



**FINANCIAL STATEMENTS
JUNE 30, 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

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JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Massachusetts Society for the Prevention of Cruelty to Children:

Report on the Financial Statements

We have audited the accompanying financial statements of Massachusetts Society for the Prevention of Cruelty to Children (a Massachusetts corporation, not for profit), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Society for the Prevention of Cruelty to Children as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
November 6, 2013

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

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

| <u>ASSETS</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 814,422 | \$ 224,332 | \$ - | \$ 1,038,754 |
| Client service fees receivable, net of allowance for doubtful accounts of approximately \$4,733,000 | 611,602 | - | - | 611,602 |
| Contracts and other accounts receivable | 1,267,488 | - | - | 1,267,488 |
| Current portion of pledges receivable | 135,153 | 73,625 | - | 208,778 |
| Prepaid expenses and other | 302,487 | - | - | 302,487 |
| Due (to) from | (2,540,933) | 2,540,933 | - | - |
| Total current assets | <u>590,219</u> | <u>2,838,890</u> | <u>-</u> | <u>3,429,109</u> |
| PLEDGES RECEIVABLE , net of current portion and discount | - | 18,338 | - | 18,338 |
| INVESTMENTS | - | 9,221,956 | 11,079,741 | 20,301,697 |
| BENEFICIAL INTERESTS IN TRUSTS | - | - | 3,188,347 | 3,188,347 |
| PROPERTY AND EQUIPMENT , net | <u>1,315,291</u> | <u>-</u> | <u>-</u> | <u>1,315,291</u> |
| Total assets | <u>\$ 1,905,510</u> | <u>\$ 12,079,184</u> | <u>\$ 14,268,088</u> | <u>\$ 28,252,782</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| CURRENT LIABILITIES: | | | | |
| Current portion of note payable to a bank | \$ 622,683 | \$ - | \$ - | \$ 622,683 |
| Accounts payable and other | 591,573 | - | - | 591,573 |
| Accrued expenses | 1,015,717 | - | - | 1,015,717 |
| Current portion of other liabilities | 87,154 | - | - | 87,154 |
| Total current liabilities | <u>2,317,127</u> | <u>-</u> | <u>-</u> | <u>2,317,127</u> |
| NOTE PAYABLE TO A BANK , net of current portion | 148,917 | - | - | 148,917 |
| OTHER LIABILITIES , net of current portion | 55,866 | - | - | 55,866 |
| PENSION LIABILITY | <u>2,502,730</u> | <u>-</u> | <u>-</u> | <u>2,502,730</u> |
| Total liabilities | <u>5,024,640</u> | <u>-</u> | <u>-</u> | <u>5,024,640</u> |
| NET ASSETS: | | | | |
| Unrestricted: | | | | |
| Operating | (1,931,691) | - | - | (1,931,691) |
| Property and equipment | 1,315,291 | - | - | 1,315,291 |
| Pension plan | (2,502,730) | - | - | (2,502,730) |
| Total unrestricted | <u>(3,119,130)</u> | <u>-</u> | <u>-</u> | <u>(3,119,130)</u> |
| Temporarily restricted | - | 12,079,184 | - | 12,079,184 |
| Permanently restricted | - | - | 14,268,088 | 14,268,088 |
| Total net assets | <u>(3,119,130)</u> | <u>12,079,184</u> | <u>14,268,088</u> | <u>23,228,142</u> |
| Total liabilities and net assets | <u>\$ 1,905,510</u> | <u>\$ 12,079,184</u> | <u>\$ 14,268,088</u> | <u>\$ 28,252,782</u> |

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| OPERATING REVENUE: | | | | |
| State contracts | \$ 8,345,425 | \$ - | \$ - | \$ 8,345,425 |
| Client service fees | 6,857,651 | - | - | 6,857,651 |
| Investment return designated for operations | 3,552,943 | - | - | 3,552,943 |
| Contributions | 1,136,156 | 220,108 | - | 1,356,264 |
| Fundraising events, net | 777,769 | - | - | 777,769 |
| Other grants and contracts | 398,164 | - | - | 398,164 |
| United Way allocations | 342,553 | - | - | 342,553 |
| Other | 29,820 | - | - | 29,820 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | 97,443 | (97,443) | - | - |
| Satisfaction of time restrictions | 118,542 | (118,542) | - | - |
| | <u>21,656,466</u> | <u>4,123</u> | <u>-</u> | <u>21,660,589</u> |
| OPERATING EXPENSES: | | | | |
| Program services | 15,644,470 | - | - | 15,644,470 |
| Management and general | 3,416,060 | - | - | 3,416,060 |
| Fundraising | 457,169 | - | - | 457,169 |
| | <u>19,517,699</u> | <u>-</u> | <u>-</u> | <u>19,517,699</u> |
| Changes in net assets from operations | <u>2,138,767</u> | <u>4,123</u> | <u>-</u> | <u>2,142,890</u> |
| NON-OPERATING REVENUE (EXPENSES): | | | | |
| Investment return | - | 2,621,653 | - | 2,621,653 |
| Pension related changes other than net periodic pension cost | 1,044,676 | - | - | 1,044,676 |
| Change in carrying value of beneficial interests in trusts | - | - | 113,623 | 113,623 |
| Bequests | 1,250 | - | - | 1,250 |
| Investment return designated for principal payments on note payable to a bank | 547,473 | (547,473) | - | - |
| Investment return designated for operations | - | (3,552,943) | - | (3,552,943) |
| | <u>1,593,399</u> | <u>(1,478,763)</u> | <u>113,623</u> | <u>228,259</u> |
| LOSS FROM DISCONTINUED OPERATIONS: | | | | |
| Loss from discontinued operations | (1,517,410) | - | - | (1,517,410) |
| Net assets released from purpose restrictions | 48,368 | (48,368) | - | - |
| | <u>(1,469,042)</u> | <u>(48,368)</u> | <u>-</u> | <u>(1,517,410)</u> |
| Changes in net assets | <u>\$ 2,263,124</u> | <u>\$ (1,523,008)</u> | <u>\$ 113,623</u> | <u>\$ 853,739</u> |

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|--|-----------------------|-----------------------------------|-----------------------------------|----------------------|
| NET ASSETS, June 30, 2012, as restated | \$ (5,382,254) | \$ 13,602,192 | \$ 14,154,465 | \$ 22,374,403 |
| Changes in net assets | <u>2,263,124</u> | <u>(1,523,008)</u> | <u>113,623</u> | <u>853,739</u> |
| NET ASSETS, June 30, 2013 | <u>\$ (3,119,130)</u> | <u>\$ 12,079,184</u> | <u>\$ 14,268,088</u> | <u>\$ 23,228,142</u> |

The accompanying notes are an integral part of these statements

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------------|
| Changes in net assets | \$ 853,739 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | |
| Depreciation | 246,531 |
| Bad debt | 842,053 |
| Change in carrying value of beneficial interests in trusts | (113,623) |
| Gain on investments | (2,611,084) |
| Pension related changes other than net periodic pension cost | (1,044,676) |
| Subtotal | <u>(1,827,060)</u> |
| Changes in operating assets and liabilities: | |
| Client service fees receivable | (255,926) |
| Contracts and other accounts receivable | 5,559 |
| Pledges receivable | 12,680 |
| Prepaid expenses and other | 40,515 |
| Accounts payable and other | (245,761) |
| Accrued expenses | 16,644 |
| Other liabilities | (133,281) |
| Pension liability | <u>62,671</u> |
| Net cash used in operating activities | <u>(2,323,959)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------------|
| Acquisitions of property and equipment | (237,840) |
| Purchases of investments | (2,018,752) |
| Proceeds from the sale of investments | <u>6,024,382</u> |
| Net cash provided by investing activities | <u>3,767,790</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---------------------------------------|------------------|
| Proceeds from note payable to a bank | 100,000 |
| Payments on note payable to a bank | <u>(647,472)</u> |
| Net cash used in financing activities | <u>(547,472)</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS 896,359

CASH AND CASH EQUIVALENTS, beginning of year 142,395

CASH AND CASH EQUIVALENTS, end of year \$ 1,038,754

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest \$ 49,855

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

Unrealized gain on investments \$ 1,130,346

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

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

| | PROGRAM SERVICES | | | | | | | TOTAL PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUND- RAISING | TOTAL |
|-----------------------------------|---------------------|--------------------------------|--------------------|---------------------|--|------------------------------|--------------------|------------------------------|------------------------------|-------------------|----------------------|
| | HEALTHY FAMILIES | FAMILY COUNSELING CENTER | SOCIAL SERVICES | CHILD WELFARE | ADOPTION AND FOSTER CARE SUPPORT | ADVOCACY AND EDUCATION | PROGRAM SUPPORT | | | | |
| Salaries | \$ 1,097,030 | \$ 5,319,633 | \$ 51,232 | \$ 1,916,230 | \$ 730,464 | \$ 109,007 | \$ 184,055 | \$ 9,407,651 | \$ 1,141,110 | \$ 262,807 | \$ 10,811,568 |
| Employee benefits | 242,370 | 782,937 | 6,736 | 314,917 | 103,459 | 12,768 | 10,626 | 1,473,813 | 130,107 | 19,368 | 1,623,288 |
| Payroll taxes | 101,055 | 483,079 | 4,824 | 173,273 | 67,919 | 9,916 | 17,842 | 857,908 | 105,287 | 24,476 | 987,671 |
| Subcontracted direct care | - | 97,504 | - | 314,784 | 492,687 | - | - | 904,975 | - | - | 904,975 |
| Total salaries and related | 1,440,455 | 6,683,153 | 62,792 | 2,719,204 | 1,394,529 | 131,691 | 212,523 | 12,644,347 | 1,376,504 | 306,651 | 14,327,502 |
| Occupancy | 180,911 | 546,048 | 17,590 | 232,194 | 103,920 | 20,497 | 58,551 | 1,159,711 | 257,043 | 50,296 | 1,467,050 |
| Professional fees | 1,763 | 15,462 | 1 | 2,882 | 319,363 | 3,526 | 111,453 | 454,450 | 959,733 | 2,079 | 1,416,262 |
| Meetings, conferences and travel | 36,780 | 226,458 | 1,887 | 152,813 | 48,748 | 5,318 | 3,284 | 475,288 | 24,980 | 6,729 | 506,997 |
| Communications | 818 | 24,678 | 372 | 12,399 | 3,806 | - | 848 | 42,921 | 319,154 | - | 362,075 |
| Bad debt | 20 | 284,403 | 2 | 357 | - | - | - | 284,782 | 187 | - | 284,969 |
| Supplies | 21,564 | 33,092 | 201 | 125,292 | 47,298 | 466 | 501 | 228,414 | 37,209 | 1,237 | 266,860 |
| Depreciation | 3,322 | 39,382 | 505 | 7,688 | 8,653 | 1,004 | 2,454 | 63,008 | 171,659 | 2,726 | 237,393 |
| Equipment rental and maintenance | 9,484 | 46,428 | 572 | 21,449 | 2,386 | 2,952 | 299 | 83,570 | 141,070 | 411 | 225,051 |
| Other | 3,439 | 34,370 | 308 | 9,527 | 25,418 | 208 | 435 | 73,705 | 59,541 | 4,343 | 137,589 |
| Staff training | 5,506 | 14,545 | 61 | 32,931 | 1,457 | 30 | 66 | 54,596 | 2,795 | 97 | 57,488 |
| Printing and publications | 16 | 2,847 | 5 | 809 | 10 | 12,664 | 200 | 16,551 | 617 | 39,747 | 56,915 |
| Postage and shipping | 1,877 | 11,757 | 76 | 3,272 | 12,553 | 140 | 634 | 30,309 | 11,042 | 6,465 | 47,816 |
| Interest | - | - | - | - | - | - | - | - | 46,882 | - | 46,882 |
| Advertising and recruiting | - | - | - | - | 26,786 | 7 | - | 26,793 | 4,614 | 7,577 | 38,984 |
| Processing services | - | - | - | - | - | 6,025 | - | 6,025 | 3,030 | 28,811 | 37,866 |
| Total operating expenses | \$ 1,705,955 | \$ 7,962,623 | \$ 84,372 | \$ 3,320,817 | \$ 1,994,927 | \$ 184,528 | \$ 391,248 | \$ 15,644,470 | \$ 3,416,060 | \$ 457,169 | \$ 19,517,699 |

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Massachusetts Society for the Prevention of Cruelty to Children (the Society) is a Massachusetts nonprofit corporation established in April, 1878. The Society is a statewide social service agency focused on providing care and protection to children, enhancing family life, improving community standards affecting children and their families, and assisting in the enforcement and development of laws affecting children.

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

SIGNIFICANT ACCOUNTING POLICIES

The Society prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

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

Operating net assets represent net assets which are available for operations and bear no external restrictions.

Property and equipment net assets represent amounts expended and resources available for property and equipment, net of related debt, if any.

Pension plan net assets represent pension plan activity in accordance with *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (see Note 6).

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted). Temporarily restricted net assets also include appreciation and investment earnings on permanently restricted net assets (endowment) in accordance with Massachusetts state law and the Society's spending policy (see page 11).

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets consist of the following at June 30, 2013:

| | |
|---|---------------------|
| Accumulated appreciation and earnings on permanently restricted investments (see Note 4) | \$11,762,889 |
| Purpose restricted | 211,378 |
| Time restricted | <u>104,917</u> |
| | <u>\$12,079,184</u> |

Permanently Restricted Net Assets

Permanently restricted net assets represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent (see Note 4).

Revenue Recognition

State and other contract revenue is recorded over the contract period as services are provided. Client service fees are recorded as revenue when services are performed. Unrestricted grants and contributions and United Way allocations are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets. All other revenues are recorded when earned.

Funds received in advance of the fiscal year in which the initiatives will take place, if any, are recorded as deferred revenue.

Fundraising events, net in the accompanying statements of activities include the results of annual special events and other fundraising efforts of the Society.

Expense Allocation

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

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Except for money market fund accounts included as investments (see Note 4), management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost (see Note 5). Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method and the mid-month convention for capitalized additions over the following estimated useful lives:

| | |
|-------------------------------------|--------------|
| Buildings | 40 years |
| Building and leasehold improvements | 7 - 20 years |
| Computers and software | 3 - 5 years |
| Furniture and fixtures | 7 years |

Total depreciation expense was \$246,531 for the year ended June 30, 2013, of which \$9,138 was included in loss from discontinued operations.

Investments

The Society follows the *Fair Value Measurements and Disclosure* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. These standards establish 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. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 also includes investments with notice periods for redemption of ninety days or less.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation. Level 3 also includes investments with notice periods for redemption of more than ninety days.

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.

The Society values all its qualifying assets and liabilities using Level 1 inputs, except for its beneficial interests in trusts (see page 11) which uses Levels 1 and 3 inputs, the pension benefit obligation which uses Levels 1, 2, and 3 inputs (see Note 6), and its investments in funds, trusts and partnerships which use Levels 1, 2, and 3 inputs (see Note 4).

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value using Level 1 inputs. Interest, dividends and mutual fund distributions of these investments are recorded when earned or declared. Gains and losses are recognized as incurred on sale or based on fair value changes during the period (see Note 4).

Investments also include certain alternative investments which are generally interests in investment funds, trusts and partnerships. In accordance with standards pertaining to *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, the Society uses each fund's net asset value per share to calculate and report the fair value of its alternative investments. The Society records its share of the realized activities of the partnership as increases or decreases in the cost basis of its investment. Distributions reduce the Society's cost basis. The Society records its share of unrealized gains and losses on the interests in investment funds, trusts, and partnerships as increases or decreases in the accumulated appreciation (depreciation) component of its investment accounts. Asset valuations are estimated as determined based on amounts reported by the fund manager, partnership and trustee, respectively. These estimated values may differ significantly from the values that would have been used had a ready market existed and those differences could be material.

The Society intends to hold the investments for long-term purposes. Accordingly, the investments are shown as long-term assets in the accompanying statement of financial position regardless of maturity or liquidity.

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Spending Policy

Subject to the intent of a donor, the Society may appropriate for expenditure or accumulate so much of an endowment fund as the Society 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 Society. The Society has adopted investment and spending policies for endowment assets that aim to safeguard the purchasing power of the endowment principal, generate an on-going revenue source and to provide for growth of the investment principal in accordance with Uniform Prudent Management of Institutional Funds Act. The amount of return available for spending during a fiscal year is expected to be set at a prudent level, and presented as part of the Society's annual budget proposal subject to the review and recommendation of the Finance & Audit Committee and the ultimate approval of the Board of Directors.

The Board of Directors of the Society originally voted to use up to \$4,400,000 of total investment return for operations and principal debt repayment for the year ended June 30, 2013, with any additional amounts required at their discretion (see Note 4). Transfers to the operating net assets, in accordance with this policy, are reflected in the statement of activities as investment return designated for current operations and for principal payments on notes payable to a bank.

Risk and diversification parameters have been established and the endowment is maintained and rebalanced, if necessary, according to the Society's investment policy. Under this policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk.

Beneficial Interests in Trusts

The Society has beneficial interests in perpetual trusts held by third party trustees on behalf of various not-for-profit organizations. The principal is restricted in perpetuity. The interest and dividend income generated by the investments is distributed each year to the beneficiaries, and is reported by the Society as unrestricted contributions. For the year ended June 30, 2013, the Society recognized unrestricted contributions of \$248,170 from these trusts, which are included in contributions in the accompanying statement of activities. The Society has recorded \$3,188,347 on its statement of financial position at June 30, 2013, representing the fair value of its beneficial interests in the trusts as permanently restricted net assets. Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as permanently restricted gains or losses on perpetual trusts.

The Society is named as the final beneficiary of an irrevocable charitable remainder trust (the Trust), which is controlled by a third party trustee on behalf of the donor. The Trust agreement requires its assets be used to provide support for its named beneficiaries over the course of their lives. Upon death of the beneficiaries and other financial disbursements being made as outlined in the agreement, the Society will receive the remainder of the Trust's assets.

The Trust's assets are largely invested in equities and fixed income securities and have a market value of \$7,503,028 as of June 30, 2013. The amount to be received by the Society, if any, cannot be determined and, therefore, is not reflected in the accompanying financial statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable at June 30, 2013, consist of contributions committed to the Society. Pledges are recorded at their net present value when unconditionally committed (see Note 3).

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is based on management's best estimate of the amount of probable losses in accounts receivable. The allowance is based on specific identification of probable losses and an estimate of additional losses based on historical write-off experience. Management reviews the allowance for doubtful accounts monthly. Past due balances over 120 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Advertising Costs

The Society expenses advertising costs as incurred. Total advertising costs for the year ended June 30, 2013, was \$34,370, which is included in advertising and recruiting in the accompanying statement of functional expenses. Included in this amount at June 30, 2013, was \$6,826 of donated advertising (see page 13).

Bequests

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

Donated Goods and Services

The Society receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria recognition of *Accounting for Contributions Received and Contributions Made* standards.

The Society receives donated goods and professional services, some of which are associated with its fundraising events. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

The value of these goods and services for the year ended June 30, 2013, was as follows:

| | | |
|----------------------|--|------------------|
| Legal services | | \$ 89,920 |
| Advertising services | | 6,826 |
| Supplies | | 4,006 |
| Silent auction items | | <u>2,375</u> |
| | | <u>\$103,127</u> |

These donated goods and services are included in contributions and fundraising events, net in the accompanying statement of activities. In the accompanying statement of functional expenses, these donated goods and services are included in professional fees, advertising and recruiting, and other.

Fundraising Events

Included in fundraising events, net are the results of the annual special events, which are shown net of related expenses in the accompanying statement of activities for the year ended June 30, 2013, as follows:

Special Events

| | | |
|--|------------------|-----------|
| Special events contributions and support | | \$820,332 |
| Special events revenue | \$ 62,871 | |
| Less - direct expenses | <u>(110,485)</u> | (47,614) |

Other

| | | |
|-------------------------------|--|------------------|
| Other fundraising revenues | | 25,284 |
| Other fundraising expenses | | <u>(20,233)</u> |
| Total fundraising events, net | | <u>\$777,769</u> |

Income Taxes

The Society follows the U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes*, which requires the Society to report any uncertain tax positions and to adjust its financial statements for the impact thereof. Certain investments in the Society's portfolio may give rise to unrelated business taxable income (UBTI). Estimated Federal and state taxes totaling \$19,000 were recorded in prior years and are included in accrued expenses as of and for the year ended June 30, 2013. No state or Federal income tax expense was incurred or due as of and for the year ended June 30, 2013. The Society files information returns in the United States (Federal) and Massachusetts (state) jurisdictions. These returns are generally subject to examination for three years after the date filed with the Internal Revenue Service and Massachusetts tax authorities.

MASSACHUSETTS SOCIETY FOR THE PREVENTION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 6, 2013, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(2) FUNDING

The Society receives income from various funding sources to compensate for services rendered under cost reimbursement and unit-rate contracts. Approximately 39% of operating revenues were received from various departments of the Commonwealth of Massachusetts during the year ended June 30, 2013. These contracts are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Society as of June 30, 2013, or on its changes in net assets for the year then ended.

Approximately 87% of contracts and other accounts receivable at June 30, 2013, are due from the various departments of the Commonwealth of Massachusetts.

Included in client service fees are charges to third party payors. These charges are periodically reviewed and adjusted based upon the submission of cost reports and possible subsequent audits. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Society as of June 30, 2013, or on the changes in its net assets for the year then ended.

(3) PLEDGES RECEIVABLE

Pledges receivable are due as follows as of June 30, 2013:

| | |
|---|------------------|
| Due within one year | \$208,778 |
| Due in one to five years | <u>22,997</u> |
| | 231,775 |
| Less - discount | 503 |
| Less - reserve for uncollectible pledges | <u>4,156</u> |
| | 227,116 |
| Less - current portion of pledges receivable, net | <u>208,778</u> |
| | |
| Long-term pledges receivable | <u>\$ 18,338</u> |

The pledges have been discounted using a 2.69% discount rate.

**MASSACHUSETTS SOCIETY FOR THE PREVENTION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

(4) INVESTMENTS

Investments (see Note 1) consist of the following at June 30, 2013:

| <u>Investment Type</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|--------------------|--------------------|--------------------|---------------------|
| Absolute Return: | | | | |
| Hedge funds | \$ - | \$8,662,816 | \$ 582,911 | \$ 9,245,727 |
| Limited partnerships | - | - | 4,641,237 | 4,641,237 |
| Limited liability company | - | 9,487 | - | 9,487 |
| Total absolute return | <u>-</u> | <u>8,672,303</u> | <u>5,224,148</u> | <u>13,896,451</u> |
| Diversified Arbitrage: | | | | |
| Hedge funds | - | - | 2,776,684 | 2,776,684 |
| Other Investments: | | | | |
| Money market | 2,228,007 | - | - | 2,228,007 |
| Mutual funds | 1,380,195 | - | - | 1,380,195 |
| Stocks | 20,360 | - | - | 20,360 |
| Total other investments | <u>3,628,562</u> | <u>-</u> | <u>-</u> | <u>3,628,562</u> |
| Total investments | <u>\$3,628,562</u> | <u>\$8,672,303</u> | <u>\$8,000,832</u> | <u>\$20,301,697</u> |

The changes in investments measured at fair value for which the Society has used Level 3 inputs to determine value were as follows for the year ended of June 30, 2013:

| | |
|------------------------------------|---------------------|
| Beginning balance | \$11,508,839 |
| Transfer | (4,587,105) |
| Purchases of investments | 79,231 |
| Proceeds from sales of investments | (711,521) |
| Realized gain | 70,308 |
| Net unrealized gain | <u>1,641,080</u> |
| Ending balance | <u>\$ 8,000,832</u> |

The Board of Directors approved draws up to \$4,400,000 for fiscal year 2013 in accordance with the Society's investment spending policy (see Note 1). During fiscal year 2013, the Society designated \$3,552,943 for operations and \$547,473 to fund principal payments on notes payable to a bank (see Note 7).

**MASSACHUSETTS SOCIETY FOR THE PREVENTION
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(4) INVESTMENTS (Continued)

Investments are not insured and are subject to market fluctuations. All investment fair values have been provided by investment managers.

The following schedule summarizes the investment return in the accompanying statement of activities for the year ended June 30, 2013:

| | |
|--------------------------------------|--------------------|
| Realized gain on sale of investments | \$1,480,738 |
| Unrealized gain on investments | 1,130,346 |
| Investment income | <u>10,569</u> |
| | <u>\$2,621,653</u> |

The Society incurred investment management fees totaling \$131,460 for the year ended June 30, 2013, which are included in professional fees in the accompanying statement of functional expenses.

The following schedule summarizes the changes in the Society's donor restricted endowment:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Endowment</u> |
|---|-----------------------------------|-----------------------------------|----------------------------|
| Endowment net assets, June 30, 2012 | <u>\$13,241,652</u> | <u>\$11,079,741</u> | <u>\$24,321,393</u> |
| Investment returns: | | | |
| Net realized gains | 1,480,738 | - | 1,480,738 |
| Net unrealized gains | 1,130,346 | - | 1,130,346 |
| Investment income | <u>10,569</u> | <u>-</u> | <u>10,569</u> |
| Total investment returns | <u>2,621,653</u> | <u>-</u> | <u>2,621,653</u> |
| Appropriation of endowment assets for expenditure | <u>(3,552,943)</u> | <u>-</u> | <u>(3,552,943)</u> |
| Appropriation of endowment assets for principal payments on note payable to a bank | <u>(547,473)</u> | <u>-</u> | <u>(547,473)</u> |
| Endowment net assets, June 30, 2013 | <u>\$11,762,889</u> | <u>\$11,079,741</u> | <u>\$22,842,630</u> |

**MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

(5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2013:

| | |
|-------------------------------------|--------------------|
| Land | \$ 370,605 |
| Buildings | 474,176 |
| Building and leasehold improvements | 1,099,808 |
| Computers and software | 2,599,313 |
| Furniture and fixtures | <u>961,557</u> |
| | 5,505,459 |
| Less - accumulated depreciation | <u>4,190,168</u> |
| | <u>\$1,315,291</u> |

Approximately \$240,000 of furniture and fixtures were purchased with contract funds from the Commonwealth of Massachusetts as of June 30, 2013. The furniture and fixtures are fully depreciated as of June 30, 2013. The Commonwealth of Massachusetts retains a reversionary interest in these assets.

(6) PENSION PLANS

Defined Benefit Plan

The Society sponsors a noncontributory defined benefit plan (the Plan) which covers all employees who were participants prior to February 1, 2004. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Society froze the Plan as of February 1, 2004. The effect of this freeze is to eliminate new participants and the further accrual of benefits to participants.

Obligations, funded status and other information at June 30, 2013, are as follows:

| | |
|------------------------------|----------------------|
| Funded Status: | |
| Fair value of plan assets | \$ 5,070,717 |
| Projected benefit obligation | <u>(7,573,447)</u> |
| Pension liability | <u>\$(2,502,730)</u> |
| Other Disclosures: | |
| Benefits paid | <u>\$ 486,567</u> |
| Net periodic pension expense | <u>\$ 296,986</u> |

The following assumptions were used to determine net periodic benefit costs for the year ended June 30, 2013:

| | |
|---------------------------------|-------|
| Weighted average discount rate | 3.78% |
| Long-term return on plan assets | 4.70% |

MASSACHUSETTS SOCIETY FOR THE PREVENTION
OF CRUELTY TO CHILDREN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

(6) PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

The following assumptions were used to determine benefit obligations as of and for the year ended June 30, 2013:

| | |
|--------------------------------|-------|
| Weighted average discount rate | 4.44% |
| Rate of compensation increase | N/A |

Future Plan Benefit Payments and Employer Contributions

Benefits expected to be paid over the next five years are as follows:

| | |
|------|-----------|
| 2014 | \$287,000 |
| 2015 | \$299,000 |
| 2016 | \$331,000 |
| 2017 | \$354,000 |
| 2018 | \$379,000 |

The Society made contributions totaling \$234,315 during fiscal year 2013, of which \$150,945 related to prior years and \$83,370 pertained to fiscal year 2013. The Society made an additional \$15,000 contribution on October 10, 2013, as required by the Plan actuaries. This amount is included in accrued expenses and employee benefits expense in the accompanying statements of financial position and functional expenses, respectively, as of and for the year ended June 30, 2013.

Plan Assets

In October, 2012, management shifted its pension funds from a cash only account to a diversified portfolio allocation of which is weighted 98% in a mutual fund and 2% cash to minimize risk and maximize return.

403(b) Plan

The Society maintains a discretionary employer contribution retirement plan under Internal Revenue Code Section 403(b) covering all employees. Only those employees who have attained the age of twenty-one and have completed one-year of service with at least 1,000 hours are eligible to receive the employer match, if any. This matching contribution is discretionary and is decided on an annual basis by the Board of Directors. Employees' contributions to the 403(b) plan vest immediately. Employer matching contributions vest over a period of one year. The Society elected not to make a contribution to this 403(b) plan during fiscal year 2013.

MASSACHUSETTS SOCIETY FOR THE PREVENTION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

(7) NOTES PAYABLE TO A BANK

The Society has available up to \$3,000,000 under a revolving line of credit agreement with a bank, which renews annually in December. Borrowings under the agreement bear interest at the bank's base lending rate (3.25% at June 30, 2013), plus .25%, subject to a floor of 4.5%. The line of credit is cross-collateralized with the term note (see below) by a first lien on all assets of the Society, as well as the non-permanently restricted portion of its investments. The Society must meet certain non-financial covenants as specified in the agreement. The Society was in compliance with these covenants at June 30, 2013. There was no balance outstanding at June 30, 2013.

The Society has a five year term note with a bank bearing a simple interest rate of 4.5%, payable monthly. The outstanding balance of the note was \$771,600 as of June 30, 2013. This note is payable in monthly installments of principal and interest of \$49,729 through September 30, 2014. The note is cross-collateralized with the revolving line of credit (see above) by a first lien on all assets of the Society, as well as the non-permanently restricted portion of its investments. The Society must meet certain non-financial covenants as specified in the agreement. The Society was in compliance with these covenants at June 30, 2013.

Future maturities on the term note payable over the remainder of the note are as follows:

| | |
|------|-----------|
| 2014 | \$622,683 |
| 2015 | \$148,917 |

(8) ACCRUED RENT

The Society leases office space in Boston, Massachusetts under a lease agreement that expires in March, 2015. The monthly rental payments under this lease are \$35,985 and have escalated annually over the ten year lease term. Under this agreement, the Society received nine months of free rent for the majority of the new space before it began paying rent in 2005. The Society is responsible for certain operating costs as defined in the agreement.

The Society had a seven-year lease agreement for another facility that expired in January, 2013. Under this agreement, the Society paid half the annual rent for the first two years of the lease before it began paying rent of \$21,667 per month. Rent expense under this lease escalated to \$25,060 a month in 2012. The Society occupied the space as a tenant-at-will from February, 2013 through May, 2013, when it vacated the building.

In accordance with the *Accounting for Leases* standard, the Society records rent expense for these leases on a straight-line basis over the respective terms of the lease regardless of actual cash payments. The Society accrued \$143,020 of rent expense under the remaining agreement, which is shown as other liabilities in the accompanying statement of financial position as of June 30, 2013. The portion of the liability that is expected to be recognized in the following fiscal year, \$87,154, is reflected as a current liability and the remainder reflected as long-term.

**MASSACHUSETTS SOCIETY FOR THE PREVENTION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

(9) LEASES

Facility Leases

The Society leases space under various operating leases expiring through October, 2022. The terms of these lease agreements are from one to ten years. Certain facility leases require the Society to maintain certain insurance coverage, and pay for its proportionate share of real estate taxes and operating expenses. In addition, the Society rents other facilities as a tenant-at-will. Rent expense under the facility leases was approximately \$1,792,000 for the year ended June 30, 2013, of which approximately \$1,122,000 is included in occupancy in the accompanying statement of functional expenses. Approximately \$670,000 is included in loss from discontinued operations (see Note 13). Included in this amount is a one-time termination payment of \$300,000 that was made during fiscal year 2013 in order to terminate a lease for a site that was vacated in 2009 (see Note 13).

Future minimum lease payments under these agreements for the next five years are as follows:

| | |
|------------|-------------|
| 2014 | \$1,166,903 |
| 2015 | \$ 989,840 |
| 2016 | \$ 662,724 |
| 2017 | \$ 662,724 |
| 2018 | \$ 611,044 |
| Thereafter | \$1,568,113 |

Certain lease agreements contain renewal options which have not been exercised.

The Society subleased two facilities to third parties, one as a tenant-at-will, and the other through March, 2015, with average monthly payments totaling \$2,310 during the year ended June 30, 2013. Both tenants occupied the space for all of fiscal year 2013. Total rental income for the year ended June 30, 2013, was \$59,797 and is netted with occupancy expense in the accompanying statement of functional expenses.

(10) CONTINGENCIES

In the course of the Society's business, from time-to-time, the Society is involved in disputes concerning individuals' employment with the Society. While the employees are seeking damages in connection with these disputes, the Society denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes.

(11) LABOR AGREEMENT

The Society has two bargaining agreements with Service Employees International Union Local 509 governing its metro Boston region which expires in February, 2014, and its western region which expires in May, 2014. Approximately 27% of the Society's labor force was covered under these agreements as of June 30, 2013.

**MASSACHUSETTS SOCIETY FOR THE PREVENTION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

(12) CONCENTRATIONS

Approximately 56% of the Society's gross pledges receivable totaling \$129,353 at June 30, 2013, is from four donors.

The Society maintains its cash balances in 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 Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on its cash and cash equivalents.

(13) DISCONTINUED OPERATIONS

The Society's Board of Directors voted to cease operations of three of the Society's programs during fiscal year 2013. Additionally, the Society has been incurring rent costs on a long term lease associated with a program that was closed in fiscal year 2009. During fiscal year 2013, the Society paid \$300,000 to terminate this lease agreement two years prior to its contractual termination date.

The activity relating to the operations of these terminated programs is reflected as loss from discontinued operations in the accompanying statement of activities and is summarized as follows for the year end June 30, 2013:

| | |
|-----------------------------------|-----------------------------|
| Revenues | \$ 3,911,176 |
| Expenses | <u>(5,428,586)</u> |
| Loss from discontinued operations | <u><u>\$(1,517,410)</u></u> |

(14) CONTINUING OPERATIONS

To assure the strength and future of the Society as a vital leader in promoting the safety and health of children in Massachusetts, initiatives are underway to achieve strategic goals to address the Society's structural deficit and limit the endowment draw for operating needs to a sustainable level. During fiscal year 2014, management will continue to modify program models to maximize productivity and to provide high quality services; enhance fundraising efforts; and continue its efforts to assure optimum administrative efficiencies. Through these actions and a commitment to continuous monitoring, the Society will continue to be a leader in services and advocacy for children and families.

**MASSACHUSETTS SOCIETY FOR THE PREVENTION
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(15) PRIOR PERIOD ADJUSTMENT

During fiscal year 2013, the Society discovered that certain accounts receivable balances pertaining to services provided to consumers during fiscal years 2012 and prior were uncollectible and should have been written off or reserved in prior years. This program was one of the programs that were discontinued during fiscal year 2013 (see Note 13). The Society increased the allowance for doubtful accounts and decreased unrestricted net assets as of June 30, 2012, in order to properly reserve for uncollectable amounts from prior periods. The net asset restatement is summarized below:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|---------------------|
| Net assets at June 30, 2012, as previously stated | \$(4,479,455) | \$13,602,192 | \$14,154,465 | \$23,277,202 |
| To adjust allowance for doubtful accounts and prior year net assets to the proper balances | <u>(902,799)</u> | <u>-</u> | <u>-</u> | <u>(902,799)</u> |
| Net assets at June 30, 2012, as restated | <u>\$(5,382,254)</u> | <u>\$13,602,192</u> | <u>\$14,154,465</u> | <u>\$22,374,403</u> |