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2013

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The Dimock Center

DIMOCK COMMUNITY FOUNDATION, INC.
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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2013

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

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JUNE 30, 2013 AND 2012**

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029454



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

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INDEPENDENT AUDITOR'S REPORT

2013
Audit

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, 2013 and 2012, 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, 2013 and 2012, 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 12, 2013

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

<u>ASSETS</u>	UNRESTRICTED			<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
	<u>OPERATING</u>	<u>PROPERTY AND EQUIPMENT</u>	<u>TOTAL</u>			
CURRENT ASSETS:						
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 and allowance for doubtful accounts of approximately \$110,000	680,189	-	680,189	-	-	680,189
Grants and contracts receivable, net of allowance for 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
Total current assets	2,851,434	217,908	3,069,342	1,312,083	-	4,381,425
PROPERTY AND EQUIPMENT:						
Land, buildings and improvements	-	36,281,428	36,281,428	-	-	36,281,428
Furniture and equipment	-	6,548,840	6,548,840	-	-	6,548,840
	-	42,830,268	42,830,268	-	-	42,830,268
Less - accumulated depreciation	-	20,045,525	20,045,525	-	-	20,045,525
Net property and equipment	-	22,784,743	22,784,743	-	-	22,784,743
OTHER ASSETS:						
Investments	358,858	-	358,858	-	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 of \$137,688	-	396,626	396,626	-	-	396,626
Total other assets	505,858	867,347	1,373,205	-	2,267,190	3,640,395
Total assets	\$ 3,357,292	\$ 23,869,998	\$ 27,227,290	\$ 1,312,083	\$ 2,267,190	\$ 30,806,563
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
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
Total current liabilities	2,694,261	873,913	3,568,174	-	-	3,568,174
OTHER LIABILITIES:						
Long-term debt, net of current portion	-	12,858,586	12,858,586	-	-	12,858,586
Conditional liability	-	500,000	500,000	-	-	500,000
Total other liabilities	-	13,358,586	13,358,586	-	-	13,358,586
Total liabilities	2,694,261	14,232,499	16,926,760	-	-	16,926,760
NET ASSETS:						
Unrestricted:						
Operating	563,031	-	563,031	-	-	563,031
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
Total unrestricted	663,031	9,637,499	10,300,530	-	-	10,300,530
Temporarily restricted	-	-	-	1,312,083	-	1,312,083
Permanently restricted	-	-	-	-	2,267,190	2,267,190
Total net assets	663,031	9,637,499	10,300,530	1,312,083	2,267,190	13,879,803
Total liabilities and net assets	\$ 3,357,292	\$ 23,869,998	\$ 27,227,290	\$ 1,312,083	\$ 2,267,190	\$ 30,806,563

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL			
CURRENT ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,160,930	\$ -	\$ 1,160,930
Current portion of restricted deposits	-	135,658	135,658	-	-	135,658
Accounts receivable, net of contractual allowance and allowance for doubtful accounts of approximately \$193,000	1,014,225	-	1,014,225	-	-	1,014,225
Grants and contracts receivable, net of allowance for doubtful accounts of approximately \$69,000	1,291,679	-	1,291,679	-	-	1,291,679
Inventory	265,788	-	265,788	-	-	265,788
Prepaid expenses and deposits	220,675	-	220,675	-	-	220,675
Due (to) from	(28,938)	-	(28,938)	28,938	-	-
Total current assets	2,763,429	135,658	2,899,087	1,189,868	-	4,088,955
PROPERTY AND EQUIPMENT:						
Land, buildings and improvements	-	35,576,600	35,576,600	-	-	35,576,600
Furniture and equipment	-	6,394,344	6,394,344	-	-	6,394,344
	-	41,970,944	41,970,944	-	-	41,970,944
Less - accumulated depreciation	-	18,767,861	18,767,861	-	-	18,767,861
Net property and equipment	-	23,203,083	23,203,083	-	-	23,203,083
OTHER ASSETS:						
Investments	181,394	-	181,394	-	2,267,190	2,448,584
Note receivable	297,000	-	297,000	-	-	297,000
Restricted deposits, net of current portion	-	583,226	583,226	-	-	583,226
Financing fees, net of accumulated amortization of \$115,966	-	418,348	418,348	-	-	418,348
Total other assets	478,394	1,001,574	1,479,968	-	2,267,190	3,747,158
Total assets	\$ 3,241,823	\$ 24,340,315	\$ 27,582,138	\$ 1,189,868	\$ 2,267,190	\$ 31,039,196
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Current portion of long-term debt	\$ -	\$ 736,859	\$ 736,859	\$ -	\$ -	\$ 736,859
Accounts payable	1,807,628	82,157	1,889,785	-	-	1,889,785
Accrued expenses	1,125,048	-	1,125,048	-	-	1,125,048
Total current liabilities	2,932,676	819,016	3,751,692	-	-	3,751,692
OTHER LIABILITIES:						
Long-term debt, net of current portion	-	13,425,295	13,425,295	-	-	13,425,295
Conditional liability	-	500,000	500,000	-	-	500,000
Total other liabilities	-	13,925,295	13,925,295	-	-	13,925,295
Total liabilities	2,932,676	14,744,311	17,676,987	-	-	17,676,987
NET ASSETS:						
Unrestricted:						
Operating	209,147	-	209,147	-	-	209,147
Property and equipment	-	5,655,450	5,655,450	-	-	5,655,450
Custodial property	-	3,940,554	3,940,554	-	-	3,940,554
Board designated endowment	100,000	-	100,000	-	-	100,000
Total unrestricted	309,147	9,596,004	9,905,151	-	-	9,905,151
Temporarily restricted	-	-	-	1,189,868	-	1,189,868
Permanently restricted	-	-	-	-	2,267,190	2,267,190
Total net assets	309,147	9,596,004	9,905,151	1,189,868	2,267,190	13,362,209
Total liabilities and net assets	\$ 3,241,823	\$ 24,340,315	\$ 27,582,138	\$ 1,189,868	\$ 2,267,190	\$ 31,039,196

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

	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL			
OPERATING REVENUES:						
Grants and contracts	\$ 15,333,141	\$ -	\$ 15,333,141	\$ -	\$ -	\$ 15,333,141
Net patient service revenue	14,200,389	-	14,200,389	-	-	14,200,389
Event revenue	1,032,069	-	1,032,069	-	-	1,032,069
Contributions and other	744,453	-	744,453	285,549	-	1,030,002
In-kind goods and services	973,128	-	973,128	-	-	973,128
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
OPERATING EXPENSES:						
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
NON-OPERATING REVENUES (EXPENSES):						
Capital grants	-	323,533	323,533	200,000	-	523,533
Net realized and unrealized gains on investments	235,311	-	235,311	-	-	235,311
Investment return appropriated for current operations	(100,000)	-	(100,000)	-	-	(100,000)
Impairment loss	(150,000)	-	(150,000)	-	-	(150,000)
Total non-operating revenues (expenses)	(14,689)	323,533	308,844	200,000	-	508,844
Changes in net assets	1,371,232	(975,853)	395,379	122,215	-	517,594
NET ASSETS, beginning of year	309,147	9,596,004	9,905,151	1,189,868	2,267,190	13,362,209
Operational transfers	(1,017,348)	1,017,348	-	-	-	-
NET ASSETS, end of year	\$ 663,031	\$ 9,637,499	\$ 10,300,530	\$ 1,312,083	\$ 2,267,190	\$ 13,879,803

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, 2012

	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL			
OPERATING REVENUES:						
Grants and contracts	\$ 16,175,475	\$ -	\$ 16,175,475	\$ -	\$ -	\$ 16,175,475
Net patient service revenue	12,419,893	-	12,419,893	-	-	12,419,893
Event revenue	662,654	-	662,654	-	-	662,654
Contributions and other	281,512	-	281,512	809,902	-	1,091,414
In-kind goods and services	697,839	-	697,839	-	-	697,839
Rental income	627,698	-	627,698	-	-	627,698
Investment income	56,995	-	56,995	-	-	56,995
Net assets released from program restrictions	356,538	-	356,538	(356,538)	-	-
Total operating revenues	31,278,604	-	31,278,604	453,364	-	31,731,968
OPERATING EXPENSES:						
Program services:						
Health Services	10,244,586	168,728	10,413,314	-	-	10,413,314
Behavioral Health	7,997,019	233,746	8,230,765	-	-	8,230,765
Child and Family Development	6,602,983	285,237	6,888,220	-	-	6,888,220
Career Development Services	194,245	12,404	206,649	-	-	206,649
Total program services	25,038,833	700,115	25,738,948	-	-	25,738,948
Supporting services:						
Fundraising	721,149	13,571	734,720	-	-	734,720
General and administrative	2,541,661	322,379	2,864,040	-	-	2,864,040
Facilities	1,894,869	215,001	2,109,870	-	-	2,109,870
Total supporting services	5,157,679	550,951	5,708,630	-	-	5,708,630
Total operating expenses	30,196,512	1,251,066	31,447,578	-	-	31,447,578
Changes in net assets from operations	1,082,092	(1,251,066)	(168,974)	453,364	-	284,390
NON-OPERATING REVENUES (EXPENSES):						
Capital grants	-	470,175	470,175	-	-	470,175
Net realized and unrealized losses on investments	(78,879)	-	(78,879)	-	-	(78,879)
Refinance loss	-	(1,361,007)	(1,361,007)	-	-	(1,361,007)
Impairment loss	(200,000)	-	(200,000)	-	-	(200,000)
Net assets released from capital restrictions	-	381,347	381,347	(381,347)	-	-
Total non-operating revenues (expenses)	(278,879)	(509,485)	(788,364)	(381,347)	-	(1,169,711)
Changes in net assets	803,213	(1,760,551)	(957,338)	72,017	-	(885,321)
NET ASSETS, beginning of year	(1,764,972)	12,627,461	10,862,489	1,117,851	2,267,190	14,247,530
Operational transfers	1,270,906	(1,270,906)	-	-	-	-
NET ASSETS, end of year	\$ 309,147	\$ 9,596,004	\$ 9,905,151	\$ 1,189,868	\$ 2,267,190	\$ 13,362,209

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 517,594	\$ (885,321)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,299,386	1,251,066
Impairment loss	150,000	200,000
Net realized and unrealized (gains) losses on investments	(235,311)	78,879
Bad debt	630,054	394,739
Capital grants	(323,533)	(470,175)
Refinancing loss	-	1,361,007
Changes in operating assets and liabilities:		
Accounts receivable	(296,018)	(551,915)
Grants and contracts receivable	(132,544)	82,775
Inventory	(15,525)	(29,056)
Prepaid expenses and deposits	68,969	(35,965)
Accounts payable	(314,730)	(1,239,365)
Accrued expenses	76,315	130,704
Deferred revenue	-	(92,458)
Net cash provided by operating activities	<u>1,424,657</u>	<u>194,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted deposits	30,255	879,621
Purchases of investments	(566,928)	(247,977)
Proceeds from sale of investments	624,775	168,981
Purchase of property and equipment	(794,612)	(574,138)
Payment of bond fees	-	(309,601)
Net cash used in investing activities	<u>(706,510)</u>	<u>(83,114)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital grants	323,533	470,175
Principal payments on long-term debt	(576,524)	(653,210)
Notes payable to a bank	-	(233,129)
Proceeds from long-term debt	-	1,261,271
Net cash provided by (used in) financing activities	<u>(252,991)</u>	<u>845,107</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	465,156	956,908
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,160,930</u>	<u>204,022</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,626,086</u>	<u>\$ 1,160,930</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 633,262</u>	<u>\$ 715,347</u>
NON-CASH INVESTING ACTIVITY:		
Unrealized gains (losses) on investments	<u>\$ 198,297</u>	<u>\$ (61,844)</u>
Property and equipment included in accounts payable	<u>\$ 146,869</u>	<u>\$ 82,157</u>
Cost basis of disposed bond fees	<u>\$ -</u>	<u>\$ 205,405</u>
Long-term debt refinanced	<u>\$ -</u>	<u>\$ 12,950,515</u>

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

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	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	
OPERATING EXPENSES:										
Salaries	\$ 5,371,185	\$ 5,338,177	\$ 3,864,968	\$ 148,362	\$ 14,722,692	\$ 112,860	\$ 1,501,192	\$ 223,528	\$ 1,837,580	\$ 16,560,272
Direct program expense	2,394,589	786,935	615,167	16,291	3,812,982	36,231	93,928	943,612	1,073,771	4,886,753
Fringe benefits and payroll taxes	944,389	927,433	679,558	26,085	2,577,465	19,844	263,476	39,301	322,621	2,900,086
Supplies and related	754,174	425,579	168,682	6,387	1,354,822	596,303	642,258	5,170	1,243,731	2,598,553
Depreciation and amortization	176,950	236,761	248,463	36,542	698,716	13,021	395,176	192,473	600,670	1,299,386
Consultants	669,237	83,417	41,575	16,814	811,043	186,534	175,939	9,500	371,973	1,183,016
Occupancy	11,589	303,767	45,622	-	360,978	-	128	687,186	687,314	1,048,292
In-kind goods and services	-	-	973,128	-	973,128	-	-	-	-	973,128
Interest	5,204	60,140	215,916	27,275	308,535	705	86,933	237,089	324,727	633,262
Bad debt	473,409	111,561	45,084	-	630,054	-	-	-	-	630,054
Subcontractors	356,348	-	288	9,397	366,033	-	-	-	-	366,033
Insurance	-	59,115	1,634	-	60,749	-	202,717	11,781	214,498	275,247
Total operating expenses before facilities and general and administrative allocation	11,157,074	8,332,885	6,900,085	287,153	26,677,197	965,498	3,361,747	2,349,640	6,676,885	33,354,082
Facilities allocation	845,527	631,499	522,916	21,762	2,021,704	73,169	254,767	(2,349,640)	(2,021,704)	-
Total operating expenses before general and administrative allocation	12,002,601	8,964,384	7,423,001	308,915	28,698,901	1,038,667	3,616,514	-	4,655,181	33,354,082
General and administrative allocation	1,459,688	1,090,197	902,743	37,568	3,490,196	126,318	(3,616,514)	-	(3,490,196)	-
Total operating expenses	\$ 13,462,289	\$ 10,054,581	\$ 8,325,744	\$ 346,483	\$ 32,189,097	\$ 1,164,985	\$ -	\$ -	\$ 1,164,985	\$ 33,354,082

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, 2012

	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
OPERATING EXPENSES:										
Salaries	\$ 4,970,088	\$ 5,188,225	\$ 4,009,195	\$ 103,940	\$ 14,271,448	\$ 101,355	\$ 1,424,049	\$ 230,755	\$ 1,756,159	\$ 16,027,607
Direct program expense	2,262,197	768,736	599,891	14,829	3,645,653	21,399	117,949	776,779	916,127	4,561,780
Fringe benefits and payroll taxes	862,587	886,954	683,879	18,046	2,451,466	17,596	246,874	40,063	304,533	2,755,999
Supplies and related	758,037	466,437	193,039	11,741	1,429,254	406,376	438,533	3,665	848,574	2,277,828
Depreciation and amortization	168,728	233,746	285,237	12,404	700,115	13,571	322,379	215,001	550,951	1,251,066
Consultants	668,664	152,916	3,266	27,700	852,546	173,457	18,314	2,000	193,771	1,046,317
Occupancy	21,589	328,052	101,367	41	451,049	-	1,777	557,744	559,521	1,010,570
In-kind goods and services	-	-	697,839	-	697,839	-	-	-	-	697,839
Interest	6,711	50,450	273,555	17,948	348,664	966	93,189	272,528	366,683	715,347
Bad debt	255,454	101,489	37,796	-	394,739	-	-	-	-	394,739
Subcontractors	439,259	-	680	-	439,939	-	-	-	-	439,939
Insurance	-	53,760	2,476	-	56,236	-	200,976	11,335	212,311	268,547
Total operating expenses before facilities and general and administrative allocations	10,413,314	8,230,765	6,888,220	206,649	25,738,948	734,720	2,864,040	2,109,870	5,708,630	31,447,578
Facilities allocation	748,891	591,929	495,378	14,862	1,851,060	52,839	205,971	(2,109,870)	(1,851,060)	-
Total operating expenses before general and administrative allocation	11,162,205	8,822,694	7,383,598	221,511	27,590,008	787,559	3,070,011	-	3,857,570	31,447,578
General and administrative allocation	1,207,577	954,478	798,790	23,964	2,984,809	85,202	(3,070,011)	-	(2,984,809)	-
Total operating expenses	\$ 12,369,782	\$ 9,777,172	\$ 8,182,388	\$ 245,475	\$ 30,574,817	\$ 872,761	\$ -	\$ -	\$ 872,761	\$ 31,447,578

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

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

(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 12). 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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Foundation reports its qualifying assets and liabilities in accordance with the *Fair Value Measurements and Disclosures* standards under U.S. GAAP. These standards define fair value, establish a framework for measuring fair value, and mandate disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

A qualifying 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

Other 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

Depreciation expense for the years ended June 30, 2013 and 2012, was \$1,277,664 and \$1,227,392, respectively. At June 30, 2013 and 2012, the net book value of assets purchased with the Commonwealth of Massachusetts and Federal funds was approximately \$4,092,000 and \$3,941,000, 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).

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 5 and 6). These costs are amortized over the life of the notes (twenty and thirty years). Amortization expense was \$21,722 and \$23,674 for the years ended June 30, 2013 and 2012, respectively.

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 page 10).
- **Board designated endowment** - consist of funds earmarked by the Board of Directors for endowment.

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 are purpose restricted at June 30, 2013 and 2012.

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 4).

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013 and 2012, were approximately \$5,293,000 and \$4,935,000, respectively.

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, 2013 and 2012, was \$1,450,000 and \$1,412,000, respectively. The cost of providing these services was approximately \$1,021,000 and \$1,250,000 for the years ended June 30, 2013 and 2012, 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 \$496,000 and \$465,000 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, or on the changes in its net assets for the years then ended.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding (Continued)

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, 2013 and 2012, 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 \$973,000 and \$698,000 for the years ended June 30, 2013 and 2012, 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.

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, 2013 and 2012, 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, 2013 and 2012, was approximately \$15,000 and \$34,000, 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.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 12, 2013, 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 follows the *Accounting for Uncertainty in Income Taxes* standard, which requires the Foundation to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2013, the Foundation determined that there are no material unrecognized tax benefits to report. The Foundation does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

The Foundation is subject to regular audit by tax authorities. The Foundation believes it has appropriate support for the positions taken on its tax returns. The Foundation files informational returns in the United States (Federal) and Massachusetts (state) jurisdictions. Information returns generally remain subject to examination by the Internal Revenue Service and Massachusetts for three years from filing dates.

(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>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>

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

(2) INVESTMENTS AND NOTE RECEIVABLE (Continued)

INVESTMENTS (Continued)

	<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:					
Money market fund	\$ 217,700	\$ -	\$ -	\$ -	\$ 217,700
Mutual funds:					
Domestic funds	646,890	-	-	-	646,890
Equities:					
U.S. Corporate stock	720,302	-	-	-	720,302
Foreign stock	244,846	-	-	-	244,846
Corporate bonds	<u>-</u>	<u>618,846</u>	<u>-</u>	<u>-</u>	<u>618,846</u>
Total investments	<u>\$1,829,738</u>	<u>\$618,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,448,584</u>

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

	<u>2013</u>	<u>2012</u>
Unrealized gains (losses) on investments	\$198,297	\$(61,844)
Net realized gains (losses) on investments	<u>37,014</u>	<u>(17,035)</u>
Net realized and unrealized gains (losses) on investments	<u>\$235,311</u>	<u>\$(78,879)</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.

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.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

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

NOTE RECEIVABLE (Continued)

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 \$150,000 and \$200,000, to further discount the note due to the uncertainty of repayment during fiscal year 2013 and 2012, respectively. The Foundation does not expect to be repaid prior to June 30, 2014.

	<u>2013</u>	<u>2012</u>
Original note	\$ 497,000	\$ 497,000
Accrued interest added to principal	<u>507,000</u>	<u>507,000</u>
	1,004,000	1,004,000
Discount/reserve	<u>(857,000)</u>	<u>(707,000)</u>
	<u>\$ 147,000</u>	<u>\$ 297,000</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) **DUE (TO) FROM**

During fiscal year 1993, the Foundation, with the approval of the Attorney General of the Commonwealth of Massachusetts, borrowed \$361,000 of permanently restricted net assets for cash flow purposes and to finance property additions. As of June 30, 2012, the Foundation has paid those funds back to permanently restricted net assets. As of June 30, 2012, the Foundation's unrestricted operating net assets owed \$28,938 to temporarily restricted net assets. Amounts owed to temporarily restricted net assets are due to unrestricted net assets borrowing cash to fund operations.

(4) **ENDOWMENT**

The Foundation's endowment consists of a donor-restricted fund 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, 2013 AND 2012

(Continued)

(4) ENDOWMENT (Continued)

Reconciliations of endowment investment activities for fiscal years 2013 and 2012 are as follows:

	<u>Unrestricted Board- Designated</u>	<u>Donor-Restricted</u>		<u>Total Endowment</u>
		<u>Unrestricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, June 30, 2011	<u>\$100,000</u>	<u>\$ 202,426</u>	<u>\$2,267,190</u>	<u>\$2,569,616</u>
Investment return:				
Net realized losses	-	(17,035)	-	(17,035)
Net unrealized losses	<u>-</u>	<u>(61,844)</u>	<u>-</u>	<u>(61,844)</u>
Total investment return	<u>-</u>	<u>(78,879)</u>	<u>-</u>	<u>(78,879)</u>
Endowment net assets, 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>-</u>	<u>198,297</u>	<u>-</u>	<u>198,297</u>
Total investment return	<u>-</u>	<u>235,311</u>	<u>-</u>	<u>235,311</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Endowment net assets, June 30, 2013	<u>\$100,000</u>	<u>\$ 258,858</u>	<u>\$2,267,190</u>	<u>\$2,626,048</u>

From time-to-time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donors require the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, losses on investments of a donor-restricted endowment reduce temporarily restricted net assets to the extent of net accumulated appreciation on these funds. Any remaining losses reduce unrestricted net assets. Future gains, if any, that restore the assets of the endowment fund to the original level will increase unrestricted net assets. The interfund due to (from) is reflected as a current item because repayment is dependent on the market value of the investments and is unknown.

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. Transfers to the operating net assets, in accordance with this policy, are reflected in the combined statement of activities. During 2013, the Board of Directors voted to appropriate \$100,000 to be used for operating purposes. There was no appropriation during fiscal year 2012.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

(5) LONG-TERM DEBT

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

	<u>2013</u>	<u>2012</u>
M DFA 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.	\$ 9,155,785	\$ 9,307,106
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. This note was used to refinance certain notes during fiscal year 2012 (see page 19).	3,541,510	3,589,456
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, 2013 and 2012). 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 19 for further disclosure).	638,777	990,443
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.	168,842	194,433
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>
	13,585,630	14,162,154
Less - current portion	<u>727,044</u>	<u>736,859</u>
	<u>\$12,858,586</u>	<u>\$13,425,295</u>

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

(5) LONG-TERM DEBT (Continued)

MDFA Bonds

On December 1, 2003, Massachusetts Development Finance Agency (MDFA) issued bonds of \$1,230,000 and \$7,565,000 for the Foundation at a discount of \$87,950. The bonds bore interest at 6.25% and 6.75%, respectively, and paid interest semi-annually on June 1st and December 1st. The bonds were paid in full with the proceeds of new bonds (see below).

On March 30, 2012, Century Bank issued 2012 MDFA Bonds of \$9,347,670 to pay off the 2003 series bonds. 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 rate period, 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. In connection with this refinancing agreement, the Foundation incurred certain legal and closing costs totaling approximately \$309,000, which have been capitalized and included in financing fees. These costs are being amortized over the life of the bonds (twenty years) (see Note 1). The Foundation incurred approximately \$1,361,000 early repayment penalty and interest costs, which is reflected as refinance loss on the accompanying combined statement of activities for the year ended June 30, 2012.

The loan agreement requires the Foundation to maintain a debt service reserve of approximately \$230,000. The debt service reserve was funded with the proceeds of the MDFA bonds refinance. Withdrawals may be made from the MDFA bond reserve (see Note 8) for renewal, renovation or replacement of property. The bonds are secured by mortgages on certain real estate, as well as substantially all of the Foundation's assets. The debt service reserve is included in restricted deposits (see Note 8). The Foundation was in compliance with the debt service requirement as of June 30, 2013 and 2012.

HEFA Bond

The HEFA bond note payable requires the Foundation to maintain a debt service reserve minimum of \$211,700 and \$324,600 as of June 30, 2013 and 2012, respectively. 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 8). 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 June 30,</u>	<u>Amount</u>
2014	\$727,044
2015	\$587,169
2016	\$227,213
2017	\$240,094
2018	\$251,977

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

(5) LONG-TERM DEBT (Continued)

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, 2013 and 2012.

(6) 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 April 30, 2017. Interest is payable monthly on outstanding borrowings at the *Wall Street Journal's* prime rate (3.25% at June 30, 2013 and 2012). 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, 2013 and 2012. There was no balance outstanding as of June 30, 2013 and 2012.

(7) 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.

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 has an unfunded plan that is qualified under Section 457 of the Internal Revenue Code. This plan became effective January 1, 2006, and provides deferred compensation to a select group of management and highly compensated employees as designated by the Foundation's Board. The Foundation makes 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 are 100% vested at all times. The Foundation accrued contributions of \$21,688 and \$21,614 for this plan for the years ended June 30, 2013 and 2012, respectively, which is included in accounts payable in the accompanying combined statements of financial position and fringe benefits and payroll taxes on the accompanying combined statements of functional expenses.

There were no pension and 457 plan expenses for the years ended June 30, 2013 and 2012.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

(8) RESTRICTED DEPOSITS

Restricted deposits consist of debt service and other reserves for the HEFA and MDFA bonds (see Note 5). The balances as of June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Current portion:		
HEFA Bond Sinking Fund	<u>\$217,908</u>	<u>\$135,658</u>
Non-current portion:		
HEFA Debt Service Reserve	231,406	344,030
MDFA Bond Reserve	<u>239,315</u>	<u>239,196</u>
Subtotal non-current portion	<u>470,721</u>	<u>583,226</u>
	<u>\$688,629</u>	<u>\$718,884</u>

(9) 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 \$261,999 and \$318,628 for the years ended June 30, 2013 and 2012, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$251,285
2015	\$192,446
2016	\$ 84,869
2017	\$ 51,985
2018	\$ 26,792

(10) 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, 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. For the year ended June 30, 2012, approximately 45% and 46% 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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)

(10) CONCENTRATIONS (Continued)

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. As of June 30, 2012, approximately 36% and 38% 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.

(11) 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 5) 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>2013</u>	<u>2012</u>
Program service fee revenue	\$1,305,211	\$1,214,931
Group health insurance policies placed	\$1,211,064	\$1,120,342
Contract services	\$ 450,000	\$ 450,000

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

(12) 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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(Continued)

(13) CONDITIONAL LIABILITY

In connection with the Project (see Note 12), 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 2013 or 2012. This note is secured by a second mortgage on the Project and assignment of leases and rents. As of June 30, 2013 and 2012, there was \$500,000 of borrowings under this agreement. These borrowings are reflected as conditional liability in the accompanying combined statements of financial position.

(14) 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 \$259,233 of this grant and is included in capital grants on the accompanying combined statement of activities and changes in net assets as of June 30, 2013.

(15) SUBSEQUENT EVENTS

In September, 2013, the Foundation closed on a ten-year, 4% bond agreement with Mass Development for \$1,200,000 to replace the main boiler plan and update certain facilities heating systems. There was no construction in progress for this project at June 30, 2013.

(16) RECLASSIFICATIONS

Certain amounts in the June 30, 2012 combined financial statements have been reclassified to conform with the June 30, 2013 presentation.