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2012

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The Dimock Center

DIMOCK COMMUNITY FOUNDATION, INC.
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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2012

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**CONTENTS
JUNE 30, 2012 AND 2011**

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
COMBINED FINANCIAL STATEMENTS:	
Combined Statements of Financial Position	2 - 3
Combined Statements of Activities	4 - 5
Combined Statements of Changes in Net Assets	6
Combined Statements of Cash Flows	7
Combined Statements of Functional Expenses	8 - 9
Notes to Combined Financial Statements	10 - 24



Where Every Client Is A Valued Client

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2012
Audit

029454

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statements of financial position of Dimock Community Foundation, Inc. and Affiliates (Massachusetts corporations, not for profit and a limited liability company) (collectively, the Foundation) as of June 30, 2012 and 2011, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the years then ended. These combined financial statements are the responsibility of the Foundation's management. 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Dimock Community Foundation, Inc. and Affiliates as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Wellesley, Massachusetts
November 13, 2012

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	847,811	-	847,811	-	-	847,811
Grants and contracts receivable, net of allowance for doubtful accounts of approximately \$69,000	1,291,679	-	1,291,679	-	-	1,291,679
Pharmacy receivable	166,414	-	166,414	-	-	166,414
Pharmacy inventory	144,593	-	144,593	-	-	144,593
Other inventory	121,195	-	121,195	-	-	121,195
Prepaid expenses and deposits	220,675	-	220,675	-	-	220,675
Due (to) from	(287,284)	-	(287,284)	28,938	258,346	-
Total current assets	2,505,083	135,658	2,640,741	1,189,868	258,346	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	439,740	-	439,740	-	2,008,844	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	736,740	1,001,574	1,738,314	-	2,008,844	3,747,158
Total assets	\$ 3,241,823	\$ 24,340,315	\$ 27,582,138	\$ 1,189,868	\$ 2,267,190	\$ 31,039,196
LIABILITIES AND NET ASSETS						
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 FINANCIAL POSITION
JUNE 30, 2011

ASSETS	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL			
CURRENT ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 159,974	\$ 44,048	\$ 204,022
Current portion of restricted deposits	-	1,322,392	1,322,392	-	-	1,322,392
Accounts receivable, net of contractual allowance and allowance for doubtful accounts of approximately \$299,000	692,797	-	692,797	-	-	692,797
Grants and contracts receivable, net of allowance for doubtful accounts of approximately \$62,000	1,374,454	-	1,374,454	-	-	1,374,454
Pharmacy receivable	164,252	-	164,252	-	-	164,252
Pharmacy inventory	104,906	-	104,906	-	-	104,906
Other inventory	131,826	-	131,826	-	-	131,826
Prepaid expenses and deposits	184,710	-	184,710	-	-	184,710
Due (to) from	(986,996)	-	(986,996)	307,529	179,467	-
Total current assets	1,665,949	1,322,392	2,988,341	967,503	223,515	4,179,359
PROPERTY AND EQUIPMENT:						
Land, buildings and improvements	-	35,182,485	35,182,485	-	-	35,182,485
Furniture and equipment	-	6,063,973	6,063,973	150,348	-	6,214,321
	-	41,246,458	41,246,458	150,348	-	41,396,806
Less - accumulated depreciation	-	17,540,469	17,540,469	-	-	17,540,469
Net property and equipment	-	23,705,989	23,705,989	150,348	-	23,856,337
OTHER ASSETS:						
Investments	404,792	-	404,792	-	2,043,675	2,448,467
Note receivable	497,000	-	497,000	-	-	497,000
Restricted deposits, net of current portion	-	276,113	276,113	-	-	276,113
Financing fees, net of accumulated amortization of \$172,596	-	337,826	337,826	-	-	337,826
Total other assets	901,792	613,939	1,515,731	-	2,043,675	3,559,406
Total assets	\$ 2,567,741	\$ 25,642,320	\$ 28,210,061	\$ 1,117,851	\$ 2,267,190	\$ 31,595,102
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Note payable to a bank	\$ 233,129	\$ -	\$ 233,129	\$ -	\$ -	\$ 233,129
Current portion of long-term debt	-	696,734	696,734	-	-	696,734
Accounts payable	3,012,782	116,368	3,129,150	-	-	3,129,150
Accrued expenses	994,344	-	994,344	-	-	994,344
Deferred revenue	92,458	-	92,458	-	-	92,458
Total current liabilities	4,332,713	813,102	5,145,815	-	-	5,145,815
OTHER LIABILITIES:						
Long-term debt, net of current portion	-	11,701,757	11,701,757	-	-	11,701,757
Conditional liability	-	500,000	500,000	-	-	500,000
Total other liabilities	-	12,201,757	12,201,757	-	-	12,201,757
Total liabilities	4,332,713	13,014,859	17,347,572	-	-	17,347,572
NET ASSETS:						
Unrestricted:						
Operating	(1,864,972)	-	(1,864,972)	-	-	(1,864,972)
Property and equipment	-	8,655,516	8,655,516	-	-	8,655,516
Custodial property	-	3,971,945	3,971,945	-	-	3,971,945
Board designated endowment	100,000	-	100,000	-	-	100,000
Total unrestricted	(1,764,972)	12,627,461	10,862,489	-	-	10,862,489
Temporarily restricted	-	-	-	1,117,851	-	1,117,851
Permanently restricted	-	-	-	-	2,267,190	2,267,190
Total net assets	(1,764,972)	12,627,461	10,862,489	1,117,851	2,267,190	14,247,530
Total liabilities and net assets	\$ 2,567,741	\$ 25,642,320	\$ 28,210,061	\$ 1,117,851	\$ 2,267,190	\$ 31,595,102

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
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	9,863,849	-	9,863,849	-	-	9,863,849
Pharmacy revenue	2,556,044	-	2,556,044	-	-	2,556,044
Contributions and other	281,512	-	281,512	809,902	-	1,091,414
In-kind goods and services	697,839	-	697,839	-	-	697,839
Event revenue	662,654	-	662,654	-	-	662,654
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	<u>31,278,604</u>	<u>-</u>	<u>31,278,604</u>	<u>453,364</u>	<u>-</u>	<u>31,731,968</u>
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	<u>25,038,833</u>	<u>700,115</u>	<u>25,738,948</u>	<u>-</u>	<u>-</u>	<u>25,738,948</u>
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	<u>5,157,679</u>	<u>550,951</u>	<u>5,708,630</u>	<u>-</u>	<u>-</u>	<u>5,708,630</u>
Total operating expenses	<u>30,196,512</u>	<u>1,251,066</u>	<u>31,447,578</u>	<u>-</u>	<u>-</u>	<u>31,447,578</u>
Changes in net assets from operations	<u>1,082,092</u>	<u>(1,251,066)</u>	<u>(168,974)</u>	<u>453,364</u>	<u>-</u>	<u>284,390</u>
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)	<u>(278,879)</u>	<u>(509,485)</u>	<u>(788,364)</u>	<u>(381,347)</u>	<u>-</u>	<u>(1,169,711)</u>
Changes in net assets	<u>\$ 803,213</u>	<u>\$ (1,760,551)</u>	<u>\$ (957,338)</u>	<u>\$ 72,017</u>	<u>\$ -</u>	<u>\$ (885,321)</u>

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL			
OPERATING REVENUES:						
Grants and contracts	\$ 16,422,888	\$ -	\$ 16,422,888	\$ -	\$ -	\$ 16,422,888
Net patient service revenue	8,241,109	-	8,241,109	-	-	8,241,109
Pharmacy revenue	1,929,366	-	1,929,366	-	-	1,929,366
Contributions and other	646,433	-	646,433	694,359	-	1,340,792
In-kind goods and services	900,275	-	900,275	-	-	900,275
Event revenue	669,821	-	669,821	-	-	669,821
Rental income	627,784	-	627,784	-	-	627,784
Investment return appropriated for current operations	145,000	-	145,000	-	-	145,000
Investment income	58,449	-	58,449	-	-	58,449
Net assets released from program restrictions	614,232	-	614,232	(614,232)	-	-
Total operating revenues	<u>30,255,357</u>	<u>-</u>	<u>30,255,357</u>	<u>80,127</u>	<u>-</u>	<u>30,335,484</u>
OPERATING EXPENSES:						
Program services:						
Health Services	8,974,106	146,934	9,121,040	-	-	9,121,040
Behavioral Health	6,151,114	133,017	6,284,131	-	-	6,284,131
Child and Family Development	8,169,380	321,733	8,491,113	-	-	8,491,113
Career Development Services	223,388	10,857	234,245	-	-	234,245
Total program services	<u>23,517,988</u>	<u>612,541</u>	<u>24,130,529</u>	<u>-</u>	<u>-</u>	<u>24,130,529</u>
Supporting services:						
Fundraising	749,377	11,866	761,243	-	-	761,243
General and administrative	3,131,605	390,099	3,521,704	-	-	3,521,704
Facilities	1,953,505	188,294	2,141,799	-	-	2,141,799
Total supporting services	<u>5,834,487</u>	<u>590,259</u>	<u>6,424,746</u>	<u>-</u>	<u>-</u>	<u>6,424,746</u>
Total operating expenses	<u>29,352,475</u>	<u>1,202,800</u>	<u>30,555,275</u>	<u>-</u>	<u>-</u>	<u>30,555,275</u>
Changes in net assets from operations	<u>902,882</u>	<u>(1,202,800)</u>	<u>(299,918)</u>	<u>80,127</u>	<u>-</u>	<u>(219,791)</u>
NON-OPERATING REVENUES (EXPENSES):						
Capital grants	-	729,014	729,014	-	-	729,014
Net realized and unrealized gains on investments	453,546	-	453,546	-	-	453,546
Investment return appropriated for current operations	(145,000)	-	(145,000)	-	-	(145,000)
Impairment loss	(213,000)	-	(213,000)	-	-	(213,000)
Total non-operating revenues (expenses)	<u>95,546</u>	<u>729,014</u>	<u>824,560</u>	<u>-</u>	<u>-</u>	<u>824,560</u>
Changes in net assets	<u>\$ 998,428</u>	<u>\$ (473,786)</u>	<u>\$ 524,642</u>	<u>\$ 80,127</u>	<u>\$ -</u>	<u>\$ 604,769</u>

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

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL			
NET ASSETS, June 30, 2010	\$ (1,273,680)	\$ 11,611,527	\$ 10,337,847	\$ 1,037,724	\$ 2,267,190	\$ 13,642,761
Operational transfers	(1,489,720)	1,489,720	-	-	-	-
Changes in net assets	<u>998,428</u>	<u>(473,786)</u>	<u>524,642</u>	<u>80,127</u>	<u>-</u>	<u>604,769</u>
NET ASSETS, June 30, 2011	(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)	-	-	-	-
Changes in net assets	<u>803,213</u>	<u>(1,760,551)</u>	<u>(957,338)</u>	<u>72,017</u>	<u>-</u>	<u>(885,321)</u>
NET ASSETS, June 30, 2012	<u>\$ 309,147</u>	<u>\$ 9,596,004</u>	<u>\$ 9,905,151</u>	<u>\$ 1,189,868</u>	<u>\$ 2,267,190</u>	<u>\$ 13,362,209</u>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (885,321)	\$ 604,769
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,251,066	1,202,800
Impairment loss	200,000	213,000
Net realized and unrealized (gains) losses on investments	78,879	(453,546)
Bad debt	394,739	186,419
Capital grants	(470,175)	(729,014)
Refinancing loss	1,361,007	-
Changes in operating assets and liabilities:		
Accounts receivable	(549,753)	(160,524)
Grants and contracts receivable	82,775	(91,499)
Pharmacy receivable	(2,162)	(52,636)
Pharmacy inventory	(39,687)	(8,990)
Other inventory	10,631	20,517
Prepaid expenses and deposits	(35,965)	(36,931)
Accounts payable	(1,239,365)	(50,702)
Accrued expenses	130,704	72,395
Deferred revenue	(92,458)	92,458
Net cash provided by operating activities	<u>194,915</u>	<u>808,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted deposits	879,621	35,065
Payment of bond fees	(309,601)	-
Purchases of investments	(247,977)	(891,585)
Proceeds from sale of investments	168,981	1,018,990
Purchase of property and equipment	(574,138)	(1,185,651)
Net cash used in investing activities	<u>(83,114)</u>	<u>(1,023,181)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital grants	470,175	729,014
Notes payable to a bank	(233,129)	80,050
Proceeds from long-term debt	1,261,271	-
Principal payments on long-term debt	(653,210)	(620,254)
Net cash provided by financing activities	<u>845,107</u>	<u>188,810</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	956,908	(25,855)
CASH AND CASH EQUIVALENTS, beginning of year	<u>204,022</u>	<u>229,877</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,160,930</u>	<u>\$ 204,022</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 715,347</u>	<u>\$ 760,993</u>
NON-CASH INVESTING ACTIVITY:		
Unrealized gains (losses) on investments	<u>\$ (61,844)</u>	<u>\$ 298,722</u>
Property and equipment included in accounts payable	<u>\$ 82,157</u>	<u>\$ 116,368</u>
Cost basis of disposed bond fees	<u>\$ 205,405</u>	<u>\$ -</u>
Long-term debt refinanced	<u>\$ 12,950,515</u>	<u>\$ -</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, 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
Interest	6,711	50,450	273,555	17,948	348,664	966	93,189	272,528	366,683	715,347
In-kind goods and services	-	-	697,839	-	697,839	-	-	-	-	697,839
Subcontractors	439,259	-	680	-	439,939	-	-	-	-	439,939
Bad debt	255,454	101,489	37,796	-	394,739	-	-	-	-	394,739
Insurance	-	53,760	2,476	-	56,236	-	200,976	11,335	212,311	268,547
Total operating expenses before facilities and general and administrative allocation	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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ 4,755,385	\$ 4,095,281	\$ 4,912,624	\$ 152,098	\$ 13,915,388	\$ 258,341	\$ 1,362,263	\$ 220,393	\$ 1,840,997	\$ 15,756,385
Direct program expense	1,860,741	540,731	954,219	9,059	3,364,750	29,327	148,305	928,172	1,105,804	4,470,554
Fringe benefits and payroll taxes	870,630	735,239	695,277	27,854	2,329,000	47,312	249,066	40,363	336,741	2,665,741
Supplies and related	345,630	150,168	144,722	9,021	649,541	373,019	988,489	3,796	1,365,304	2,014,845
Depreciation and amortization	146,934	133,017	321,733	10,857	612,541	11,866	390,099	188,294	590,259	1,202,800
Consultants	598,771	163,918	122,903	6,000	891,592	40,167	58,904	-	99,071	990,663
Occupancy	24,201	289,686	134,319	-	448,206	-	375	458,699	459,074	907,280
Interest	8,381	53,878	292,355	19,356	373,970	1,211	93,498	292,314	387,023	760,993
In-kind goods and services	-	-	876,335	-	876,335	-	18,500	5,440	23,940	900,275
Subcontractors	401,349	18,674	404	-	420,427	-	-	-	-	420,427
Bad debt	109,018	45,337	32,064	-	186,419	-	-	-	-	186,419
Insurance	-	58,202	4,158	-	62,360	-	212,205	4,328	216,533	278,893
Total operating expenses before facilities and general and administrative allocations	9,121,040	6,284,131	8,491,113	234,245	24,130,529	761,243	3,521,704	2,141,799	6,424,746	30,555,275
Facilities allocation	687,541	473,696	640,057	17,657	1,818,951	57,382	265,466	(2,141,799)	(1,818,951)	-
Total operating expenses before general and administrative allocation	9,808,581	6,757,827	9,131,170	251,902	25,949,480	818,625	3,787,170	-	4,605,795	30,555,275
General and administrative allocation	1,387,725	956,102	1,291,884	35,639	3,671,350	115,820	(3,787,170)	-	(3,671,350)	-
Total operating expenses	\$ 11,196,306	\$ 7,713,929	\$ 10,423,054	\$ 287,541	\$ 29,620,830	\$ 934,445	\$ -	\$ -	\$ 934,445	\$ 30,555,275

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, 2012 AND 2011**

(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. The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the Internal Revenue Code 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.

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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

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.

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.

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).

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, 2012 and 2011, was \$1,227,392 and \$1,178,164, respectively. At June 30, 2012 and 2011, the net book value of assets purchased with the Commonwealth of Massachusetts and Federal funds was approximately \$3,941,000 and \$3,972,000, 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 12).

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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 \$23,674 and \$24,636 for the years ended June 30, 2012 and 2011, respectively.

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 11).
- **Board designated endowment** - consist of funds earmarked by the Board of Directors for endowment.
- **Depreciation on permanently restricted endowment** - represents the cumulative depreciation of those funds invested as permanently restricted endowment (see permanently restricted net assets and Note 4).

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, 2012 and 2011.

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, 2012 AND 2011
(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, 2012 and 2011, were approximately \$4,935,000 and \$3,105,000, respectively.

During fiscal year 2012, the Foundation adopted 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, 2012 and 2011, was \$1,390,000 and \$1,123,000, respectively. The cost of providing these services was approximately \$1,250,000 and \$1,010,000 for the years ended June 30, 2012 and 2011, 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 \$465,000 and \$548,000 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, 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, 2012 AND 2011
(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, 2012 and 2011, 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 \$698,000 and \$900,000 for the years ended June 30, 2012 and 2011, respectively, and is reflected as in-kind goods and services on the accompanying combined statements of activities and functional expenses. In addition, in fiscal year 2008, the Foundation received \$500,000 of donated software. During fiscal years 2012 and 2011, approximately \$500,000 and \$379,000, respectively, of this software has been placed into service.

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, 2012 and 2011, 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, 2012 and 2011, was approximately \$34,000 and \$44,000, 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, 2012 AND 2011
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 13, 2012, 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, 2012, 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>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	-	618,846	-	618,846
Total investments	<u>\$1,829,738</u>	<u>\$618,846</u>	<u>\$ -</u>	<u>\$2,448,584</u>

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(2) INVESTMENTS AND NOTE RECEIVABLE (Continued)

INVESTMENTS (Continued)

	<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:					
Mutual funds:					
Domestic funds	\$ 537,120	\$ -	\$ -		\$ 537,120
International funds	273,870	-	-		273,870
Equities:					
U.S. Corporate stock	883,214	-	-		883,214
Foreign stock	229,869	-	-		229,869
Corporate bonds	<u>-</u>	<u>524,394</u>	<u>-</u>		<u>524,394</u>
Total investments	<u>\$1,924,073</u>	<u>\$524,394</u>	<u>\$ -</u>		<u>\$2,448,467</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>2012</u>	<u>2011</u>
Unrealized gains (losses) on investments	\$(61,844)	\$298,722
Net realized gains (losses) on investments	<u>(17,035)</u>	<u>154,824</u>
Net realized and unrealized gains (losses) on investments	<u>\$(78,879)</u>	<u>\$453,546</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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(Continued)

(2) INVESTMENTS AND NOTE RECEIVABLE (Continued)

NOTE RECEIVABLE (Continued)

The Partnership was considered a going concern as of December 31, 2011 and 2010, and due to the uncertainty of the final value of the Foundation's claim on this note, the Foundation had taken a \$213,000 impairment loss as of June 30, 2011 on the accompanying combined statements of activities. The 2011 increase to the reserve was to bring the note to the original carrying value, which was the amount the Foundation expected to be repaid. During 2012, the Foundation increased the reserve by an additional \$200,000 to further discount the note due to the uncertainty of repayment. The Foundation does not expect to be repaid prior to June 30, 2013.

	<u>2012</u>	<u>2011</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>(707,000)</u>	<u>(507,000)</u>
	<u>\$ 297,000</u>	<u>\$ 497,000</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 and 2011, the Foundation's unrestricted operating net assets owed \$28,938 and \$807,529, respectively, to temporarily restricted net assets. As of June 30, 2012 and 2011, the Foundation's unrestricted operating net assets owed \$258,346 and \$179,467, respectively, to permanently 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 12) 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, 2012 AND 2011
(Continued)**

(4) ENDOWMENT (Continued)

Reconciliations of endowment investment activities for fiscal years 2012 and 2011 are as follows:

	Unrestricted Board- Designated	Donor-Restricted		Total Endowment
		Unrestricted	Permanently Restricted	
Endowment net assets, June 30, 2010	<u>\$100,000</u>	<u>\$(488,013)</u>	<u>\$2,267,190</u>	<u>\$1,879,177</u>
Investment return:				
Net realized gains	-	154,824	-	154,824
Net unrealized gains	<u>-</u>	<u>298,722</u>	<u>-</u>	<u>298,722</u>
Total investment return	<u>-</u>	<u>453,546</u>	<u>-</u>	<u>453,546</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(145,000)</u>	<u>-</u>	<u>(145,000)</u>
Endowment net assets, June 30, 2011	<u>100,000</u>	<u>(179,467)</u>	<u>2,267,190</u>	<u>2,187,723</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>\$(258,346)</u>	<u>\$2,267,190</u>	<u>\$2,108,844</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 fiscal year 2011, the Board of Directors voted to appropriate \$145,000 of the investment return for current operations. There was no appropriation during fiscal year 2012.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(5) LONG-TERM DEBT

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

	<u>2012</u>	<u>2011</u>
M DFA revenue bonds, interest due monthly with interest at 4.5% on the first of each month (see page 20 for further disclosure). This note is secured by a shared first mortgage on all assets of the Foundation.	\$ 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 20).	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, 2012 and 2011). 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).	990,443	1,340,000
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 to refinance.	194,433	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 to refinance.	63,216	63,216
M DFA revenue bonds, interest was due semi-annually with interest at 6.75% on June 1 st and December 1 st of each year. These bonds were refinanced during fiscal year 2012 (see page 20 for further disclosure).	-	7,565,000

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(5) LONG-TERM DEBT (Continued)

	<u>2012</u>	<u>2011</u>
6.5% note payable to a bank, was due in monthly installments of \$29,823, principal and interest through March, 2012, with a balloon payment of approximately \$2,815,000 due in April, 2012. This note was refinanced during fiscal year 2012 with the proceeds from a new note (see page 19). This note was secured by all assets of the Foundation.	-	2,818,759
MDFA revenue bonds, interest was due semi-annually with interest at 6.25% on June 1 st and December 1 st of each year. These bonds were refinanced during fiscal year 2012 (see below for further disclosure).	-	399,583
Other notes payable	<u>17,500</u>	<u>17,500</u>
Less - current portion	<u>14,162,154</u>	<u>12,398,491</u>
	<u>736,859</u>	<u>696,734</u>
	<u>\$13,425,295</u>	<u>\$11,701,757</u>

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 (see above). 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 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, 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 loan (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.

The loan agreement requires the Foundation to maintain a debt service reserve equal to the full year debt service requirement. 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, 2012.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(5) LONG-TERM DEBT (Continued)

HEFA Bond

The HEFA bond note payable requires the Foundation to maintain a debt service reserve minimum of \$324,600. 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 loan (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>
2013	\$736,859
2014	\$477,486
2015	\$675,147
2016	\$227,213
2017	\$240,094

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, 2012 and 2011.

(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, 2012 and 2011). 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, 2012 and 2011. There was \$233,129 outstanding as of June 30, 2011. There was no balance outstanding as of June 30, 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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(7) EMPLOYEE BENEFIT PLANS (Continued)

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 \$21,614 and \$19,927 for this plan for the years ended June 30, 2012 and 2011, 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.

Pension and 457 plan expenses for the year ended June 30, 2011, was approximately \$66,000, and is included in fringe benefits and payroll taxes in the accompanying combined statements of functional expenses. There was no pension and 457 plan expenses for the year ended June 30, 2012.

(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, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Current portion:		
HEFA Bond Sinking Fund	\$135,658	\$1,322,392
Non-current portion:		
HEFA Debt Service Reserve	344,030	-
MDFA Bond Reserve	<u>239,196</u>	<u>276,113</u>
Subtotal non-current portion	<u>583,226</u>	<u>276,113</u>
	<u>\$718,884</u>	<u>\$1,598,505</u>

(9) LEASE COMMITMENT

In October, 1997, the Foundation entered into a fifteen-year lease agreement expiring in October, 2012, for the operation of a Head Start program and other early childhood education programs. The Foundation had the option to cancel this lease agreement within the first thirty days of the tenth year with a fifteen day notice. The Foundation did not exercise this option. Lease payments for years eleven through fifteen of the term were to be determined during the second half of the lease term, but have not been formally determined as of June 30, 2012. Monthly payments under the agreement were \$1,345 for the years ended June 30, 2012 and 2011.

The Foundation also leases various facilities for its other programs. The lease agreements expire at various dates through 2017. Monthly payments under the agreements range from approximately \$540 to \$6,500 per month during the lease period.

Rent expense under these lease agreements was \$318,628 and \$327,356 for the years ended June 30, 2012 and 2011, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(9) **LEASE COMMITMENT** (Continued)

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2013	\$195,674
2014	\$138,848
2015	\$139,287
2016	\$139,734
2017	\$140,190

(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, 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. For the year ended June 30, 2011, approximately 42% and 43% 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, 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. As of June 30, 2011, approximately 49% and 51% 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.

(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.

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DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(12) COMMITMENTS AND CONTINGENCIES (Continued)

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.

(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 2012 or 2011. This note is secured by a second mortgage on the Project and assignment of leases and rents. As of June 30, 2012 and 2011, 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.

(15) RECLASSIFICATION

Certain amounts in the fiscal year 2011 combined financial statements have been reclassified to conform with the fiscal year 2012 presentation.