

July 12, 2010

Associates For Human Services, Inc.
68 Allison Drive
Taunton, MA 02780

We are pleased to confirm our understanding of the services we are to provide for Associates For Human Services, Inc. for the year ended June 30, 2010. We will audit the statement of financial position of Associates For Human Services, Inc. as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. Also, the following additional information accompanying the basic financial statements will be subjected to the auditing procedures applied in our audit of the financial statements:

1. Schedule of expenditures of federal awards

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the second paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- * Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.
- * Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be a single audit conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; The Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports.

If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will prepare a draft of your financial statements, schedule of expenditures of federal awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles; and for federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also available for making all financial records and related information available to us, including any significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.

In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusion, and recommendations, as well as your planned corrective actions.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, Government Auditing Standards, and OMB Circular A-133.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Associates For Human Services, Inc.'s compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs. The purpose of these procedures will be to express an opinion on Associates For Human Services, Inc.'s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration, Fees, and Other

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings.

We will provide copies of our reports to the Organization; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's report, and corrective action plan) along with the Data Collection Form to be designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. At the conclusion of the engagement, we will provide information to management as to where the reporting package should be submitted, how it should be submitted, and the number to submit.

The audit documentation for this engagement is the property of Richard B. Donahue, CPA, PC, and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Richard B. Donahue, CPA, PC. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately July 19th and to complete your information returns and issue our report no later than September 10, 2010.

We estimate that our fees for these services will approximate \$19,500. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2007 peer review accompanies this letter.

We appreciate the opportunity to be of service to Associates For Human Services, Inc. and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us, and this letter will continue in effect until canceled by either party.

Very truly yours,



Richard B. Donahue, CPA, PC

Signed: Kathleen Tunney, President
Associates For Human Services, Inc.

ASSOCIATES FOR HUMAN SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2010

ASSOCIATES FOR HUMAN SERVICES, INC.

JUNE 30, 2010

TABLE OF CONTENTS

INDEPENDENT AUDITORS REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Associates For Human Services, Inc.
Taunton, Massachusetts

We have audited the accompanying statement of financial position of Associates For Human Services, Inc. (a non-profit organization) as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and in our report dated August 18, 2009; we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 misstatements. 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 audit provides 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 Associates For Human Services, Inc. as of June 30, 2010, the results of its activities, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Richard B. Donahue

RICHARD B. DONAHUE, CPA, PC

South Easton, Massachusetts
August 31, 2010

ASSOCIATES FOR HUMAN SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 624,264	\$ 509,572
Investments	628,916	321,657
Contracts and other receivable	638,553	745,898
Prepaid expenses	<u>25,180</u>	<u>23,620</u>
TOTAL CURRENT ASSETS	<u>1,916,913</u>	<u>1,600,747</u>
PROPERTY AND EQUIPMENT		
Land	684,900	684,900
Buildings and improvements	2,791,769	2,791,769
Equipment and fixtures	<u>255,764</u>	<u>171,109</u>
	3,732,433	3,647,778
Less: accumulated depreciation	<u>645,366</u>	<u>540,304</u>
	<u>3,087,067</u>	<u>3,107,474</u>
OTHER ASSETS	<u>29,695</u>	<u>30,442</u>
TOTAL ASSETS	<u>\$5,033,685</u>	<u>\$4,738,663</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 122,998	\$ 93,608
Accrued payroll	346,572	247,425
Accrued vacation	142,457	130,665
Accrued expenses and withholding	78,754	63,356
Other liabilities	84,405	84,405
Mortgage notes payable, due within one year	<u>67,854</u>	<u>63,876</u>
TOTAL CURRENT LIABILITIES	843,040	683,335
MORTGAGE NOTES PAYABLE, DUE AFTER ONE YEAR	2,250,637	2,319,115
NET ASSETS	<u>1,939,998</u>	<u>1,736,213</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,033,675</u>	<u>\$4,738,663</u>

See Accountants Report and Notes to Financial Statements

ASSOCIATES FOR HUMAN SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010 WITH
COMPARATIVE TOTALS FOR 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009 Unrestricted</u>
SUPPORT				
Mass. Department of Developmental Services	\$2,720,648	\$ --	\$2,720,648	\$2,807,197
Mass. Department of Public Health	567,758	--	567,758	997,328
Mass. Department of Public Welfare	982,955	--	982,955	753,849
Early Head Start	620,349	84,655	705,004	471,253
Department of Education	70,019	--	70,019	87,812
In-Kind Contributions	90,636	--	90,636	51,314
Individual Contributions	261,609	--	261,609	248,649
TOTAL SUPPORT	<u>5,313,974</u>	<u>84,655</u>	<u>5,398,629</u>	<u>5,417,402</u>
REVENUE				
Program and other revenue	1,624,524	--	1,624,524	1,283,558
Donations and grants	19,556	--	19,556	17,987
Interest income	2,565	--	2,565	4,203
TOTAL REVENUE	<u>1,646,645</u>	<u>--</u>	<u>1,646,645</u>	<u>1,305,748</u>
TOTAL SUPPORT AND REVENUE	<u>6,960,619</u>	<u>84,655</u>	<u>7,045,274</u>	<u>6,723,150</u>
EXPENSES				
Program services	6,223,170	12,528	6,235,698	6,042,848
General and administrative	609,794	--	609,794	533,183
TOTAL EXPENSES	<u>6,832,964</u>	<u>12,528</u>	<u>6,845,492</u>	<u>6,576,031</u>
INCREASE IN NET ASSETS	127,655	72,127	199,782	147,119
NON-OPERATING ACTIVITIES				
Net gain (Loss) on investments	4,003	--	4,003	(7,554)
INCREASE IN NET ASSETS	131,658	72,127	203,785	139,565
NET ASSETS, BEGINNING OF YEAR	<u>1,736,213</u>	<u>--</u>	<u>1,736,213</u>	<u>1,596,648</u>
NET ASSETS, END OF YEAR	<u>\$1,867,871</u>	<u>\$ 72,127</u>	<u>\$1,939,998</u>	<u>\$1,736,213</u>

See Accountants Report and Notes to Financial Statements

ASSOCIATES FOR HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	<u>Early Intervention</u>	<u>Taunton Apartment Network</u>	<u>Individual Services For Elders</u>	<u>Parent Child Home Program</u>	<u>Early Head Start Delegate</u>	<u>Expansion</u>	<u>Program Services</u>	<u>General & Administrative Services</u>	<u>Total 2010</u>	<u>Total 2009</u>
Salaries and wages	\$ 1,564,245	\$ 1,765,248	\$ 400,719	\$ 25,218	\$ 395,209	\$ 96,485	\$ 4,247,124	\$ 308,203	\$ 4,555,327	\$ 4,357,823
Fringe benefits	325,309	374,822	82,433	5,827	69,082	20,170	877,643	86,067	963,710	940,437
Consultants	12,495	10,536	1,560	270	17,654	4,165	46,680	70	46,750	48,628
Staff training	1,100	3,268	1,130	150	11,661	3,632	20,941	1,914	22,855	25,305
Rent and occupancy	61,252	98,815	75,386	3,080	24,824	8,521	271,878	66,580	338,458	321,879
Rent subsidies	-	59,707	-	-	-	-	59,707	-	59,707	69,335
Vehicle expenses	-	90,634	62,675	-	7,114	4,670	165,093	-	165,093	155,609
Postage	-	-	-	-	-	382	382	10,020	10,402	9,804
Office supplies & expense	13,145	2,908	706	390	1,788	550	19,487	13,692	33,179	32,164
Professional fees	-	-	-	-	3,000	250	3,250	16,430	19,680	19,485
Insurance	4,139	3,393	5,097	219	2,012	319	15,179	4,802	19,981	19,818
Telephone	14,633	5,674	2,886	1,369	4,186	1,138	29,886	3,038	32,924	32,977
Repairs and maintenance	3,275	29,460	2,555	-	2,510	298	38,098	5,009	43,107	56,968
Travel	78,911	14,583	878	1,302	8,218	3,099	106,991	1,649	108,640	107,689
Advertising - help wanted	1,245	4,804	1,599	-	341	3,143	11,132	605	11,737	5,464
Utilities	-	38,280	-	-	-	-	38,280	-	38,280	42,217
Other supplies	14,475	26,279	10,860	-	12,503	31,719	95,836	23,757	119,593	99,218
Donations expense	10,981	315	310	-	-	-	11,606	25,812	37,418	18,678
Licenses and fees	808	1,375	2,420	-	1,135	257	5,995	5,786	11,781	11,897
Program supplies & equipment	484	74,130	61,501	2,803	-	16,421	155,339	-	155,339	133,140
Other direct expenses	9,122	4,924	101	100	879	45	15,171	36,360	51,531	67,496
Totals	\$ 2,115,619	\$ 2,609,155	\$ 712,816	\$ 40,728	\$ 562,116	\$ 195,264	\$ 6,235,698	\$ 609,794	\$ 6,845,492	\$ 6,576,031

ASSOCIATES FOR HUMAN SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 203,785	\$ 139,565
Adjustments to reconcile change in Net Assets to Net Cash		
Provided by operating activities		
Depreciation and amortization	105,062	100,338
Changes in operating assets and liabilities		
Contract and other receivables	107,345	(267,397)
Prepaid expenses	(1,560)	17,600
Other assets	747	49
Accounts payable	29,390	(7,783)
Accrued expenses and withholdings	<u>126,337</u>	<u>27,407</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>571,106</u>	<u>9,779</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from (investment in) interest bearing accounts	(307,259)	104,687
Purchase of equipment and fixtures and improvements	<u>(84,655)</u>	<u>--</u>
 NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	<u>(391,914)</u>	<u>104,687</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage loan	<u>(64,500)</u>	<u>(59,954)</u>
 NET CASH USED BY FINANCING ACTIVITIES	<u>(64,500)</u>	<u>(59,954)</u>
 NET INCREASE IN CASH	114,692	54,512
 CASH, BEGINNING OF YEAR	<u>509,572</u>	<u>455,060</u>
 CASH, END OF YEAR	<u>\$ 624,264</u>	<u>\$ 509,572</u>
 SUPPLEMENTAL DATA		
Interest paid	<u>\$ 147,375</u>	<u>\$ 153,080</u>
Income taxes paid	<u>\$ --</u>	<u>\$ --</u>

See Accountants Report and Notes to Financial Statements

ASSOCIATES FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Associates For Human Services, Inc. (the Organization) is a non-profit organization that delivers early childhood, mental retardation and adult day health services in the Taunton, Massachusetts area and surrounding towns. The Organization’s primary sources of revenue are contracts with the Commonwealth of Massachusetts, Department of Developmental Services and Department of Public Health.

Financial Statement Presentation – The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, The Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Comparative Information - The financial statements include certain prior years summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2009 from which the summarized information was derived.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Public Support and Revenue – The Organization receives public support primarily from the Massachusetts Department of Developmental Services, Massachusetts Department of Public Health, Triumph, Inc. (Early Head Start), the Department of Education and Medicaid. The Organization also receives funds for services rendered from insurance companies and other third parties and from private individuals.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. All contributions received in 2010 and 2009 were either spent in the same year or allowances were provided for the expenditure of these funds

Investments – The Organization invests excess cash in money market accounts, mutual funds and short-term (one year or less) certificates of deposit.

Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair market values in the Statement of Financial Position. The changes in unrealized gains and losses for the year are reported in the Statement of Activities.

Accounts Receivable – Accounts receivable from contracts are stated at the contractual amounting remaining to be paid. Accounts receivable from third parties and DPH are stated at the amount which management expects to collect from the outstanding balances.

Credit Risk – The Organization maintains cash in demand deposit accounts with federally insured banks. At times, the balances in the accounts may be in excess of the federally insured limits of \$250,000.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts and certificate of deposit with original maturities less than three months.

Property and Equipment – Equipment is recorded at cost or, in the case of donated assets, at fair market value. Repairs and maintenance are expensed as incurred. The straight-line method is used to depreciate equipment over the estimated useful lives of the assets, which range from five to ten years. Building and improvements are depreciated on the straight-line method using estimated useful lives ranging from 27.5 to 39 years. The Organization has the policy of expensing all small equipment and supplies under \$10,000.

A summary of depreciable lives is as follows:

Buildings – Residential	27.5 years
Buildings – Commercial	39.0 years
Equipment and fixtures	5-10 years
Improvements	20-27 years
Motor vehicles	3 years

Equipment purchased with funds from Federal and State contracts are capitalized as assets and depreciated over their estimated useful lives. The Federal government or the Commonwealth of Massachusetts retain a reversionary interest in these assets.

Functional Allocation of Expenses – The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates that are particularly susceptible to change in the near term are the determination of the allowance for doubtful accounts and accrued profit sharing. Actual results could differ from those estimates.

Fair Value Measurements – Effective July 1, 2008, the Organization adopted Financial Accounting Standards Board’s (FASB) Statement No. 157 (FAS 157), “Fair Value Measurements”, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. FAS 157 applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of FAS No. 157 is limited to the Organizations investments and did not have a material impact on the Organization’s statements.

Income Taxes – The Organization is exempt from federal income taxes under section 501 c(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of section 509(a) of the Internal Revenue Code.

NOTE 2 – LINE OF CREDIT

The Organization has bank financing which includes a \$500,000 line of credit (\$250,000 in 2009). The note bears interest at the bank’s base lending rate plus 1%. The Organization did not utilize the line of credit during 2010 or 2009 and there was no balance outstanding as of June 30, 2010 or 2009. The current line of credit expires in November 30, 2010.

NOTE 3 – OTHER LIABILITIES

The Organization has provided for potential repayment of funds it had received from Medicare, for a program which was discontinued by the Organization several years ago. There has been no recent correspondence from Medicare regarding this matter.

NOTE 4 – SURPLUS REVENUE

The Commonwealth of Massachusetts, Division of Purchased Services has clarified and updated its accounting and reporting policy relative to its regulations concerning “Not-For-Profit Surplus Revenue Retention”.

The regulations permit not-for-profit providers, such as the Organization, to retain a “surplus” of up to 5% of revenues attributable to agreements with the Commonwealth of Massachusetts for the provision of social services, and to utilize such surplus for its established charitable purposes. The regulations also limit the cumulative of such retained surplus to an amount equal to 20% of the prior year’s related gross revenue.

Excess surplus revenues may be recouped by the Commonwealth via price reductions in future agreements, by the return of such funds to the Commonwealth, or by the Commonwealth stipulating the use of such funds.

According to the updated policy, surplus revenue retention within the allowable limits is to be reported or disclosed as a component of the unrestricted fund balance. Any surplus revenue retained in excess of the aforementioned limits is to be reported as an unrestricted liability.

The components of the Organization’s unrestricted fund balance are as follows at June 30:

	<u>2010</u>	<u>2009</u>
Fund Balance:		
Unrestricted	\$1,572,869	\$1,459,771
Temporarily Restricted	72,127	--
Surplus revenue retention	<u>295,002</u>	<u>276,442</u>
	<u>\$1,939,998</u>	<u>\$1,736,213</u>

NOTE 5 – MORTGAGE NOTES PAYABLE

	<u>2010</u>	<u>2009</u>
First mortgage note payable to bank, dated September 18, 2003, secured by first mortgage on property at Allison Drive, Taunton, Massachusetts and property owned by the Organization on Pat Ree Drive, Taunton, Massachusetts. The note is due September 18, 2029. Interest is due at 6%. Principal and interest payments of \$12,241 are due monthly until September 18, 2019, after which the interest rate will be adjusted to the bank's corporate base lending rate plus 1% for the remaining 120 months.	\$1,674,768	\$1,719,694
First mortgage note payable to bank dated September 24, 2004 secured by a first mortgage on property at Powderhouse Drive, Taunton, Massachusetts. Interest at 6.50%, due September 24, 2024; monthly payments of principal and interest of \$1,670.	185,286	193,594
First mortgage note payable to bank dated June 26, 2006 secured by a first mortgage on property at Field St., Taunton, MA. Interest at 7.50%, due June 26, 2026; monthly payments of principal and interest of \$2,127.	237,408	244,819
First mortgage note payable to bank dated May 29, 2007, secured by a first mortgage on property at Ralph Road, Raynham, MA. Interest at 7.50% due May 29, 2032, monthly payments of principal and interest of \$1,714	<u>221,029</u>	<u>224,884</u>
	2,318,491	2,382,991
Less: amounts due within one year	<u>67,854</u>	<u>63,876</u>
Due after one year	<u>\$2,250,637</u>	<u>\$2,319,115</u>
Future annual principal payments due are as follows:		
	2011	\$ 67,854
	2012	72,467
	2013	77,193
	2014	82,298
	2015 and after	<u>2,018,679</u>
		<u>\$2,318,491</u>

NOTE 6 – INDIVIDUAL CONTRIBUTION

The Organization's clients in the DMR Residential Program are responsible for contributing funds which defray some of the expense for their food, utilities and rent.

NOTE 7 – IN-KIND CONTRIBUTIONS

The Organization operates an Early Head Start program, for which it is a sub-contractor to Triumph, Inc. (a non-profit organization which operates a Head Start program). The program is funded entirely with federal monies. The Organization and/or Triumph, Inc. must provide matching funds or in-kind contributions for 20% of the total program expenditures. The Organization's 2010 and 2009 non federal share contributions for the Early Head Start program was approximately \$122,797 and \$123,641 respectively of which \$73,481 (2010) and \$51,314 (2009) was comprised of in-kind donations and \$49,310 (2010) and \$72,327 (2009) of matching funds from the Organization. In addition, in 2010 the Organization was the recipient of Early Head Start expansion grant including one-time expansion funds. The Organization had non-federal share contribution of \$39,284 of which \$17,155 was comprised of in-kind donations and \$22,129 of matching funds from the Organization.

NOTE 8 – RENT AND OCCUPANCY

Rent and occupancy expense includes interest on the real estate mortgages owed by the Organization, depreciation expense on buildings, improvements, furniture and fixtures. This expense category also includes the amortization expense of the loan closing costs of the real estate mortgages.

The breakdown of the above noted expenses are as follows:

	<u>2010</u>	<u>2009</u>
Depreciation	\$ 105,062	\$ 99,177
Mortgage interest	147,375	153,080
Amortization	1,161	1,161

NOTE 9 – CONCENTRATIONS OF ECONOMICS AND CREDIT RISK

The Organization's Residential and Wise Program are funded primarily by the Commonwealth of Massachusetts, Department of Development Services (DDS). The Organization in 2010 received approximately \$2,720,648 or approximately 39% of total revenue (42% in 2009) from DDS. In addition, the Early Intervention program received \$567,758 from the Commonwealth of Massachusetts, Department of Public Health (DPH) which represents approximately 8.2% of revenues (14.9% in 2009).

NOTE 10 – CONTINGENCY

During fiscal year 2007 the Organization received a grant of \$90,000 from the Greater Attleboro/Taunton HOME Consortium through its HOME Investment Partnership Program funded by the U.S. Department of Housing and Urban Development (HUD). The grant was used to partially fund the acquisition of a residential property used by the Organization's residential program. If this property, within fifteen years of receiving the grant, is sold or if the use is changed from an allowed use to a business use, some or all of the grant may be required to be repaid to the funding source.

NOTE 11 – RELATED PARTY TRANSACTIONS

A director of the Organization is also an officer of the Bank in which the Organization maintains substantially all of its cash accounts. In addition, the Bank has provided mortgage financing on the real estate owned by the Organization and also provides a line of credit available to the Organization.

NOTE 12 – RETIREMENT PLAN

Effective March 1, 2007, the Organization established a 403-B retirement plan for the benefit of its employees. The Organization contributes 1% of each eligible employee's compensation provided that the employee also makes a contribution to the plan. Effective January 1, 2008 the Organization elected to increase its contribution to 3%. For the years ended June 30, 2010 and 2009 the Organization made contributions to the plan of \$86,466 and \$86,407 respectively.