2012
AUDIT

016729

The Family Center

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

2012

THE FAMILY CENTER, INC.

CONTENTS
JUNE 30, 2012 AND 2011

016729

2011
2012
Audit

Alexander
Aronson
Finning
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Where Every Client Is A Valued Client

Alexander, Aronson, Finning & Co., P.C.
21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Family Center, Inc.:

We have audited the accompanying statements of financial position of The Family Center, Inc. (a Massachusetts corporation, not for profit) (the Center) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

Wellesley, Massachusetts
October 15, 2012

THE FAMILY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS	2012 UNRESTRICTED	2012 TEMPORARILY RESTRICTED	2012 PERMANENTLY RESTRICTED	2012 TOTAL	2011 UNRESTRICTED	2011 TEMPORARILY RESTRICTED	2011 PERMANENTLY RESTRICTED	2011 TOTAL
CURRENT ASSETS:								
Cash	$ 647,882	$ 59,628	$ -	$ 707,510	$ 71,795	$ 55,898	$ -	$ 127,693
Contract and other receivables	5,142	-	-	5,142	41,680	-	-	41,680
Client receivables, net of allowance for doubtful accounts	23,536	-	-	23,536	37,740	-	-	37,740
Current portion of pledges receivable	288,200	351,000	-	639,200	200,900	-	-	200,900
Prepaid expenses	31,220	-	-	31,220	25,654	-	-	25,654
Total current assets	995,980	410,628	-	1,406,608	377,769	55,898	-	433,667
RESTRICTED CASH AND CASH EQUIVALENTS	-	-	415,000	415,000	-	-	-	-
PLEDGES RECEIVABLE, net of current portion	-	351,000	-	351,000	-	-	-	-
INVESTMENTS	-	-	-	-	1,296,669	-	415,000	1,711,669
PROPERTY AND EQUIPMENT, net	3,515,795	-	-	3,515,795	3,610,000	-	-	3,610,000
FINANCING FEES, net	-	-	-	-	18,821	-	-	18,821
Total assets	$ 4,511,775	$ 761,628	$ 415,000	$ 5,688,403	$ 5,303,259	$ 55,898	$ 415,000	$ 5,774,157
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Line of credit	$ 150,000	$ -	$ -	$ 150,000	$ 150,000	$ -	$ -	$ 150,000
Current portion of long-term debt	568,708	-	-	568,708	19,674	-	-	19,674
Accounts payable	51,261	-	-	51,261	37,046	-	-	37,046
Accrued expenses	70,930	-	-	70,930	63,375	-	-	63,375
Total current liabilities	840,899	-	-	840,899	270,095	-	-	270,095
LONG-TERM DEBT, net of current portion	-	-	-	-	568,708	-	-	568,708
Total liabilities	840,899	-	-	840,899	838,803	-	-	838,803
NET ASSETS:								
Unrestricted:								
Operating	189,115	-	-	189,115	282,300	-	-	282,300
Board designated	534,674	-	-	534,674	1,141,717	-	-	1,141,717
Property and equipment	2,947,087	-	-	2,947,087	3,040,439	-	-	3,040,439
Total unrestricted	3,670,876	-	-	3,670,876	4,464,456	-	-	4,464,456
Temporarily restricted	-	761,628	-	761,628	-	55,898	-	55,898
Permanently restricted	-	-	415,000	415,000	-	-	415,000	415,000
Total net assets	3,670,876	761,628	415,000	4,847,504	4,464,456	55,898	415,000	4,935,354
Total liabilities and net assets	$ 4,511,775	$ 761,628	$ 415,000	$ 5,688,403	$ 5,303,259	$ 55,898	$ 415,000	$ 5,774,157

The accompanying notes are an integral part of these statements.

THE FAMILY CENTER, INC.

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

2012

	UNRESTRICTED					
	OPERATING AND PROPERTY AND EQUIPMENT	BOARD DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:						
Contributions	$ 745,898	$ -	$ 745,898	$1,006,455	$ -	$ 1,752,353
Consulting and training services	74,275	-	74,275	-	-	74,275
Investment and other income	41,966	2,852	44,818	-	-	44,818
Contract service revenue	27,741	-	27,741	-	-	27,741
In-kind contributions	7,061	-	7,061	-	-	7,061
Special events, net	-	-	-	-	-	-
Net assets released from program restrictions	300,725	-	300,725	(300,725)	-	-
Total support and revenues	1,197,666	2,852	1,200,518	705,730	-	1,906,248
EXPENSES:						
Program services	935,397	-	935,397	-	-	935,397
General and administrative	297,805	-	297,805	-	-	297,805
Fundraising and development	316,867	-	316,867	-	-	316,867
Total expenses	1,550,069	-	1,550,069	-	-	1,550,069
Changes in net assets from operations	(352,403)	2,852	(349,551)	705,730	-	356,179
NET INVESTMENT GAINS (LOSSES)	(7,632)	(9,895)	(17,527)	-	-	(17,527)
WRITE-OFF OF FINANCING FEES	(17,680)	-	(17,680)	-	-	(17,680)
Changes in net assets before discontinued operations	(377,715)	(7,043)	(384,758)	705,730	-	320,972
LOSS FROM DISCONTINUED OPERATIONS	(408,822)	-	(408,822)	-	-	(408,822)
Changes in net assets	(786,537)	(7,043)	(793,580)	705,730	-	(87,850)
NET ASSETS, beginning of year	3,322,739	1,141,717	4,464,456	55,898	415,000	4,935,354
Transfer - budgeted operating support	600,000	(600,000)	-	-	-	-
NET ASSETS, end of year	$ 3,136,202	$ 534,674	$ 3,670,876	$ 761,628	$ 415,000	$ 4,847,504

2011

	UNRESTRICTED					
	OPERATING AND PROPERTY AND EQUIPMENT	BOARD DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:						
Contributions	$ 510,406	$ -	$ 510,406	$ 294,416	$ -	$ 804,822
Consulting and training services	93,100	-	93,100	-	-	93,100
Investment and other income	31,381	9,800	41,181	-	-	41,181
Contract service revenue	7,896	-	7,896	-	-	7,896
In-kind contributions	47,967	-	47,967	-	-	47,967
Special events, net	-	-	-	146,271	-	146,271
Net assets released from program restrictions	413,781	-	413,781	(413,781)	-	-
Total support and revenues	1,104,531	9,800	1,114,331	26,906	-	1,141,237
EXPENSES:						
Program services	446,377	256,000	702,377	-	-	702,377
General and administrative	325,708	-	325,708	-	-	325,708
Fundraising and development	234,157	-	234,157	-	-	234,157
Total expenses	1,006,242	256,000	1,262,242	-	-	1,262,242
Changes in net assets from operations	98,289	(246,200)	(147,911)	26,906	-	(121,005)
NET INVESTMENT GAINS (LOSSES)	56,867	(14,756)	42,111	-	-	42,111
WRITE-OFF OF FINANCING FEES	-	-	-	-	-	-
Changes in net assets before discontinued operations	155,156	(260,956)	(105,800)	26,906	-	(78,894)
LOSS FROM DISCONTINUED OPERATIONS	(508,315)	-	(508,315)	-	-	(508,315)
Changes in net assets	(353,159)	(260,956)	(614,115)	26,906	-	(587,209)
NET ASSETS, beginning of year	3,338,698	1,739,873	5,078,571	28,992	415,000	5,522,563
Transfer - budgeted operating support	337,200	(337,200)	-	-	-	-
NET ASSETS, end of year	$ 3,322,739	$ 1,141,717	$ 4,464,456	$ 55,898	$ 415,000	$ 4,935,354

The accompanying notes are an integral part of these statements.

THE FAMILY CENTER, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (87,850)	$ (587,209)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	104,450	96,540
Bad debt	6,153	7,611
Net investment (gains) losses	17,527	(42,111)
Write-off of financing fees	17,680	-
Changes in operating assets and liabilities:		
Contract and other receivables	36,538	(37,087)
Client receivables	8,051	(10,396)
Pledges receivable	(789,300)	650
Prepaid expenses	(5,566)	10,936
Accounts payable	14,215	(38,261)
Accrued expenses	7,555	(27,047)
Deferred revenue	-	(10,600)
Net cash used in operating activities	(670,547)	(636,974)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(9,104)	(5,248)
Purchases of investments	-	(2,128,393)
Proceeds from sales and maturities of investments	1,279,142	2,768,654
Net cash provided by investing activities	1,270,038	635,013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	75,000
Principal payments of long-term debt	(19,674)	(18,546)
Net cash provided by (used in) financing activities	(19,674)	56,454
NET INCREASE IN CASH	579,817	54,493
CASH, beginning of year	127,693	73,200
CASH, end of year	$ 707,510	$ 127,693
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 25,800	$ 18,862
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Unrealized gains on investments	$ -	$ 48,426

The accompanying notes are an integral part of these statements.

THE FAMILY CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Comparative Totals for the Year Ended June 30, 2011)

	2012					2011
		SUPPORTING SERVICES				
	PROGRAM SERVICES	GENERAL AND ADMINIS-TRATIVE	FUNDRAISING AND DEVELOPMENT	TOTAL SUPPORTING SERVICES	TOTAL	TOTAL
PERSONNEL AND RELATED:						
Salaries, payroll taxes and fringe benefits	$ 545,260	$ 198,080	$ 225,374	$ 423,454	$ 968,714	$ 773,478
Donated salaries	-	-	-	-	-	20,000
Total personnel and related	545,260	198,080	225,374	423,454	968,714	793,478
OCCUPANCY:						
Occupancy	74,194	14,118	14,012	28,130	102,324	91,856
Depreciation and amortization	56,854	4,964	2,117	7,081	63,935	43,032
Interest	21,645	2,808	1,347	4,155	25,800	18,862
Total occupancy	152,693	21,890	17,476	39,366	192,059	153,750
OTHER:						
Professional services	109,996	24,882	38,482	63,364	173,360	83,645
Program support	73,699	-	-	-	73,699	85,877
Legal and accounting, including donated	1,489	29,721	-	29,721	31,210	50,560
Postage and printing	6,245	1,132	12,944	14,076	20,321	10,298
Office supplies	7,350	6,072	5,265	11,337	18,687	13,146
Telephone	8,917	3,723	2,120	5,843	14,760	11,539
Travel	10,065	-	1,882	1,882	11,947	11,099
Other	3,662	4,449	3,168	7,617	11,279	16,558
Insurance	4,767	864	919	1,783	6,550	5,246
Bad debt	4,653	-	1,500	1,500	6,153	3,019
Small equipment	3,410	1,240	1,319	2,559	5,969	4,964
Professional development	58	4,777	849	5,626	5,684	80
Donated - supplies, facility and food	-	-	5,250	5,250	5,250	6,467
Recruiting	1,741	975	133	1,108	2,849	11,475
Advertising	1,392	-	186	186	1,578	1,041
Total other	237,444	77,835	74,017	151,852	389,296	315,014
Total expenses	$ 935,397	$ 297,805	$ 316,867	$ 614,672	$ 1,550,069	$ 1,262,242

The accompanying notes are an integral part of these statements.

THE FAMILY CENTER, INC.

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

	PROGRAM SERVICES	SUPPORTING SERVICES: GENERAL AND ADMINIS-TRATIVE	SUPPORTING SERVICES: FUNDRAISING AND DEVELOPMENT	SUPPORTING SERVICES: TOTAL SUPPORTING SERVICES	TOTAL
PERSONNEL AND RELATED:					
Salaries, payroll taxes and fringe benefits	$ 392,557	$ 210,211	$ 170,710	$ 380,921	$ 773,478
Donated salaries	20,000	-	-	-	20,000
Total personnel and related	412,557	210,211	170,710	380,921	793,478
OCCUPANCY:					
Occupancy	59,681	23,321	8,854	32,175	91,856
Depreciation and amortization	35,309	5,792	1,931	7,723	43,032
Interest	14,840	2,991	1,031	4,022	18,862
Total occupancy	109,830	32,104	11,816	43,920	153,750
OTHER:					
Professional services	37,379	27,649	18,617	46,266	83,645
Program support	85,877	-	-	-	85,877
Legal and accounting, including donated	15,942	32,622	1,996	34,618	50,560
Postage and printing	5,747	1,191	3,360	4,551	10,298
Office supplies	4,586	5,641	2,919	8,560	13,146
Telephone	5,891	4,399	1,249	5,648	11,539
Travel	10,245	-	854	854	11,099
Other	4,553	7,606	4,399	12,005	16,558
Insurance	3,344	1,375	527	1,902	5,246
Bad debt	3,019	-	-	-	3,019
Small equipment	2,197	2,001	766	2,767	4,964
Professional development	80	-	-	-	80
Donated - supplies, facility and food	-	-	6,467	6,467	6,467
Recruiting	89	909	10,477	11,386	11,475
Advertising	1,041	-	-	-	1,041
Total other	179,990	83,393	51,631	135,024	315,014
Total expenses	$ 702,377	$ 325,708	$ 234,157	$ 559,865	$ 1,262,242

The accompanying notes are an integral part of these statements.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

The Family Center, Inc. (the Center) is a nonprofit family support and family therapy agency created in 1982 and until June 30, 2012, included a Massachusetts Department of Public Health licensed mental health center. The Center serves over 2,000 low-income, at-risk families each year. Its mission is to create safer, more resilient families by supporting them in developing the inner strengths, life skills and network of resources they need to succeed. Through the end of this fiscal year, the Center's services fall into three broad categories: clinical services, family support services (e.g., Parenting in America and Parenting Journey groups) and training programs for human service workers (e.g., Parenting Journey Facilitator training). The Center has ceased its clinical therapy operations as of June 30, 2012, in order to focus on and expand the parent education, family coaching, and training segments of its operations. The Center opened a training institute in New York City in 2007, and continues to expand its training operations in the New York area.

The Center 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 Center is also exempt from state income taxes. Donors may deduct contributions made to the Center within the IRC's regulations.

SIGNIFICANT ACCOUNTING POLICIES

The Center prepares its 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.

Revenue Recognition

Revenues from unrestricted contributions are recorded when received or unconditionally committed. The Center reports gifts of cash and other assets as temporarily restricted revenues if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Special events revenue is recorded when earned or when contributions are unconditionally committed. Special event contributions in fiscal year 2011 were designated for support of the New York City office.

Client revenue earned is recorded at the full value of those services as assigned by the Center. Net client revenue, which is included in the loss from discontinued operations, reflects the amounts to be collected after provision for contractual allowances and free care.

Contract service revenue and reimbursements are recorded over the period covered by the grant or contract as services are provided and costs are incurred. Consulting and training services are recorded when earned. Consulting and training service fees received in advance of the services being provided are reflected as deferred revenue, which is included in accounts payable in the accompanying statement of financial position at June 30, 2012.

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period (see Note 4).

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Client Revenue Allowances and Free Care

The Center has a policy of providing free care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient prior to the services being rendered. Since the Center does not expect payment, the estimated charges are excluded from revenue. For the year ended June 30, 2011, the Center provided approximately $8,000 of free care measured at the Center's established rates. There was no free care provided for the year ended June 30, 2012.

Contractual allowances related to third-party pay sources are accrued on an estimated basis in the period the related services are rendered. These contractual allowances are adjusted as required based on financial settlements. The amounts of contractual allowances for the years ended June 30, 2012 and 2011, were approximately $113,000 and $162,000, respectively, and are netted against client revenue, which is included in the loss from discontinued operations on the accompanying statements of activities and changes in net assets.

Bequests

The Center is and may be named principal beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined and, therefore, are reflected in the Center's financial statements when the amounts are received.

Special Events

The Center generally holds a special fundraising event, generally every two years, to benefit its New York operations and programs with the net proceeds intended to be spent in future years. Special events revenue is shown net of related expenses in the accompanying statement of activities and changes in net assets for the year ended June 30, 2011, as follows:

Corporate contributions	$ 136,000	
Individual contributions and family foundation grants	129,321	
Total special events grants and contributions		$ 265,321
Special events revenue	15,900	
Less - direct expenses	(134,950)	(119,050)
Total special events revenue, net		$ 146,271

In-Kind Contributions

Volunteers and other organizations contribute goods and services to the Center in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions (Continued)

The value of these goods and services for the years ended June 30, 2012 and 2011, is as follows:

	2012	2011
Supplies	$5,250	$ 6,467
Legal services	1,811	21,500
Salaries	-	20,000
	$7,061	$47,967

Expense Allocations

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

Advertising costs are expensed as incurred.

Pledges Receivable

Pledges receivable consist of amounts unconditionally committed to the Center. Pledges receivable at June 30, 2012 and 2011, are due as follows:

	2012	2011
Due within one year	$639,200	$200,900
Due within two to three years	351,000	-
	$990,200	$200,900

The pledges due beyond fiscal year 2013 have not been discounted to net present value, since the discount is immaterial to the accompanying financial statements.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on the Center's analysis of specific receivables and their estimate of amounts that may be uncollectible. As of June 30, 2012 and 2011, there was an allowance for doubtful accounts of approximately $3,200 and $16,200, respectively.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Center has adopted an investment policy, which includes its endowment assets of $415,000. Under this policy, as approved by the Board of Directors, the primary long-term financial objective is to maintain the purchasing power of the investment portfolio and all future contributions over the long-term. The secondary financial objectives are to provide within the parameters of moderate risk 1) annual income and 2) long-term growth of the assets. These objectives are measured on a rolling three-to-five year basis.

To satisfy its objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Center targets a diversified asset allocation that includes cash equivalents, equities and fixed income investments within prudent risk constraints.

The Center occasionally receives gifts of stock or other investments. It is the Center's policy to sell gifts of stock immediately upon receipt.

Investments are not insured and are subject to ongoing market fluctuations. Investments are considered long-term assets by management, because the intent is to use them for future capital needs.

In fiscal year 2012, the Center sold its investments and put the proceeds in its cash accounts as part of a transition to a new investment company, which is expected to occur in fiscal year 2013. Thus, the cash relating to permanently restricted net assets is shown as restricted cash and cash equivalents on the accompanying statement of financial position at June 30, 2012.

Property and Equipment and Depreciation

Property and equipment with useful lives greater than one year are capitalized and recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Building	40 years
Office furniture and equipment	3 – 5 years

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financing Fees

Financing fees represent costs incurred in conjunction with obtaining permanent financing on the building. These costs are being amortized over the life of the loan (see Note 6). Financing fees consist of the following as of June 30, 2011.

Legal	$21,279
Appraisal fees	7,250
	28,529
Less- accumulated amortization	9,708
	$18,821

Amortization expense was $1,141 for each of the years ended June 30, 2012 and 2011.

As of June 30, 2012, management wrote off the remaining $17,680 of unamortized financing fees, as the loan to which these fees related will be refinanced in fiscal year 2013 (see Note 6). This is reflected as write-off of financing fees in the accompanying statement of activities and changes in net assets for the year ended June 30, 2012.

Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Center follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Center's values its qualifying assets and liabilities using Level 1 inputs. Level 1 inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. 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.

Uncertain Tax Positions

The Center follows U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes,* which requires the Center to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of June 30, 2012, the Center determined that it had no material unrecognized tax benefits to report. The Center files information returns in the United States Federal, Massachusetts and New York state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 15, 2012, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(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 Center. The Center has grouped its unrestricted net assets into the following categories:

- **Operating net assets** represent amounts which bear no external restrictions and are currently available for operations.
- **Board designated net assets** represent amounts set aside by the Board of Directors that may only be used with the approval of the Board of Directors. Consistent with a five-year strategic plan, Board designated net assets consist of funds restricted for debt relief, growth, and future operating support. Accordingly, planned expenditures relating to growth are recorded as Board designated expenses. Transfers to support operations are reflected as transfers of net assets in the accompanying statements of activities and changes in net assets.
- **Property and equipment net assets** represent amounts expended and resources available for property and equipment, net of related debt.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donor restricted contributions which have not yet been expended for their designated purpose or which are time restricted for future periods. Temporarily restricted net assets are restricted for the following as of June 30:

	2012	2011
Time	$702,000	$ -
Purpose	59,628	55,898
	$761,628	$55,898

Permanently Restricted Net Assets

Permanently restricted net assets consist of funds that are restricted by donors against any expenditures of principal. The accumulated income and any capital appreciation are expendable for the support of the Center's operations and are recorded in unrestricted net assets, as per donor intent.

(3) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2012	2011
Land	$ 726,160	$ 726,160
Building	3,652,737	3,647,742
Office furniture and equipment	312,263	308,154
	4,691,160	4,682,056
Less - accumulated depreciation	1,175,365	1,072,056
Net property and equipment	$3,515,795	$3,610,000

Depreciation expense was $103,309 and $95,399 for the years ended June 30, 2012 and 2011, respectively, including $40,515 and $53,508 of depreciation expense for the years ended June 30, 2012 and 2011, respectively.

(4) INVESTMENTS

Investments are recorded at fair value (see Note 1) and are comprised as of the following as of June 30, 2011:

U.S. Treasury Bills	$1,165,259
Common stocks	231,576
Cash equivalents	161,936
Corporate bonds	152,898
Balance at June 30, 2011	$1,711,669

Net investment gains (losses) consist of the following for the years ended June 30:

	2012	2011
Unrealized gains (losses)	$ (1,468)	$ 48,426
Net realized gains (losses) on sale of investments	(1,742)	11,080
Custodial fees	(14,317)	(17,395)
Net investment gains (losses)	$(17,527)	$ 42,111

(5) LINE OF CREDIT

The Center has a $300,000 demand line of credit available with a bank that is guaranteed by the President of the Board of Directors (see Note 7). There was $150,000 outstanding at June 30, 2012 and 2011. Advances are due on demand and interest is payable monthly at the greater of the bank's prime rate (3.25% as of June 30, 2012 and 2011), minus 0.75%, or the London Interbank Offer Rate (LIBOR) (1.1% and 0.7% at June 30, 2012 and 2011, respectively), plus 1%. The interest rate on borrowings as of June 30, 2012 and 2011, was 2.5%. The line of credit contains certain financial covenants with which the Center must comply. The Center was in compliance with these covenants as of June 30, 2012 and 2011. The line of credit renews annually.

(6) LONG-TERM DEBT

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

	2012	2011
Note payable to a bank, due in monthly principal and interest installments of $4,757, with interest accruing at 6.35% per annum through June, 2013, at which time a balloon payment of approximately $552,800 is due. Management expects to refinance this debt during fiscal year 2013. This note is secured by a mortgage on land and a building and a limited personal guarantee of the President of the Board of Directors (see Note 7).	$568,708	$588,382
Less - current portion	568,708	19,674
	$ -	$568,708

The note payable agreement contains various covenants with which the Center must comply. The Center was in compliance with these covenants at June 30, 2012 and 2011.

(7) FUNDING AND RELATED PARTY TRANSACTIONS

The Center receives a portion of its funding under contracts with the Commonwealth of Massachusetts. All contracts are subject to audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Center as of June 30, 2012 and 2011, or on its changes in net assets for the years then ended.

A substantial portion of the Center's support and revenue consists of contributions from corporations, foundations and individuals. Approximately 40% and 25% of total support and revenue, net of donated services, for the years ended June 30, 2012 and 2011, respectively are from the President of the Board of Directors (who is also a founder of the Center), her family and her family's foundation. Approximately 61% and 99% of gross pledges receivable as of June 30, 2012 and 2011 respectively, are also from this individual and her family. This individual has also personally guaranteed both the note payable (see Note 6) and line of credit (see Note 5).

Through March, 2012, the Center's investments (see Note 4) were managed by a company that has a relationship with the President of the Board of Directors.

(8) RETIREMENT PLAN

The Center offers employees a self-administered retirement benefit plan organized under Section 403(b) of the IRC. Any employee who works more than thirty hours per week is eligible to participate in the plan. Employees may make pre-tax contributions up to the IRC's limitations. The Center may make a discretionary match of up to 25% of the employee contributions. Employer contributions vest immediately. The Center contributed $3,697 and $2,345 to the plan for the years ended June 30, 2012 and 2011, respectively, which is included in salaries, payroll taxes and fringe benefits in the accompanying statements of functional expenses.

THE FAMILY CENTER, INC.

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

(9) **LEASE AGREEMENTS**

The Center leases program space under an operating lease agreement that expires on December 31, 2012. Rent expense under the facility lease was $26,823 and $26,436 for the years ended June 30, 2012 and 2011, respectively, and is included in occupancy in the accompanying statements of functional expenses. The Center also leases equipment through November 30, 2013. Future minimum lease payments under these agreements are as follows:

Fiscal Year	
2013	$21,278
2014	$ 3,500

(10) **CONCENTRATION OF CREDIT RISK**

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

(11) **DISCONTINUED OPERATIONS**

In fiscal year 2012, the Center discontinued its Clinic program. This program had total revenue of $174,097 and $308,583 for the years ended June 30, 2012 and 2011, respectively. In addition, this program had total expenses of $582,919 and $816,898 for the years ended June 30, 2012 and 2011, respectively.

(12) **RECLASSIFICATION**

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