

The Dimock Center

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

**COMBINED FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
OMB CIRCULAR A-133
JUNE 30, 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

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JUNE 30, 2012**

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UNIFORM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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Federal Employer Identification Number (FEIN) for Filing Entity - 9 digits: 043487827

For the Year Ended : 6/30/2012 (M/D/YYYY) Filed Electronically? (Y/N): Y

Other corporate names & FEINs if applicable: Dimock Community Health Center, Inc. 043487835
 (Use for consolidated financial statements.) Dimock Community Services Corp 043487833
 Dimock Community Realty Corp 042103609

Filing Organization: Dimock Community Foundation, Inc. (legal name) The Dimock Center (Doing Business As name, if applicable)

A.G. Public Charities Acct.# 006558 Business Address: 55 Dimock Street Roxbury MA 02119 Massachusetts Vendor Code Number VCN6000188043

CEO or CFO: Ruth Eilen Fitch (First Name) (Last Name) President / CEO (Title) (617) 442-8800 (Phone : Area Code / Number) E-mail address: ritch@dimock.org

CPA: Alexander, Aronson, Finning & Co., P.C. CPA Firm's Current Mass. License #: 0425 CPA's E-mail Address: jfinning@aafcpa.com

Management Company Name: N/A CPA Firm's Federal Employer Id. (FEIN) #: 042571780 A-133 Audit Submitted? (Y/N): Y

Organization Type Code : C For-Profit Organization : NO Date of Org./Incorp.: 2/4/1905 (M/D/YYYY) Special Education (SPED) Contractor (Y/N): N

501(c)(3) Federal Tax Exempt (Y/N): Y If Yes, Date of Exemption: 11/11/1934 (M/D/YYYY) Cost Allocation Method Code : MD Program Performance Report (Internet system) is not required: Principal Purch. Agency: DPH Primary Contractor(s): N/A

Program Number	Program Name	Subcontractor Name	Street	City	State	Zip Code	Program Description	MMARS Prog.Code
7	Health / Behavioral / Child / WD		55 Dimock Street	Roxbury	MA	02119	Health / Behavioral / Child / WD	
15	EEC - Preschool / Toddler		55 Dimock Street	Roxbury	MA	02119	EEC - Preschool / Toddler	
17	DPH - Halfway House		55 Dimock Street	Roxbury	MA	02119	DPH - Halfway House	3386
18	DPH - Detox		55 Dimock Street	Roxbury	MA	02119	DPH - Detox	3395
20	DPH - Outpatient		55 Dimock Street	Roxbury	MA	02119	DPH - Outpatient	3385
24	DPH - Early Intervention		55 Dimock Street	Roxbury	MA	02119	DPH - Early Intervention	3317
29	DCF - Family Support and Stabilization		55 Dimock Street	Roxbury	MA	02119	DCF - Family Support and Stabilization	FNSO
33	DPH - HIV Supportive Housing		55 Dimock Street	Roxbury	MA	02119	DPH - HIV Supportive Housing	4956
77	DPH - Fort Ave / Ummi's		55 Dimock Street	Roxbury	MA	02119	DPH - Fort Ave / Ummi's	4956
83	DMH - TOB		55 Dimock Street	Roxbury	MA	02119	DMH - TOB	3034
96	DMH - Child Services		55 Dimock Street	Roxbury	MA	02119	DMH - Child Services	3066
99	DMR - Individual Support		55 Dimock Street	Roxbury	MA	02119	DMR - Individual Support	3228
100	DMR - MR Residential		55 Dimock Street	Roxbury	MA	02119	DMR - MR Residential	3153
101	DMR - Family Support		55 Dimock Street	Roxbury	MA	02119	DMR - Family Support	3771
109	DOE - Bureau of Nutrition		55 Dimock Street	Roxbury	MA	02119	DOE - Bureau of Nutrition	
111	OCD - Homeless		55 Dimock Street	Roxbury	MA	02119	OCD - Homeless	2922
131	EEC - Head Start Enhancement		55 Dimock Street	Roxbury	MA	02119	EEC - Head Start Enhancement	
133	DOE - Community Adult Learning Center		55 Dimock Street	Roxbury	MA	02119	DOE - Community Adult Learning Center	
134	DPH - OBOT Case Mgmt		55 Dimock Street	Roxbury	MA	02119	DPH - OBOT Case Mgmt	4929
138	DPH - Askia Academy		55 Dimock Street	Roxbury	MA	02119	DPH - Askia Academy	3386
139	DPH - Women's Residential		55 Dimock Street	Roxbury	MA	02119	DPH - Women's Residential	3386
140	DPH - CSS		55 Dimock Street	Roxbury	MA	02119	DPH - CSS	4931
150	DMH - Individual & Family Support		55 Dimock Street	Roxbury	MA	02119	DMH - Individual & Family Support	3066
151	DPH - Haitian Relief		55 Dimock Street	Roxbury	MA	02119	DPH - Haitian Relief	4887

Note: If your agency is exempt from filling this report (see instructions) complete this cover page only and submit it along with documentation to support the basis of the exemption.



CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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**UNQUALIFIED OPINION ON COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION**

Independent Auditor's Report

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

We have audited the accompanying combined statement 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 the related combined statements of activities, cash flows, and functional expenses for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2011 combined financial statements and, in our report dated November 8, 2011, we expressed an unqualified opinion on those combined financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audit provides 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 the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors of
Dimock Community Foundation, Inc. and Affiliates
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Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards – not-for-profit organization is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards – not-for-profit organization is fairly stated in all material respects in relation to the combined financial statements as a whole.


Wellesley, Massachusetts
November 13, 2012



ORGANIZATION : Dimock Community Foundation, Inc.

FEIN: 043487827

STATEMENT OF FINANCIAL POSITION AS OF
(BALANCE SHEET)

06/30/2012

WITH COMPARATIVE TOTALS AS OF

6/30/2011

	CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
ASSETS						
1	Cash and Cash Equivalents	1,160,930			1,160,930	204,022
2	Accounts Receivable, Program Services	1,480,814			1,480,814	1,116,304
3	Allowance for Doubtful Accounts	(633,003)			(633,003)	(423,507)
4	Net Accounts Receivable, Program Services	847,811			847,811	692,797
5	Contributions Receivable	635,788			635,788	633,285
6	Notes Receivable					
7	Prepaid Expenses	220,675			220,675	184,710
8	Other Accounts Receivable	822,305			822,305	905,421
9	Other Current Assets	265,788	135,658		401,446	1,559,124
10	Short-Term Investments					
11	TOTAL CURRENT ASSETS	3,953,297	135,658		4,088,955	4,179,359
12	Land, Buildings, and Equipment		36,410,318		41,970,944	41,396,806
13	Accumulated Depreciation		(17,147,789)		(18,767,861)	(17,540,469)
14	Net Land, Buildings and Equipment		19,262,529		23,203,083	23,856,337
15	Long-Term Investments	439,739		2,008,845	2,448,584	2,448,467
16	Other Assets	297,000	1,001,574		1,298,574	1,110,939
17	Due From Other Funds	(258,345)		258,345		
18	TOTAL ASSETS	4,431,691	20,399,761	2,267,190	31,039,196	31,595,102
LIABILITIES AND NET ASSETS						
19	Accounts Payable	1,807,628	82,157		1,889,785	3,129,150
20	Subcontract Payable					
21	Accrued Expenses	1,125,048			1,125,048	994,344
22	Current Notes Payable					
23	Current Portion Long-Term Debt		736,859		736,859	696,734
24	Deferred Revenue					92,458
25	Other Current Liabilities					233,129
26	TOTAL CURRENT LIABILITIES	2,932,676	819,016		3,751,692	5,145,815
27	Long-Term Notes & Mortgage Payable		13,425,295		13,425,295	11,701,757
28	Other Liabilities		500,000		500,000	500,000
29	Due to Other Funds					
30	TOTAL LIABILITIES	2,932,676	14,744,311		17,676,987	17,347,572
NET ASSETS						
31	Unrestricted	309,147	5,655,450		9,905,151	10,862,489
32	Temporarily Restricted	1,189,868			1,189,868	1,117,851
33	Permanently Restricted			2,267,190	2,267,190	2,267,190
34	TOTAL NET ASSETS	1,499,015	5,655,450	2,267,190	13,362,209	14,247,530
35	TOTAL LIABILITIES AND NET ASSETS	4,431,691	20,399,761	2,267,190	31,039,196	31,595,102

See Accompanying Notes to the Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc.

FEIN: 043487827

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED		06/30/2012	WITH COMPARATIVE TOTALS FOR THE YEAR ENDED		06/30/2011	
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
REVENUES, GAINS, AND OTHER SUPPORT						
1	Contributions, Gifts, Legacies, Bequests & Special Events	968,775	809,902		1,778,677	1,684,706
2	In-Kind Contributions	697,839			697,839	900,275
3	Grants	144,365			144,365	182,347
4	Program Service Fees	27,567,692			27,567,692	26,300,707
5	Federated Fundraising Organization Allocation					
6	Investment Revenue	(21,884)			(21,884)	511,995
7	Revenue from Commercial Products & Services					
8	Other	1,956,575			1,956,575	1,793,014
9	Net Assets Released From Restrictions:					
10	Satisfaction of Program Restrictions	356,538	(356,538)			
11	Satisfaction of Equipment Acquisition Restrictions	381,347	(381,347)			
12	Expiration of Time Restrictions					
13	TOTAL REVENUE, GAINS, AND OTHER SUPPORT	32,051,247	72,017		32,123,264	31,373,044
EXPENSES AND LOSSES						
14	Administration (Management & General)	3,806,589			3,806,589	5,663,503
15	Fundraising	734,720			734,720	761,243
16	Total Program Services	26,906,269			26,906,269	24,130,529
17	TOTAL EXPENSES	31,447,578			31,447,578	30,555,275
18	Losses					
19	TOTAL EXPENSES AND LOSSES	31,447,578			31,447,578	30,555,275
CHANGES IN NET ASSETS:						
20	Property & Equipment Acquisitions from Unrestricted Funds					
21	Transfer of Realized Endowment Fund Appreciation					
22	Return to Donor					
23	Other Increases (Decreases)	(1,561,007)			(1,561,007)	(213,000)
24	TOTAL CHANGES IN NET ASSETS	(957,338)	72,017		(885,321)	604,769
25	NET ASSETS AT BEGINNING OF YEAR	10,862,489	1,117,851	2,267,190	14,247,530	13,642,761
26	NET ASSETS AT END OF YEAR	9,905,151	1,189,868	2,267,190	13,362,209	14,247,530

See Accompanying Notes to Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc.

FEIN: 043487827

STATEMENT OF CASH FLOWS for the YEAR ENDED

06/30/2012

INDIRECT METHOD

		TOTAL
	Cash Flows from Operating Activities:	
1	Changes in Net Assets	(885,321)
	Adjustments to Reconcile Change In Net Assets to Net	
	Cash provided by/(used in) Operating Activities:	
2	Depreciation	1,251,066
3	Losses	1,561,007
4	Increase/Decrease in Net Accounts Receivable	(549,753)
5	Increase/Decrease in Prepaid Expenses	(35,965)
6	Increase/Decrease in Contributions Receivable	(2,503)
7	Increase/Decrease in Accounts Payable	(1,239,365)
8	Increase/Decrease in Accrued Expenses	130,704
9	Increase/Decrease in Deferred Revenue	(92,458)
10	Increase/Decrease in Subcontract Payable	
11	Contributions Restricted for Long-Term Investment	
12	Net Unrealized and Realized Gains on Long-Term Investments	78,879
13	Other Cash Used in/Provided by Operating Activities	(21,376)
14	Net Cash Provided by/(used in) Operating Activities	194,915
	Cash Flows from Investing Activities:	
15	Insurance Proceeds	
16	Purchase(s) of Capital Assets (Land, Bldgs. & Equip.)	(574,138)
17	Proceeds from Sale(s) of Investments	168,981
18	Purchase(s) of Investments	(247,977)
19	Purchase(s) of Assets Restricted To Long-Term Investment	
20	Other Investing Activities	570,020
21	Net Cash Provided by/(used in) Investing Activities	(83,114)
	Cash from Financing Activities:	
	Proceeds from Contributions Restricted For:	
22	Investment in Endowment	
23	Investment in Term Endowment	
24	Investment in Plant (Land Bldgs. & Equip.)	470,175
	Other Financing Activities:	
25	Contributions Restricted for Long-Term Investment	
26	Interest and Dividends Restricted for Reinvestment	
27	Payments on Notes Payable	(233,129)
28	Payments on Long-Term Debt	(653,210)
29	Other Finance Payments/Receipts	1,261,271
30	Net Cash Provided by/(used in) Financing Activities	845,107

See Accompanying Notes to the Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc.FEIN: 043487827

STATEMENT OF CASH FLOWS for the YEAR ENDED

06/30/2012

INDIRECT METHOD

31	Net Increase/(Decrease) in Cash and Cash Equivalents	956,908
32	Cash and Cash Equivalents at Beginning of Year	204,022
33	Cash and Cash Equivalents at End of Year	<u>1,160,930</u>

Supplemental Disclosure of Cash Flow Information:

34	Cash Paid During the Year for Interest	715,347
35	Cash Paid During the Year for Taxes/Other	

Supplemental Data for Noncash Investing and Financing Activities:

36	Gifts of Equipment	
37	Other Noncash Investing and Financing Activities	205,405
38	Unrealized losses on investments	(61,844)
39	Property and equipment included in accounts payable	82,157
40	Long-term debt refinanced	12,950,515

See Accompanying Notes to the Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc. FEIN: 043487827

Statement of Functional Expenses for the Year Ended: 06/30/2012

	TOTALS	SUPPORTING SERVICES		PROGRAM SERVICES
		ADMINISTRATION (MNGT. & GEN.)	FUND RAISING	TOTAL ALL PROGRAMS
1. Employee Compensation & Related Expenses	18,630,174	1,939,653	118,951	16,571,570
2. Occupancy	1,818,463	205,971		1,612,492
3. Other Program / Operating Expense	6,403,600	403,385		6,000,215
4. Subcontract Expense	601,232		601,232	
5. Direct Administrative Expense	1,575,213	860,248	966	713,999
6. Other Expenses	1,167,830	74,953		1,092,877
7. Depreciation of Buildings and Equipment	1,251,066	322,379	13,571	915,116
8. TOTAL EXPENSES	31,447,578	3,806,589	734,720	26,906,269

See Accompanying Notes to Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc.

FEIN: 043487827

Statement of Functional Expenses for the Year Ended: 06/30/12

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	7	15	17	18	20
1. Employee Compensation & Related Expenses	9,717,770	322,611	275,670	1,709,996	298,871
2. Occupancy	823,341		42,214	130,227	622
3. Other Program / Operating Expense	4,320,292		31,972	483,402	55,907
4. Subcontract Expense					
5. Direct Administrative Expense	499,335		3,885	22,947	3,569
6. Other Expenses	1,004,612		144	26,984	20,611
7. Depreciation of Buildings and Equipment	624,347		69,047	44,689	6,171
8. TOTAL EXPENSES	16,989,697	322,611	422,932	2,418,245	385,751

See Accompanying Notes to Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc. FEIN: 043487827

Statement of Functional Expenses for the Year Ended: 06/30/12

	PROGRAM #				
	24	29	33	77	83
1. Employee Compensation & Related Expenses	754,762	44,987	78,156	85,726	234,309
2. Occupancy	32,647		11,004	1,007	99,227
3. Other Program / Operating Expense	59,155		860	2,167	22,451
4. Subcontract Expense					
5. Direct Administrative Expense	25,481		14,181	16,044	18,657
6. Other Expenses	37,796				12
7. Depreciation of Buildings and Equipment	13,420				
8. TOTAL EXPENSES	923,261	44,987	104,201	104,944	374,656

See Accompanying Notes to Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc. FEIN: 043487827

Statement of Functional Expenses for the Year Ended: 06/30/12

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	96	99	100	101	109
1. Employee Compensation & Related Expenses	141,326	30,971	1,174,246	17,745	
2. Occupancy	11,552		182,013		
3. Other Program / Operating Expense	35,852	1,359	103,451	6,050	408,524
4. Subcontract Expense					
5. Direct Administrative Expense	34,608	1,377	50,176	1,339	
6. Other Expenses					
7. Depreciation of Buildings and Equipment					
8. TOTAL EXPENSES	223,338	33,707	1,509,886	25,134	408,524

See Accompanying Notes to Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc. FEIN: 043487827

Statement of Functional Expenses for the Year Ended: 06/30/12

	PROGRAM #				
	111	131	133	134	138
1. Employee Compensation & Related Expenses	361,384	54,475	49,471	58,552	225,897
2. Occupancy	181,806		13,331		38,638
3. Other Program / Operating Expense	217,771	98	16,339		26,317
4. Subcontract Expense					
5. Direct Administrative Expense	3,208		10,651		2,558
6. Other Expenses	143				
7. Depreciation of Buildings and Equipment	143,546				6,846
8. TOTAL EXPENSES	907,858	54,573	89,792	58,552	300,256

See Accompanying Notes to Financial Statements

ORGANIZATION : Dimock Community Foundation, Inc. FEIN: 043487827

Statement of Functional Expenses for the Year Ended: 06/30/12

	PROGRAM #				
	139	140	150	151	
1. Employee Compensation & Related Expenses	245,167	650,137	3,161	36,180	
2. Occupancy	21,186	23,677			
3. Other Program / Operating Expense	15,667	154,442		38,139	
4. Subcontract Expense					
5. Direct Administrative Expense	2,334	3,149		500	
6. Other Expenses		2,575			
7. Depreciation of Buildings and Equipment	3,525	3,525			
8. TOTAL EXPENSES	287,879	837,505	3,161	74,819	

See Accompanying Notes to Financial Statements

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2012

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

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

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. 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.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(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 statement 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 14). 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 year ended June 30, 2012, was \$1,227,392. At June 30, 2012, the net book value of assets purchased with the Commonwealth of Massachusetts and Federal funds was approximately \$3,941,000. 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 16).

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financing Fees and Amortization

Financing fees consist of legal fees and closing costs relating to a note payable to a bank and long-term debt (see Notes 5 and 6). These costs are amortized over the life of the notes (twenty and thirty years). Amortization expense was \$23,674 for the year ended June 30, 2012.

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 15).
- **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.

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).

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received or unconditionally pledged with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combined statement 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 year ended June 30, 2012, were approximately \$4,935,000.

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 year ended June 30, 2012, was \$1,390,000. The cost of providing these services was approximately \$1,250,000 for the year ended June 30, 2012. 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 for the year ended June 30, 2012, 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, or on the changes in its net assets for the year then ended.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding (Continued)

The Foundation receives funding from various governmental agencies to assist with program expenses and operating costs. These grants and contracts have been expended in accordance with the respective terms contained in the agreements and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Foundation as of June 30, 2012, or on the changes in its net assets for the year 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 for the year ended June 30, 2012, and is reflected as in-kind goods and services on the accompanying combined statement of activities and functional expenses.

Rental Income

The Foundation rents portions of its facilities under various rental agreements ranging from tenant-at-will arrangements to five-year leases. As of June 30, 2012, monthly rental income was approximately \$52,000.

Expense Allocation

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

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2012, was approximately \$34,000, and is included in supplies and related on the accompanying combined statement 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

(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, 2012:

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(2) INVESTMENTS AND NOTE RECEIVABLE (Continued)

INVESTMENTS (Continued)

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 year ended June 30, 2012:

Unrealized losses on investments	\$(61,844)
Net realized losses on investments	<u>(17,035)</u>
Net realized and unrealized losses on investments	<u>\$(78,879)</u>

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

NOTE RECEIVABLE

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

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 \$200,000 impairment loss as of June 30, 2012. The 2012 increase to the reserve was to further discount the note due to the uncertainty of repayment. The Foundation does not expect to be repaid prior to June 30, 2013.

Original note	\$ 497,000
Accrued interest added to principal	<u>507,000</u>
	1,004,000
Discount/reserve	<u>(707,000)</u>
	<u>\$ 297,000</u>

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(3) DUE (TO) FROM

During fiscal year 1993, the Foundation, with the approval of the Attorney General of the Commonwealth of Massachusetts, borrowed \$361,000 of permanently restricted net assets for cash flow purposes and to finance property additions. As of June 30, 2012, the Foundation's unrestricted operating net assets owed \$28,938 to temporarily restricted net assets. As of June 30, 2012, the Foundation's unrestricted operating net assets owed \$258,346 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 16) 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.

Reconciliations of endowment investment activities for fiscal year 2012 are as follows:

	<u>Unrestricted Board- Designated</u>	<u>Donor-Restricted</u> <u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2011	\$100,000	\$(179,467)	\$2,267,190	\$2,187,723
Investment return:				
Net realized losses	-	(17,035)	-	(17,035)
Net unrealized losses	-	(61,844)	-	(61,844)
Total investment return	-	(78,879)	-	(78,879)
Endowment net assets, June 30, 2012	\$100,000	\$(258,346)	\$2,267,190	\$2,108,844

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. There was no appropriation during fiscal year 2012.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(5) LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2012:

M DFA revenue bonds, interest due monthly with interest at 4.5% on the first of each month (see page 23 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 23).	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). 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 24 for further disclosure).	990,443
3% note payable to a municipality, due in monthly installments of \$1,418, principal and interest through December, 2005, based on a twenty-year amortization schedule. At that time, the balance of principal of \$185,377 was due. The note is secured by a third mortgage on a building. During 2005, the payments on the loan were deferred and the term of the loan was extended through May, 2012, at which time the balance was due. The Foundation is currently in negotiations with the municipality to refinance.	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
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 23 for further disclosure).	-

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(5) LONG-TERM DEBT (Continued)

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 24). This note was secured by all assets of the Foundation.

-

MDFA revenue bonds, interest was due semi-annually with interest at 6.25% on June 1st and December 1st of each year. These bonds were refinanced during fiscal year 2012 (see below for further disclosure).

-

Other notes payable

17,500

14,162,154

Less - current portion

736,859

\$13,425,295

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.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(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.

(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). 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. 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.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(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 year ended June 30, 2012, which is included in accounts payable in the accompanying combined statement of financial position and fringe benefits and payroll taxes on the accompanying combined statement 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, are as follows:

Current portion:	
HEFA Bond Sinking Fund	<u>\$135,658</u>
Non-current portion:	
HEFA Debt Service Reserve	344,030
MDFA Bond Reserve	<u>239,196</u>
Subtotal non-current portion	<u>583,226</u>
	<u>\$718,884</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 year ended June 30, 2012.

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 for the year ended June 30, 2012, and is included in occupancy in the accompanying combined statement of functional expenses.

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(9) LEASE COMMITMENT (Continued)

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

<u>Year Ending 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.

As of June 30, 2012, approximately 36% and 38% of the Foundation's grants and contracts receivable were due from the Commonwealth of Massachusetts and the U.S. Department of Health and Human Services, respectively.

(11) RELATED PARTY TRANSACTIONS

A member of the Board of Directors of the Foundation is the chairman of Century Bank. The Foundation holds its cash accounts and holds certain debt agreements (see Note 5) with this bank. The Foundation also has a loan and a line of credit with this bank.

(12) COMMITMENTS AND CONTINGENCIES

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

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

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(13) CONDITIONAL LIABILITY

In connection with the Project (see Note 12), the Foundation entered into a loan agreement with Community Economic Development Assistance Corporation (CEDAC) in the amount of \$500,000. Simple interest accrues at 5% per year through June, 2025, and thereafter, no additional interest shall accrue until June, 2035, the maturity date of the loan. Principal and interest payments are due based on certain levels of cash flow being attained as defined in the agreement or in full at June 6, 2035. Required cash flow levels were not achieved in fiscal year 2012. This note is secured by a second mortgage on the Project and assignment of leases and rents. As of June 30, 2012, there was \$500,000 of borrowings under this agreement. These borrowings are reflected as conditional liability in the accompanying combined statement 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) SURPLUS REVENUE RETENTION CALCULATION

A nonprofit provider is allowed to retain an annual net surplus of up to 5% of gross revenues derived from delivering services to clients of the Commonwealth of Massachusetts, beginning with the fiscal year ended June 30, 1993. The cumulative amount retained may not exceed 20% of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retention net assets. A current year surplus which exceeds the 5% level or a cumulative surplus exceeding the 20% amount may be: 1) reinvested in program services as stipulated by the purchasing agencies; 2) recouped or; 3) used by the Commonwealth to reduce the price of future contracts.

Following are the surplus (deficit) amounts as of June 30, 2012:

Surplus revenue retention (deficit), June 30, 2011	\$(6,647,637)
Plus – current year surplus revenue retention	<u>425,195</u>
Surplus revenue retention (deficit), June 30, 2012	<u><u>\$(6,222,442)</u></u>

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –
NOT-FOR-PROFIT ORGANIZATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Agriculture:</u>			
Passed-through Commonwealth of Massachusetts, Department of Education:			
Child and Adult Care Food Program	10.558	SCDOE12758N70532117A SCDOE12758R70532117A SCDOE12758T70532117A SCDOE12758W70532117A	\$ 343,275
<u>U.S. Department of Education:</u>			
Passed-through Commonwealth of Massachusetts, Department of Public Health:			
Special Education – Grants for Infants and Families (Early Intervention Services (IDEA) Cluster)	84.181	INTF3601MM3001513103	9,658
<u>U.S. Department of Health and Human Services:</u>			
Direct Federal Funds:			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	6H12HA23040	1,173,773
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) (Health Centers Cluster)	93.224	H80CS00151	958,932
Head Start (Head Start Cluster)	93.600	G 01CH1506-09 G 01CH1506-10	4,130,912
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	5H76HA00012-18 5H76HA00012-19	557,371

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –
NOT-FOR-PROFIT ORGANIZATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

(Continued)

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Health and Human Services:</u> (Continued)			
Passed-through Commonwealth of Massachusetts, Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2034MM3005613169 INTF2303MM3900617059 INTF2304MM3100716178 INTF2351MM3802114009 SCDPH230153581270000 SCDPH232353900160000 SCDPH232353900170000	328,759
Public Health and Social Services Emergency Fund	93.003	INTF5189MM3W20712044	74,819
Passed-through Commonwealth of Massachusetts, Department of Early Education and Care:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596 ***	600010DIMOCKCOMM40IE 2012FLEXPOOLINCOMEEL	28,409
Child Care and Development Block Grant	93.575 ***	600010DIMOCKCOMM40IE 2012FLEXPOOLINCOMEEL	<u>62,638</u>
***Total for CCDF Cluster (CFDA #93.596 and #93.575)			<u>91,047</u>
Temporary Assistance for Needy Families (TANF Cluster)	93.558	600010DIMOCKCOMM40IE INTF00000000912FNRES 2012FLEXPOOLINCOMEEL	141,198
Passed-through Boston Public Health Commission:			
HIV Emergency Relief Project Grants	93.914	PO#2009716S	430,331
Passed-through Commonwealth of Massachusetts, Department of Social Services:			
Social Services Block Grant	93.667	INTF00000000912FNRES INTF00000000912FNSS0	7,456

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –
NOT-FOR-PROFIT ORGANIZATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

(Continued)

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Health and Human Services:</u> (Continued)			
Passed-through University of Massachusetts, Worcester:			
AIDS Education and Training Centers	93.145	H4AHA00050	16,000
<u>U.S. Department of Housing and Urban Development:</u>			
Passed-through City of Boston:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	DNDC10001	50,000
Supportive Housing Program	14.235	14393-04	<u>224,684</u>
TOTAL EXPENDITURES FOR FEDERAL AWARDS			<u><u>\$ 8,538,215</u></u>

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying supplementary schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Where Every Client Is A Valued Client

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the combined financial statements of Dimock Community Foundation, Inc. and Affiliates (collectively, the Foundation) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's combined financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Foundation, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Wellesley, Massachusetts
November 13, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Independent Auditor's Report

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

Compliance

We have audited Dimock Community Foundation, Inc. and Affiliates' (collectively, the Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation's major Federal programs for the year ended June 30, 2012. The Foundation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, Dimock Community Foundation, Inc. and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Wellesley, Massachusetts
November 13, 2012

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

An unqualified opinion was issued on the combined financial statements of the auditee.

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

An unqualified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Head Start	93.600
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918
Temporary Assistance for Needy Families (TANF)	93.558

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Auditee qualified as low-risk auditee? Yes X No

DIMOCK COMMUNITY FOUNDATION, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

(Continued)

**II. FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDING 11-01

Payroll

Condition: We selected 108 payroll transactions from throughout the year which included a total of 48 employees, tested the internal controls and compliance regulations related to processing and recording the payroll, and examined the contents of the personnel files. During our testing, we noted that one employee did not receive their pay increase. This raise represented a 6% increase that had never been recorded in the payroll system.

Criteria: The Head Start grant (CFDA # 93.600 and 93.708) requires Health Centers receiving funds through this grant to comply with controls surrounding payroll transactions.

Effect: The Foundation is non-compliant with the funding requirements of the grant which could result in the loss of funding or repayment of funds.

Cause: Neither the Foundation nor the employee noticed that the raise was not reflected. The Foundation's normal policy is that a supervisor proposes a raise in writing, the raise is approved by a department head and the finance department compares it to budget increases. The approved raise is forwarded to the human resource department who then processes the change through the payroll department.

Recommendation: We recommend that the Foundation follow their policies and controls to ensure compliance with federal requirements.

Management Response: Human Resources will ensure that all pay changes recorded on the payroll authorization forms are recorded in the payroll system within two weeks of the pay change.

Status: No such finding during the current year.