | 6,676,885     |
| Total operating expenses                              | 32,054,696   | 1,299,386    | 33,354,082    | -                                 | -                                 | 33,354,082    |
| Changes in net assets from operations                 | 1,385,921  | (1,299,386)  | 86,535        | (77,785)                          | -                                 | 8,750         |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>             |  |              |               |                                   |                                   |               |
| Capital grants  | -  | 323,533      | 323,533       | 200,000                           | -                                 | 523,533       |
| Net realized and unrealized gains on investments      | -  | -            | -             | 235,311                           | -                                 | 235,311       |
| Investment return appropriated for current operations | -  | -            | -             | (100,000)                         | -                                 | (100,000)     |
| Impairment loss                                       | (150,000)  | -            | (150,000)     | -                                 | -                                 | (150,000)     |
| Total non-operating revenues (expenses)               | (150,000)  | 323,533      | 173,533       | 335,311                           | -                                 | 508,844       |
| Changes in net assets                                 | 1,235,921  | (975,853)    | 260,068       | 257,526                           | -                                 | 517,594       |
| <b>NET ASSETS, beginning of year</b>                  | 185,600  | 9,596,004    | 9,781,604     | 1,313,415                         | 2,267,190                         | 13,362,209    |
| Operational transfers                                 | (1,017,348)  | 1,017,348    | -             | -                                 | -                                 | -             |
| <b>NET ASSETS, end of year</b>                        | \$ 404,173   | \$ 9,637,499 | \$ 10,041,672 | \$ 1,570,941                      | \$ 2,267,190                      | \$ 13,879,803 |

*The accompanying notes are an integral part of these combined statements.*

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

|  | <u>2014</u>         | <u>2013</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Changes in net assets  | \$ 3,307,762        | \$ 517,594          |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization  | 1,345,605           | 1,299,386           |
| Impairment loss  | 123,000             | 150,000             |
| Net realized and unrealized gains on investments   | (402,528)           | (235,311)           |
| Bad debt   | 834,984             | 630,054             |
| Capital grants   | (2,751,600)         | (323,533)           |
| Changes in operating assets and liabilities:   |                     |                     |
| Accounts receivable  | (861,116)           | (296,018)           |
| Grants and contracts receivable  | (43,310)            | (132,544)           |
| Inventory  | 5,617               | (15,525)            |
| Prepaid expenses and deposits  | (17,114)            | 68,969              |
| Accounts payable   | 222,869             | (314,730)           |
| Accrued expenses   | 232,770             | 76,315              |
| Net cash provided by operating activities  | <u>1,996,939</u>    | <u>1,424,657</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Restricted deposits, net   | (62,251)            | 30,255              |
| Purchases of investments   | (667,796)           | (566,928)           |
| Proceeds from sale of investments  | 635,207             | 624,775             |
| Purchase of property and equipment   | <u>(4,857,774)</u>  | <u>(794,612)</u>    |
| Net cash used in investing activities  | <u>(4,952,614)</u>  | <u>(706,510)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                     |                     |
| Capital grants   | 2,751,600           | 323,533             |
| Principal payments on long-term debt   | (694,467)           | (576,524)           |
| Proceeds from conditional liability  | 315,541             | -                   |
| Proceeds from long-term debt   | <u>1,200,000</u>    | <u>-</u>            |
| Net cash provided by (used in) financing activities  | <u>3,572,674</u>    | <u>(252,991)</u>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | 616,999             | 465,156             |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <u>1,626,086</u>    | <u>1,160,930</u>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u>\$ 2,243,085</u> | <u>\$ 1,626,086</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                     |                     |                     |
| Cash paid for interest   | <u>\$ 656,529</u>   | <u>\$ 633,262</u>   |
| <b>NON-CASH INVESTING ACTIVITY:</b>  |                     |                     |
| Unrealized gains on investments  | <u>\$ 255,428</u>   | <u>\$ 198,297</u>   |
| Property and equipment included in accounts payable  | <u>\$ 692,580</u>   | <u>\$ 146,869</u>   |

*The accompanying notes are an integral part of these combined statements.*



**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | PROGRAM SERVICES |                   |                              |                             |                        | SUPPORTING SERVICES |                            |             |                           | TOTAL EXPENSES |
|--|------------------|-------------------|------------------------------|-----------------------------|------------------------|---------------------|----------------------------|-------------|---------------------------|----------------|
|  | HEALTH SERVICES  | BEHAVIORAL HEALTH | CHILD AND FAMILY DEVELOPMENT | CAREER DEVELOPMENT SERVICES | TOTAL PROGRAM SERVICES | FUND-RAISING        | GENERAL AND ADMINISTRATIVE | FACILITIES  | TOTAL SUPPORTING SERVICES |                |
| <b>OPERATING EXPENSES:</b>   |                  |                   |                              |                             |                        |                     |                            |             |                           |                |
| Salaries   | \$ 5,739,011     | \$ 5,106,735      | \$ 3,653,441                 | \$ 127,818                  | \$ 14,627,005          | \$ 197,005          | \$ 1,653,594               | \$ 135,812  | \$ 1,986,411              | \$ 16,613,416  |
| Direct program expense   | 2,310,476        | 795,434           | 588,376                      | 22,594                      | 3,716,880              | 90,352              | 71,478                     | 776,299     | 938,129                   | 4,655,009      |
| Fringe benefits and payroll taxes  | 1,033,599        | 902,518           | 657,987                      | 23,021                      | 2,617,125              | 35,481              | 297,699                    | 24,458      | 357,638                   | 2,974,763      |
| Supplies and related   | 715,110          | 412,640           | 185,422                      | 3,797                       | 1,316,969              | 459,872             | 607,720                    | 142,083     | 1,209,675                 | 2,526,644      |
| Depreciation and amortization  | 182,949          | 244,786           | 256,885                      | 37,781                      | 722,401                | 13,462              | 410,743                    | 198,999     | 623,204                   | 1,345,605      |
| Consultants  | 729,723          | 122,391           | 115,822                      | -                           | 967,936                | 111,850             | 49,417                     | -           | 161,247                   | 1,129,183      |
| Occupancy  | 13,706           | 205,212           | 36,836                       | -                           | 255,754                | -                   | 153                        | 839,158     | 839,311                   | 1,095,065      |
| Bad debt   | 685,498          | 97,801            | 51,685                       | -                           | 834,984                | -                   | -                          | -           | -                         | 834,984        |
| In-kind goods and services   | -                | -                 | 815,739                      | -                           | 815,739                | -                   | -                          | -           | -                         | 815,739        |
| Interest   | 3,152            | 67,204            | 218,710                      | 26,743                      | 315,809                | 427                 | 89,279                     | 251,014     | 340,720                   | 656,529        |
| Subcontractors   | 361,890          | -                 | -                            | 14,022                      | 375,912                | -                   | -                          | -           | -                         | 375,912        |
| Insurance  | -                | 59,760            | 591                          | -                           | 60,351                 | -                   | 192,761                    | 9,145       | 201,906                   | 262,257        |
| Total operating expenses before facilities and general and administrative allocation | 11,775,114       | 8,014,481         | 6,581,494                    | 255,776                     | 26,626,865             | 908,429             | 3,372,844                  | 2,376,968   | 6,658,241                 | 33,285,106     |
| Facilities allocation  | 905,557          | 616,348           | 506,145                      | 19,670                      | 2,047,720              | 69,862              | 259,386                    | (2,376,968) | (2,047,720)               | -              |
| Total operating expenses before general and administrative allocation                | 12,680,671       | 8,630,829         | 7,087,639                    | 275,446                     | 28,674,585             | 978,291             | 3,632,230                  | -           | 4,610,521                 | 33,285,106     |
| General and administrative allocation  | 1,553,276        | 1,057,205         | 868,177                      | 33,740                      | 3,512,398              | 119,832             | (3,632,230)                | -           | (3,512,398)               | -              |
| Total operating expenses   | \$ 14,233,947    | \$ 9,688,034      | \$ 7,955,816                 | \$ 309,186                  | \$ 32,186,983          | \$ 1,098,123        | \$ -                       | \$ -        | \$ 1,098,123              | \$ 33,285,106  |

The accompanying notes are an integral part of these combined statements.



**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Dimock Community Foundation, Inc. and Affiliates (collectively, the Foundation) operate various health service, substance abuse, HIV service, child and family development, and career development programs for residents of Roxbury, Massachusetts and surrounding communities.

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. Dimock Community Health Center, Inc., Dimock Community Services Corporation, Dimock Community Realty Corporation, and John Flowers House, LLC (collectively, the Affiliates) (see below) are exempt from Federal income taxes as an organization (not private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The Affiliates are also exempt from state income taxes and file a group return under Dimock Community Health Center, Inc. Donors may deduct contributions made to the Foundation within the IRC regulations.

**SIGNIFICANT ACCOUNTING POLICIES**

The Foundation prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

**Basis of Presentation**

The combined financial statements include the accounts of Dimock Community Foundation, Inc., Dimock Community Health Center, Inc., Dimock Community Services Corporation, Dimock Community Realty Corporation, and John Flowers House, LLC (the LLC). The LLC was formed in 2005 to acquire, develop, maintain, and operate the Cary Cottage Building (see Note 11). Dimock Community Realty Corporation is the sole member of the LLC.

Certain members of the Board of Directors of Dimock Community Services Corporation and Dimock Community Realty Corporation are appointed by the Board of Directors of Dimock Community Foundation, Inc. These entities also share the officers and management of Dimock Community Foundation, Inc. Dimock Community Health Center, Inc.'s Board of Directors is separate from the Board of Directors of Dimock Community Foundation, Inc. These entities share the management of Dimock Community Foundation, Inc. All material intercompany accounts and transactions have been eliminated in combination.

**Cash and Cash Equivalents**

For the purpose of the combined statements of cash flows, the Foundation considers cash and cash equivalents to be cash in banks, money market accounts, petty cash on hand, and debt securities with a maturity of three months or less.

**Allowance for Doubtful Accounts**

Allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Amounts are written off as they are determined to be uncollectible.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Patient Accounts Receivable

Patient accounts receivable are stated as unpaid balances, less allowances for doubtful accounts and unposted contractual allowances. The Foundation provides for losses on patient accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full payments are not expected in accordance with the contractual terms. It is the Foundation's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Inventory

Inventory consists of office supplies, medical supplies, and eye glasses and is recorded at the lower of cost (first-in, first-out) or market. Pharmacy inventory consists of pharmaceuticals and is recorded at the lower of cost (first-in, first-out) or market.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair market value at the date of donation. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 10 – 50 years |
| Furniture and equipment    | 3 – 5 years   |

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property and Equipment and Depreciation (Continued)

Depreciation expense for the years ended June 30, 2014 and 2013, was \$1,323,883 and \$1,277,664, respectively. At June 30, 2014 and 2013, the net book value of assets purchased with the Commonwealth of Massachusetts and Federal funds was approximately \$7,285,000 and \$4,092,000, respectively. The Commonwealth of Massachusetts and the Federal government retains a reversionary interest in these assets. The net book value of these assets is reflected as unrestricted custodial property net assets (see page 11).

Construction in progress relates to the renovation of a building which has not been completed as of June 30, 2014 and 2013. These assets are not depreciated until they have been placed in service. Expected completion is January, 2015 and is estimated to cost approximately \$5,000,000.

Financing Fees and Amortization

Financing fees consist of legal fees and closing costs relating to a note payable to a bank and long-term debt (see Notes 4 and 5). These costs are amortized over the life of the notes (twenty and thirty years). Amortization expense was \$21,722 for the years ended June 30, 2014 and 2013.

Investments

Investments are recorded at fair market value using Levels 1 and 2 inputs (see page 10). Investment income on the investment portfolio consists of interest and dividends. Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded on the basis of specific shares' historical cost. Unrealized gains and losses are recognized based on market value changes during the period (see Note 2).

Net Assets

**Unrestricted Net Assets**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its unrestricted net assets into the following categories:

- **Operating** - consist of amounts that are available for use in the Foundation's operating activities.
- **Property and equipment** - consist of the net book value of unrestricted property and equipment and resources available and amounts expended for property and equipment, net of related debt.
- **Custodial property** - consist of the net book value of property and equipment purchased with Commonwealth of Massachusetts and Federal funds (see above).
- **Board designated endowment** - consist of funds earmarked by the Board of Directors for endowment.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets (Continued)**

**Temporarily Restricted Net Assets**

The Foundation receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes. Temporarily restricted net assets consist of the following at June 30:

|   | <u>2014</u>        | <u>2013</u>        |
|---|--------------------|--------------------|
| Purpose restricted                                | \$1,174,695        | \$1,112,083        |
| Appreciation on permanently restricted net assets | 661,386            | 258,858            |
| Capital   | <u>375,000</u>     | <u>200,000</u>     |
|   | <u>\$2,211,081</u> | <u>\$1,570,941</u> |

**Permanently Restricted Net Assets**

Permanently restricted net assets represent grants and contributions whose principal will be held in perpetuity and only the investment income and appreciation can be spent (see Note 3).

**Revenue Recognition**

Revenue from contracts is recorded over the period covered by the contract as services are provided. Revenue from unrestricted grants and contributions is recorded when received or unconditionally pledged. Event revenue consists of grants and contributions from the Foundation's annual fundraising event. Patient service revenue is recorded as services are provided. All other revenues are recognized as earned.

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received or unconditionally pledged with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combined statements of activities as net assets released from restrictions. Temporarily restricted net assets received and released from restrictions in the same year are recorded as unrestricted revenues.

Gross patient service revenue is recorded at the full value of those services as assigned by the Foundation. Net patient service revenue reflects the amounts to be collected after provision for contractual allowances and free care. Contractual allowances are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required based on final settlements. Contractual allowances for the years ended June 30, 2014 and 2013, were approximately \$4,672,000 and \$5,293,000, respectively.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition (Continued)

The Foundation follows the accounting standard related to *Measuring Charity Care for Disclosure* under U.S. GAAP. The Foundation has a policy of providing free care services to patients who meet certain criteria under its free care policy without charge or at amounts less than its established rates. The Foundation does not pursue collection of amounts determined to qualify as free care and these amounts are not reported as revenue. The approximate amount of free care services provided for the years ended June 30, 2014 and 2013, was \$1,461,000 and \$1,450,000, respectively. The cost of providing these services was approximately \$881,000 and \$1,021,000 for the years ended June 30, 2014 and 2013, respectively. The cost of providing free care was calculated by multiplying the percentage of gross free care charges to gross patient charges by the total cost of providing patient services. The Foundation billed a third party approximately \$575,000 and \$496,000 for the years ended June 30, 2014 and 2013, respectively, for these services.

Funding

The Foundation receives funding from several agencies to assist with operating costs and charges patients and third parties for services provided. Charges made to most third party payers for patient services are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the effects of such determinations or adjustments, if any, will not have a material effect on the combined financial position of the Foundation as of June 30, 2014 and 2013, or on the changes in its net assets for the years then ended.

The Foundation receives funding from various governmental agencies to assist with program expenses and operating costs. These grants and contracts have been expended in accordance with the respective terms contained in the agreements and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Foundation as of June 30, 2014 and 2013, or on the changes in its net assets for the years then ended.

The Foundation is entitled to receive settlements based upon the submission of cost reports. These settlements are not readily determinable and are, therefore, recorded as revenue when received.

In-Kind Goods and Services

Organizations contribute goods and services to the Foundation in support of various aspects of its programs. These goods and services are reflected in the accompanying combined financial statements based upon the estimated value assigned to them by the donating organizations or by management. The value of these goods and services was approximately \$816,000 and \$973,000 for the years ended June 30, 2014 and 2013, respectively, and is reflected as in-kind goods and services on the accompanying combined statements of activities and changes in net assets and functional expenses.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(Continued)**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Rental Income

The Foundation rents portions of its facilities under various rental agreements ranging from tenant-at-will arrangements to five-year leases. As of June 30, 2014 and 2013, monthly rental income was approximately \$52,000.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2014 and 2013, was approximately \$38,000 and \$15,000, respectively, and is included in supplies and related on the accompanying combined statements of functional expenses.

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 5, 2014, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

Tax Positions

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statement regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2014 and 2013. The Foundation's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.



**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(2) INVESTMENTS AND NOTE RECEIVABLE**

**INVESTMENTS**

Investments are presented in the accompanying combined financial statements at fair value. The following table presents the fair value measurements and market values of the Foundation's investments by level within the valuation framework as of June 30:

| <u>2014</u>          | <u>Level 1</u>     | <u>Level 2</u>   | <u>Level 3</u> | <u>Total</u>       |
|----------------------|--------------------|------------------|----------------|--------------------|
| Investments:         |                    |                  |                |                    |
| Money market fund    | \$ 315,659         | \$ -             | \$ -           | \$ 315,659         |
| Mutual funds:        |                    |                  |                |                    |
| Domestic funds       | 336,270            | -                | -              | 336,270            |
| Foreign funds        | 256,620            | -                | -              | 256,620            |
| Equities:            |                    |                  |                |                    |
| U.S. Corporate stock | 1,350,791          | -                | -              | 1,350,791          |
| Foreign stock        | 183,624            | -                | -              | 183,624            |
| Corporate bonds      | <u>-</u>           | <u>618,201</u>   | <u>-</u>       | <u>618,201</u>     |
| Total investments    | <u>\$2,442,964</u> | <u>\$618,201</u> | <u>\$ -</u>    | <u>\$3,061,165</u> |
|                      |                    |                  |                |                    |
| <u>2013</u>          | <u>Level 1</u>     | <u>Level 2</u>   | <u>Level 3</u> | <u>Total</u>       |
| Investments:         |                    |                  |                |                    |
| Money market fund    | \$ 274,001         | \$ -             | \$ -           | \$ 274,001         |
| Mutual funds:        |                    |                  |                |                    |
| Domestic funds       | 510,318            | -                | -              | 510,318            |
| Equities:            |                    |                  |                |                    |
| U.S. Corporate stock | 1,039,267          | -                | -              | 1,039,267          |
| Foreign stock        | 248,756            | -                | -              | 248,756            |
| Corporate bonds      | <u>-</u>           | <u>553,706</u>   | <u>-</u>       | <u>553,706</u>     |
| Total investments    | <u>\$2,072,342</u> | <u>\$553,706</u> | <u>\$ -</u>    | <u>\$2,626,048</u> |

The Foundation's investment portfolio is managed by one investment advisor. The following is a summary of the investment appreciation of the portfolio for the years ended June 30:

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| Unrealized gains on investments                  | \$255,428        | \$198,297        |
| Net realized gains on investments                | <u>147,100</u>   | <u>37,014</u>    |
| Net realized and unrealized gains on investments | <u>\$402,528</u> | <u>\$235,311</u> |

Investments are classified as long-term due to management's intent to hold these investments for long-term purposes. Investments are not insured and are subject to ongoing market fluctuations.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(2) INVESTMENTS AND NOTE RECEIVABLE (Continued)**

**NOTE RECEIVABLE**

In 1993, the Foundation exchanged three residential properties it had received from the City of Boston for a 7.3% note receivable for \$497,000 from a real estate limited partnership (the Partnership). Interest accrued annually on the note and was added to the note's principal. Beginning in 2006, the Foundation stopped accruing interest on the note as the collection of any additional accrued interest has been determined by management to be uncertain. The entire balance was due in October, 2010. The Partnership is currently in negotiation to refinance all of its debt and to improve the value of the underlying property.

The Partnership was considered a going concern as of December 31, 2011. Due to the uncertainty of the final value of the Foundation's claim on this note, the Foundation has increased the reserve by an additional \$123,000 and \$150,000, to further discount the note due to the uncertainty of repayment during fiscal years 2014 and 2013, respectively. The Foundation does not expect to be repaid prior to June 30, 2015.

|                  | <u>2014</u>      | <u>2013</u>       |
|------------------|------------------|-------------------|
| Original note    | \$1,004,000      | \$1,004,000       |
| Discount/reserve | <u>(980,000)</u> | <u>(857,000)</u>  |
|                  | <u>\$ 24,000</u> | <u>\$ 147,000</u> |

This note has been valued using Level 3 inputs (see Note 1). The Foundation accounted for this note receivable by discounting the note balance and accrued interest.

**(3) ENDOWMENT**

The Foundation's endowment consists of a donor-restricted fund (see page 12) and a Board-designated fund (see page 11) established for a variety of purposes. Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

(3) **ENDOWMENT** (Continued)

Reconciliations of endowment investment activities for fiscal years 2014 and 2013 are as follows:

|  | <u>Unrestricted<br/>Board-<br/>Designated</u> | <u>Donor-Restricted</u>           |                                   | <u>Total<br/>Endowment</u> |
|--|---|-----------------------------------|-----------------------------------|----------------------------|
|  |   | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> |                            |
| Endowment net assets,<br>June 30, 2012               | <u>\$100,000</u>                              | <u>\$ 123,547</u>                 | <u>\$2,267,190</u>                | <u>\$2,490,737</u>         |
| Investment return:                                   |   |                                   |                                   |                            |
| Net realized gains                                   | -   | 37,014                            | -                                 | 37,014                     |
| Net unrealized gains                                 | -   | <u>198,297</u>                    | -                                 | <u>198,297</u>             |
| Total investment return                              | -   | <u>235,311</u>                    | -                                 | <u>235,311</u>             |
| Appropriation of endowment<br>assets for expenditure | -   | <u>(100,000)</u>                  | -                                 | <u>(100,000)</u>           |
| Endowment net assets,<br>June 30, 2013               | <u>100,000</u>                                | <u>258,858</u>                    | <u>2,267,190</u>                  | <u>2,626,048</u>           |
| Investment return:                                   |   |                                   |                                   |                            |
| Net realized gains                                   | -   | 147,100                           | -                                 | 147,100                    |
| Net unrealized gains                                 | -   | <u>255,428</u>                    | -                                 | <u>255,428</u>             |
| Total investment return                              | -   | <u>402,528</u>                    | -                                 | <u>402,528</u>             |
| Endowment net assets,<br>June 30, 2014               | <u>\$100,000</u>                              | <u>\$ 661,386</u>                 | <u>\$2,267,190</u>                | <u>\$3,028,576</u>         |

Massachusetts follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Subject to the intent of a donor, the Foundation may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation.

The Board of Directors has voted to allow for the use of a portion of total investment return for operations each year. The Foundation will annually distribute from its investment portfolios an amount not to exceed 5% of the average values for each portfolio over the prior three years determined at least quarterly. There was no appropriation during fiscal year 2014. During fiscal year 2013, the Board of Directors voted and appropriated \$100,000 to be used for operating purposes this amount is reflected as investment return appropriated for current operations in the accompanying combined statement of activities and changes in net assets.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(3) ENDOWMENT (Continued)**

The Foundation has an investment policy which, combined with the spending rate, attempts to provide a predictable stream of returns combined with asset protection. Endowment assets include those assets restricted by donors that the Foundation must hold in perpetuity. Under the Foundation's investment policy and spending rate, both approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Foundation 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 Finance Committee, advised by a third party investment advisor, is responsible for selecting the investment managers of the Foundation's portfolio. The Investment Committee's strategy is to include an array of strategies and investment managers for the portfolio in order to maximize risk adjusted returns.

**(4) LONG-TERM DEBT**

Long-term debt consists of the following at June 30:

|   | <u>2014</u>  | <u>2013</u>  |
|---|--------------|--------------|
| 2012 MDFA revenue bonds, interest due monthly with interest at 4.5% on the first of each month (see page 19 for further disclosure). This note is secured by a shared first mortgage on all assets of the Foundation.   | \$ 8,997,414 | \$ 9,155,785 |
| 5.6% note payable to a bank, due in monthly installments of \$20,876, principal and interest through April, 2042. This note is secured by a shared first mortgage on all assets of the Foundation.  | 3,490,769    | 3,541,510    |
| 2013 MDFA revenue bonds, interest due monthly with interest at 4.5% on the first of each month (see page 19 for further disclosure). This note is secured by a shared first mortgage on all assets of the Foundation.   | 1,115,118    | -            |
| Note payable to Community Health Center Capital Fund, under a \$4,410,000 HEFA bond issuance for construction financing. The interest rate is variable, based on the seven-day lower floater index (0.02% at June 30, 2014 and 2013). The loan is due in monthly installments of approximately \$24,000, principal, fees and interest through February, 2015. The note is secured by shared first mortgages on the Cheney and Richards buildings and equipment and all Neighborhood Health Plan capitation payments (see page 20 for further disclosure). | 258,777      | 638,777      |

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(4) LONG-TERM DEBT (Continued)**

|  | <u>2014</u>         | <u>2013</u>         |
|--|---------------------|---------------------|
| 3% note payable to a municipality, due in monthly installments of \$1,418, principal and interest through December, 2005, based on a twenty-year amortization schedule. At that time, the balance of principal of \$185,377 was due. The note is secured by a third mortgage on a building. During 2005, the payments on the loan were deferred and the term of the loan was extended through May, 2012, at which time the balance was due. The Foundation is currently in negotiations with the municipality for forgiveness. | 148,369             | 168,842             |
| 3% balloon note payable to a municipality, due in monthly installments of principal and interest of approximately \$420 through June, 2005, secured by a second mortgage on a building. During 2005, the term of the loan was extended through May, 2012. The Foundation is currently in negotiations with the municipality for forgiveness.   | 63,216              | 63,216              |
| Other notes payable  | <u>17,500</u>       | <u>17,500</u>       |
|  | <u>14,091,163</u>   | <u>13,585,630</u>   |
| Less - current portion   | <u>808,674</u>      | <u>727,044</u>      |
|  | <u>\$13,282,489</u> | <u>\$12,858,586</u> |

**MDFA Bonds**

On March 30, 2012, Century Bank issued 2012 MDFA Bonds of \$9,347,670 maturing in April, 2042. The bonds bear interest at an initial fixed rate of 4.5% for the first ten years (initial rate period), through March 31, 2022. After the initial rate period (the subsequent rate period), the interest rate will adjust to .67 multiplied by the sum of the Federal Home Loan Bank (FHLB) Rate plus 250 basis points with a floor of 4.5%. During the initial and subsequent rate periods, principal and interest are due in monthly installments of \$47,740. After the subsequent rate period, principal and interest will be payable with the adjusted interest rate and amortized over the remaining life of the bonds. If the bonds are prepaid prior to the maturity date, the Foundation is subject to a prepayment penalty, as defined in the agreement.

On September 19, 2013, Century bank amended the above agreement with the Foundation and issued 2013 MDFA Bonds of \$1,200,000. The bonds bear interest at a rate of 4%. Principal and interest are payable in monthly installments of \$12,158 until the bonds maturity in September, 2023. If the bonds are prepaid prior to the maturity date, the Foundation is subject to a prepayment penalty, as defined in the agreement.

The loan agreement requires the Foundation to maintain a debt service reserve of approximately \$284,000 which was funded with the proceeds of the MDFA bonds. Withdrawals may be made from the MDFA bond reserve for renewal, renovation or replacement of property and is included in restricted deposits (see Note 7). The bonds are secured by mortgages on certain real estate, as well as substantially all of the Foundation's assets. The Foundation was in compliance with the debt service requirement as of June 30, 2014 and 2013.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(4) LONG-TERM DEBT (Continued)**

**HEFA Bond**

The HEFA bond note payable requires the Foundation to maintain a debt service reserve minimum of \$211,700 as of June 30, 2014 and 2013. These funds can only be used to pay the bondholders in the event of default. The note agreements also require the Foundation not to exceed specified levels of debt. The debt service reserve is included in restricted deposits (see Note 7). In connection with this financing agreement, the Foundation incurred certain legal and closing costs totaling approximately \$427,000, which have been capitalized and included in buildings and improvements. These costs are being amortized over the life of the bond (twenty years) (see Note 1).

Aggregate maturities of long-term debt over the next five years are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2015                            | \$808,674     |
| 2016                            | \$334,136     |
| 2017                            | \$351,374     |
| 2018                            | \$367,790     |
| 2019                            | \$384,985     |

Certain long-term debt agreements require the Foundation to comply with certain financial covenants. The Foundation was either in compliance with the covenants or attained waivers at June 30, 2014 and 2013.

**(5) NOTE PAYABLE TO A BANK**

The Foundation has a line of credit with a bank for a maximum borrowing of \$1,500,000, due on demand, and expiring on December 31, 2048. Interest is payable monthly on outstanding borrowings at the *Wall Street Journal's* prime rate (3.25% at June 30, 2014 and 2013). The line of credit is secured by certain business assets. The agreement requires the balance of the line of credit to be zero for a minimum of thirty days during each fiscal year. The Foundation was in compliance with the covenant as of June 30, 2014 and 2013. There was no balance outstanding as of June 30, 2014 and 2013.

**(6) EMPLOYEE BENEFIT PLANS**

The Foundation has a defined contribution retirement plan that is qualified under Section 403(b) of the Internal Revenue Code. All employees who are age 21 and over and have worked at least 1,000 hours prior to the plan year are eligible to participate in the plan. The Foundation's management, at its discretion, annually decides whether to make an optional contribution to the plan. This contribution is split among all participants based on eligible pay. The Foundation's contributions are vested based on the years of service of each participant. All contributions are 100% vested after two years of employment. During fiscal year 2014, the Foundation made contributions of \$41,263 which is included in fringe benefits and payroll taxes in the accompanying combined statement of functional expenses. No contributions were made during fiscal year 2013.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(6) EMPLOYEE BENEFIT PLANS (Continued)**

The Foundation has a split-dollar life insurance program as a benefit for the Foundation's senior management. The employees are entitled to full ownership of their respective policies when they leave the Foundation's employment.

The Foundation had an unfunded plan that is qualified under Section 457 of the Internal Revenue Code. This plan became effective January 1, 2006, and provided deferred compensation to a select group of management and highly compensated employees as designated by the Foundation's Board. The Foundation made annual contributions up to fifteen percent (15%) of participant's compensation, reduced by the amount contributed by the participant to the 403(b) plan, up to the maximum of the lesser of \$15,000 or 100% of participant includible compensation. All contributions were 100% vested at all times. The Foundation accrued contributions \$21,688 for this 457 plan for the year ended June 30, 2013, which is included in accounts payable in the accompanying combined statement of financial position and fringe benefits and payroll taxes in the accompanying combined statement of functional expenses. As of January, 2014, this plan was terminated.

**(7) RESTRICTED DEPOSITS**

Restricted deposits consist of debt service and other reserves for the HEFA and MDFA bonds (see Note 4). The balances are as follows as of June 30:

|                              | <u>2014</u>      | <u>2013</u>      |
|------------------------------|------------------|------------------|
| Current portion:             |                  |                  |
| HEFA Bond Sinking Fund       | \$155,794        | \$217,908        |
| Non-current portion:         |                  |                  |
| HEFA Debt Service Reserve    | 231,458          | 231,406          |
| MDFA Bond Reserve            | <u>363,628</u>   | <u>239,315</u>   |
| Subtotal non-current portion | <u>595,086</u>   | <u>470,721</u>   |
|                              | <u>\$750,880</u> | <u>\$688,629</u> |

**(8) LEASE COMMITMENT**

The Foundation leases various facilities for its programs. The lease agreements expire at various dates through 2017. Monthly payments under the agreements range from approximately \$850 to \$6,500 per month during the lease period.

Rent expense under these lease agreements was \$173,507 and \$261,999 for the years ended June 30, 2014 and 2013, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(8) LEASE COMMITMENT (Continued)**

Minimum lease payments over the next four years are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2015                            | \$146,616     |
| 2016                            | \$ 84,869     |
| 2017                            | \$ 51,985     |
| 2018                            | \$ 26,792     |

**(9) CONCENTRATIONS**

The Foundation maintains its cash balances in three Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its operating cash balance.

For the year ended June 30, 2014, approximately 53% and 41% of the Foundation's operating revenues were from contracts with the Commonwealth of Massachusetts and the U.S. Department of Health and Human Services, respectively. For the year ended June 30, 2013, approximately 50% and 41% of the Foundation's operating revenues were from contracts with the Commonwealth of Massachusetts and the U.S. Department of Health and Human Services, respectively.

As of June 30, 2014, approximately 37% of the Foundation's grants and contracts receivable were due from the Commonwealth of Massachusetts and 37% were due from the U.S. Department of Health and Human Services. As of June 30, 2013, approximately 36% and 45% of the Foundation's grants and contracts receivable were due from the Commonwealth of Massachusetts and the U.S. Department of Health and Human Services, respectively.

**(10) RELATED PARTY TRANSACTIONS**

A member of the Board of Directors of the Foundation is the chairman of Century Bank. The Foundation holds its cash accounts and holds certain debt agreements (see Note 4) with this bank. The Foundation also has a loan and a line of credit with this bank.

Members of the Board of Directors hold management positions at companies that provide services to the Foundation. The type of services and the approximate dollar values are as follows for the years ended June 30:

|  | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Group health insurance policies placed | \$1,105,993 | \$1,211,064 |
| Program service fee revenue            | \$1,064,973 | \$1,305,211 |
| Contract services                      | \$ 96,632   | \$ 450,000  |

The above mentioned Board members abstain from discussions and voting on matters related to their respective employers.



**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(11) COMMITMENTS AND CONTINGENCIES**

The Foundation, from time-to-time, is the defendant in lawsuits. It is management's belief that the Foundation will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combined financial statements for any potential liability resulting from these lawsuits.

The Foundation received five grants totaling \$1,399,000 to fund the development costs of the Cary Cottage Building and the Transitional Housing Project (the Project), which was completed in 2006. These grants place certain affordable housing restrictions on the operations of the Project through May, 2056, as defined in a joint affordable housing restriction agreement (the Restriction Agreement). The entire indebtedness may become immediately due and payable at the option of the Mortgagee, if any of the restrictions are not met as defined by the Restriction Agreement. Under the Restriction Agreement, the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD), one of the grantors has an option to purchase the Foundation's interest in the Project within 120 days after May, 2056.

**(12) CONDITIONAL LIABILITIES**

In connection with the Project (see Note 11), the Foundation entered into a loan agreement with Community Economic Development Assistance Corporation (CEDAC) in the amount of \$500,000. Simple interest accrues at 5% per year through June, 2025, and thereafter, no additional interest shall accrue until June, 2035, the maturity date of the loan. Principal and interest payments are due based on certain levels of cash flow being attained as defined in the agreement or in full at June 6, 2035. Required cash flow levels were not achieved in fiscal years 2014 or 2013. This note is secured by a second mortgage on the Project and assignment of leases and rents. As of June 30, 2014 and 2013, there was \$500,000 of borrowings under this agreement. These borrowings are included in conditional liabilities in the accompanying combined statements of financial position.

The Foundation entered into a non-interest bearing loan agreement with the Department of Neighborhood Development in the amount of \$315,541 on August 14, 2013, for costs incurred during the repairs and modifications on certain property. This property must be used and occupied by thirteen very low income homeless women living with HIV/AIDS, substance abuse and mental illness. This loan matures in August, 2043. As of June 30, 2014, there was \$315,541 of borrowings under this agreement. These borrowings are included in conditional liabilities in the accompanying combined statements of financial position.

**(13) CAPITAL PROJECT**

During May, 2012, the Foundation was awarded a grant from the U.S. Department of Health and Human Services under the Affordable Care Act totaling \$4,950,479. The grant is restricted for the renovation of existing space and expansion of the Richard Building. The Foundation spent \$3,011,193 and \$259,233 of this grant as of June 30, 2014 and 2013, respectively, these amounts are included in capital grants on the accompanying combined statement of activities and changes in net assets.

**DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

(Continued)

**(14) MEDICAL MALPRACTICE INSURANCE**

The Foundation is insured for professional liability coverage through the Federal Bureau of Primary Health Care, known as the Federal Tort Claims Act (FTCA), in accordance with the Public Health Services Act. This coverage is provided to the Health Center through its Section 330 Community Health Center grant administered by HRSA. The coverage afforded the Foundation is comparable to an occurrence-based policy without a monetary cap. The coverage is applicable to the Foundation, its officers, Board members, employees, and contractors who are physicians or other licensed or certified health care practitioners.

**(15) RECLASSIFICATIONS**

Certain amounts in the June 30, 2013, combined financial statements have been reclassified to conform with the June 30, 2014 presentation.