



STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

129 PLEASANT STREET, CONCORD, NH 03301-3857
603-271-4451 1-800-852-3345 Ext. 4451
FAX: 603-271-4729 TDD Access: 1-800-735-2964

Nicholas A. Toumpas
Commissioner

Maggie Bishop
Director

April 15, 2013

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, NH 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division for Children, Youth and Families to exercise a renewal option (Purchase Order # 1012945) with Child and Family Service of NH (Vendor #177166 B002) PO Box 448, Manchester, NH 03105-0448 by increasing the price limitation by \$275,000.00 from \$674,999.00 to \$949,999.00 for the provision of family assessment and inclusive reunification program services and extending the end date from June 30, 2013 to June 30, 2015 effective July 1, 2013. Governor and Council approved the original agreement on December 8, 2010 (Item #125) and subsequently amended the agreement on October 26, 2011 (Item # 44). Funds are anticipated to be available in SFY14 upon the availability and continued appropriation of funds in the future operating budget, with authority to adjust amounts within the price limitation and amend the related terms of the contract without further approval from Governor and Executive Council:

100% FED

05-95-42-421010-29730000 HEALTH AND SOCIAL SERVICES, HEALTH AND HUMAN SVCS DEPT OF, HHS: HUMAN SERVICES, CHILD PROTECTION, PROMOTING SAFE-STABLE FAMILIES

| Class/Object | Title | Activity Code | State Fiscal Year | Current Modified Budget | Increase (Decrease) Amount | Revised Modified Budget |
|--------------|---------------------------|---------------|-------------------|-------------------------|----------------------------|-------------------------|
| 102-500734 | Social Services Contracts | 40007000 | 2011 | \$0.00 | \$0.00 | \$0.00 |
| 102-500734 | Social Services Contracts | 40007000 | 2012 | \$25,000.00 | \$0.00 | \$25,000.00 |
| 102-500734 | Social Services Contracts | 40007000 | 2013 | \$25,000.00 | \$0.00 | \$25,000.00 |
| 102-500734 | Social Services Contracts | 40130007 | 2014 | \$0.00 | \$25,000.00 | \$25,000.00 |
| Subtotal | | | | \$50,000.00 | \$25,000.00 | \$75,000.00 |

05-95-42-421010-29680000 HEALTH AND SOCIAL SERVICES, HEALTH AND HUMAN SVCS DEPT OF, HHS: HUMAN SERVICES, CHILD PROTECTION, TITLE IVB SUBPART I

| Class/Object | Title | Activity Code | State Fiscal Year | Current Modified Budget | Increase (Decrease) Amount | Revised Modified Budget |
|--------------|---------------------------|---------------|-------------------|-------------------------|----------------------------|-------------------------|
| 102-500734 | Social Services Contracts | 40130214 | 2011 | \$124,999.00 | \$0.00 | \$124,999.00 |
| 102-500734 | Social Services Contracts | 40130214 | 2012 | \$250,000.00 | \$0.00 | \$250,000.00 |
| 102-500734 | Social Services Contracts | 40130214 | 2013 | \$250,000.00 | \$0.00 | \$250,000.00 |
| 102-500734 | Social Services Contracts | 40130214 | 2014 | \$0.00 | \$250,000.00 | \$250,000.00 |
| Subtotal | | | | \$624,999.00 | \$250,000.00 | \$874,999.00 |
| Total | | | | \$674,999.00 | \$275,000.00 | \$949,999.00 |

EXPLANATION

The Division for Children, Youth and Families is requesting the amendment of the Family Assessment and Inclusive Reunification Contract that ensures compliance with the Federally mandated Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272); Adoption and Safe Families Act of 1997 (P.L. 105-89); and regulations resulting there from – Titles IV-B, Section 422 and IV-E Section 475(5) of the Social Security Act. The above action is requested to provide a family assessment and inclusive reunification program, an administrative case review, for children and youth who are in the care and custody of the Division for Children, Youth and Families or the Division for Juvenile Justice Services and in foster or out-of-home care.

The Division is requesting a renewal of the existing contract for one year. A request for proposal was issued twice for this service, the first issuance on August 29, 2012 resulted in one proposal, which was not accepted. The second issuance, February 8, 2013 resulted in no proposals submitted. Therefore in order to continue to comply with the Federally mandated Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272); Adoption and Safe Families Act of 1997 (P.L. 105-89); and regulations resulting there from – Titles IV-B, Section 422 and IV-E Section 475(5) of the Social Security Act, the Division seeks approval of this renewal. The Division will re-examine the service program and intends to reissue a request for proposal at a later date.

The current contractor, Child and Family Services of NH shall continue to achieve the following performance measures verified by the submission of quarterly reports, semi-annual reports and an annual report to include, but not limited to, the following performance measures:

- In 80% of the surveys completed, the Contractor must achieve a satisfactory rating from parents, children and other participants of the FAIR meeting in a format agreed upon by the Division and the Contractor;
- In 98% of the cases requiring review, the Contractor must schedule a review for each child who resides in an out-of-home care setting according to the time requirements established by federal/state laws, Division policies, and before the corresponding 6-month, 12-month, 18-month, etc. court hearings.

Performance that does not meet the negotiated expectations of these goals may result in financial penalties or a termination of the contract as described and authorized in the P-37 agreement.

Should Governor and Council not authorize this request the Division would be unable to adequately serve families in the State by ensuring that the Division is providing a timely and thorough case review. This could possibly lead to extended involvement with the Division and increased out of home placement. Approval of this request will provide for adequate review of their cases in both a timely and thorough manner.

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
April 15, 2013
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Area Served: Statewide.

Source of Funds: 100% Federal Department of Health and Human Services Funds.

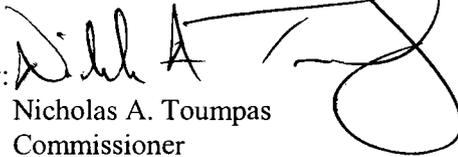
In the event that Federal Funds become no longer available, General Funds will not be requested to support this program.

Respectfully submitted,



Maggie Bishop
Director

Approved By:



Nicholas A. Toumpas
Commissioner



State of New Hampshire
Department of Health and Human Services
Amendment 2 to the *Family Assessment and Inclusive Reunification Contract*

This **2nd** Amendment to the *Family Assessment and Inclusive Reunification* contract (hereinafter referred to as "Amendment 2") dated this 5th day of April, **2013**, is by and between the State of New Hampshire, Department of Health and Human Services (hereinafter referred to as the "State" or "Department") and ***Child and Family Services of NH, Inc.*** (hereinafter referred to as "the Contractor"), a ***Non-profit Corporation*** company with a place of business at ***464 Chestnut Street, PO Box 448, Manchester, NH 03105.***

WHEREAS, pursuant to an agreement (the "Contract") approved by the Governor and Executive Council on **December 8, 2010 (Item #125)**, and amended by an agreement (Amendment 1 to the Contract) approved on **October 26, 2011 (Item #44)**, the Contractor agreed to perform certain services based upon the terms and conditions specified in the Contract as amended and in consideration of certain sums specified; and

WHEREAS, the State and the Contractor have agreed to make changes to the scope of work, payment schedules and terms and conditions of the contract; and

WHEREAS, pursuant to the General Provisions, Paragraph 18 and ***Exhibit C-1, section 1*** the State may at its sole discretion, ***renew the contract for up to four additional years*** by written agreement of the parties;

WHEREAS ***the State and the Contractor have agreed that a one-year extension of the contract is agreeable to the parties;***

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained in the Contract and set forth herein, the parties hereto agree as follows:

To amend as follows:

- Form P-37, Item 1.7, Completion Date shall be amended to read "June 30, 2014";
- Form P-37, Item 1.8, Price Limitation, shall be amended to read "949,999.00"
- Exhibit A, Scope of Services, shall be amended to read "July 1, 2013 – June 30, 2014"
- Exhibit A, Scope of Services, Section 2.3.1 shall be amended to read, "The Division shall provide the Program Supervisor for the FAIR program. This position will be responsible for the management and oversight of the FAIR process. Program staff and personnel will work closely with the Division's designated Program Supervisor to coordinate delivery of this program and services."
- Exhibit B, Method, Schedule, and Conditions Precedent to Payment, shall be amended to read "January 1, 2011 – June 30, 2014"
- Exhibit B, Method, Schedule, and Conditions Precedent to Payment, Section 1, shall be amended to read "949,999.00"

Except as specifically amended and modified by the terms and conditions of this Amendment, the Agreement, and the obligations of the parties there under, shall remain in full force and effect in accordance with the terms and conditions set forth herein.



This amendment shall be effective upon the date of Governor and Executive Council approval.

IN WITNESS WHEREOF, the parties have set their hands as of the date written below,

4/27/13
Date

State of New Hampshire
Department of Health and Human Services

Nicholas A. Toumpas
Commissioner

4/11/13
Date

Child and Family Services of NH

Marilyn Mahoney
Chair, Board of Trustees

Acknowledgement:
State of New Hampshire, County of Hillsborough on 4/11/13, before the undersigned officer, personally appeared the person identified above, or satisfactorily proven to be the person whose name is signed above, and acknowledged that s/he executed this document in the capacity indicated above.
Signature of Notary Public or Justice of the Peace

Name and Title of Notary or Justice of the Peace





The preceding Amendment, having been reviewed by this office, is approved as to form, substance, and execution.

OFFICE OF THE ATTORNEY GENERAL

22 April 2013
Date

Jeanne P. Herrick
Name: Jeanne P. Herrick
Title: Attorney

I hereby certify that the foregoing Amendment was approved by the Governor and Executive Council of the State of New Hampshire at the Meeting on: _____ (date of meeting)

OFFICE OF THE SECRETARY OF STATE

Date

Name:
Title:

CERTIFICATE OF VOTE
(Corporation without Seal)

I, Michael R. Ostrowski, of Child and Family Services of NH, do hereby certify that:

1. I am the duly elected Assistant Secretary of Child and Family Services of NH;
2. The following are true copies of two resolutions duly adopted at a meeting of the Board of Directors of the corporation, duly held on March 26th, 2013;
RESOLVED: That this corporation enters into a contract with the State of New Hampshire, acting through its Department of Health and Human Services for the provision of (FAIR) Family Assessment and Inclusive Reunification services.
RESOLVED: That the Chair, Board of Trustees is hereby authorized on behalf of this corporation to enter into said contract with the State and to execute any and all documents, agreements, and other instruments; and any amendments, revisions, or modifications thereto, as he/she may deem necessary, desirable, or appropriate. Marilyn Mahoney is the duly elected Chair, Board of Trustees of the corporation.
3. The foregoing resolutions have not been amended or revoked and remain in full force and effect as of April 11th, 2013.
4. Marilyn Mahoney is the duly elected Chair, Board of Trustees of the Corporation.



Michael R. Ostrowski, Assistant Secretary

STATE OF NEW HAMPSHIRE
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 11th day of April, 2013 by Michael R. Ostrowski.



Notary Public/Justice of the Peace
My Commission Expires:



State of New Hampshire
 Department of Health and Human Services
 Division for Children, Youth and Families

EXHIBIT B-1
 PERSONNEL DATA - Child and Family Services
 State Fiscal Year 2014

| | Name | Title | Annual Salary | % of Time to Work on the Project | Project Amount Charged for SFY 2014 (7/01/13 - 6/30/14) |
|----|--------------------|------------------|---------------|----------------------------------|---|
| 1 | Jeannette Birge | Program Director | 63,170.00 | 15% | - |
| 2 | Vacant | Facilitator | 28,652.25 | 75% | 26,269.25 |
| 3 | Kerri Ricci | Facilitator | 19,105.00 | 50% | 19,105.00 |
| 4 | Jennifer Boudrieau | Facilitator | 28,652.25 | 75% | 21,492.75 |
| 5 | Dawna Garofalo | Facilitator | 37,565.00 | 100% | 37,565.00 |
| 6 | Justine Stamp | Facilitator | 34,903.00 | 100% | 34,903.00 |
| 7 | Maureen Maloney | Facilitator | 38,203.00 | 100% | 13,972.00 |
| | Indirect: | | | | |
| 8 | Vivian Wong | Payroll Admin | 33,800.00 | 5% | 1,690.00 |
| 9 | Robin Hatfield | Accounting | 36,088.00 | 5% | 1,804.40 |
| 10 | Denise Bennett | Controller | 54,363.00 | 5% | 2,718.17 |
| 11 | Vanda Constant | Admin Assistant | 23,224.00 | 10% | 2,322.40 |
| 12 | Anthony Cheek | CFO | 91,364.00 | 2.5% | 2,284.10 |
| | | Total: | | | \$ 164,126.07 |

Contractor Initials: 

Date: 4/11/13

New Hampshire Department of Health and Human Services

Bidder/Program Name: Child and Family Services

Budget Request for: FAIR

(Name of RFP)

Budget Period: SFY 2014

| Line Item | Direct Incremental | Indirect Fixed | Total State Costs | Bidder Match | Total Costs | Allocation Method for Indirect/Fixed Cost |
|--|-----------------------|---------------------|----------------------|---------------------|----------------------|--|
| 1. Total Salary/Wages | \$ 153,307.00 | \$ 10,819.07 | \$ 164,126.07 | \$ 43,252.50 | \$ 207,378.57 | See attached Exhibit D. for time spent by employee |
| 2. Employee Benefits | \$ 39,323.25 | \$ 2,812.96 | \$ 42,136.21 | \$ 12,407.50 | \$ 54,543.71 | 26 % of wage cost based on actual benefits cost |
| 3. Consultants | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 4. Equipment: | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Rental | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Repair and Maintenance | \$ - | \$ 1,958.00 | \$ 1,958.00 | \$ - | \$ 1,958.00 | Based on actual costs allocated by percent of program to overall agency budget |
| Purchase/Depreciation | \$ - | \$ 1,298.00 | \$ 1,298.00 | \$ - | \$ 1,298.00 | Based on actual costs allocated by percent of program to overall agency budget |
| 5. Supplies: | \$ - | \$ 103.00 | \$ 103.00 | \$ - | \$ 103.00 | Based on actual costs allocated by percent of program to overall agency budget |
| Educational | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Office | \$ 1,188.00 | \$ - | \$ 1,188.00 | \$ - | \$ 1,188.00 | |
| 6. Travel | \$ 18,040.00 | \$ - | \$ 18,040.00 | \$ 14,100.00 | \$ 32,140.00 | |
| 7. Occupancy | \$ - | \$ 1,416.00 | \$ 1,416.00 | \$ 3,492.00 | \$ 4,908.00 | Based on actual costs allocated by percent of program to overall agency budget |
| 8. Current Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Telephone | \$ 4,200.00 | \$ 177.00 | \$ 4,377.00 | \$ 500.00 | \$ 4,877.00 | |
| Postage | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Subscriptions | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Audit and Legal | \$ - | \$ 1,333.00 | \$ 1,333.00 | \$ - | \$ 1,333.00 | Based on actual costs allocated by percent of program to overall agency budget |
| Insurance | \$ - | \$ 2,223.00 | \$ 2,223.00 | \$ - | \$ 2,223.00 | Based on actual costs allocated by percent of program to overall agency budget |
| Board Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 9. Software | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 10. Marketing/Communications | \$ 3,500.00 | \$ - | \$ 3,500.00 | \$ - | \$ 3,500.00 | |
| 11. Staff Education and Training | \$ 750.00 | \$ - | \$ 750.00 | \$ - | \$ 750.00 | |
| 12. Subcontracts/Agreements | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 13. Other (specify details mandatory): Indirect Costs on Match | \$ - | \$ - | \$ - | \$ 7,125.00 | \$ 7,125.00 | |
| TOTAL | \$ 220,308.25 | \$ 22,140.03 | \$ 242,448.28 | \$ 80,877.00 | \$ 323,325.28 | |

Indirect As A Percent of Direct

10%

Contractor Initials:

MTH

Date:

4/11/13

**CHILD AND FAMILY SERVICES
OF NEW HAMPSHIRE**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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HESSION & PARE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

62 Stark Street, Manchester, New Hampshire 03101
603-669-5477 FAX 603-669-0197

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Child and Family Services of New Hampshire
Manchester, New Hampshire

Report on the Financial Statements

We have audited the accompanying consolidated statements of Child and Family Services of New Hampshire (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

The Board of Trustees
Child and Family Services of New Hampshire

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Child and Family Services of New Hampshire as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, on our consideration of Child and Family Services of New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child and Family Services of New Hampshire's internal control over financial reporting and compliance.

March 20, 2013

HESSION, PARK, P.C.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Assets | | |
| Cash and cash equivalents | \$ 255,465 | \$ 203,538 |
| Cash restricted for payment of long-term debt | 30,000 | 25,000 |
| Accounts receivable, less allowance for doubtful accounts of \$7,505 in 2012 and \$8,205 in 2011 | 949,727 | 980,874 |
| Prepaid expenses | 82,377 | 62,226 |
| Deferred expenses | 24,843 | 42,372 |
| Bequest receivable | 50,000 | - |
| Beneficial interest in funds held by others | 1,736,855 | 1,646,126 |
| Property, plant and equipment, net | 7,316,090 | 7,602,229 |
| Investments | <u>14,955,171</u> | <u>14,095,239</u> |
| Total assets | <u>\$ 25,400,528</u> | <u>\$ 24,657,604</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Line of credit | \$ - | \$ 124,535 |
| Accounts payable | 130,627 | 109,592 |
| Accrued vacation | 260,070 | 267,080 |
| Accrued wages and related expenses | 261,289 | 259,032 |
| Annuities payable | 1,487 | 2,612 |
| Mark to market interest rate swap liability | 1,558,953 | 1,660,401 |
| Long-term debt | <u>5,432,682</u> | <u>5,552,679</u> |
| Total liabilities | <u>7,645,108</u> | <u>7,975,931</u> |
| Net assets | | |
| Unrestricted | 360,326 | (16,618) |
| Designated by Board | 12,114,920 | 11,391,434 |
| Temporarily restricted | 2,366,851 | 2,619,139 |
| Permanently restricted | <u>2,913,323</u> | <u>2,687,718</u> |
| Total net assets | <u>17,755,420</u> | <u>16,681,673</u> |
| Total liabilities and net assets | <u>\$ 25,400,528</u> | <u>\$ 24,657,604</u> |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
|--|---------------------|----------------------------------|----------------------------------|-------------------|
| Public support and revenue | | | | |
| Public support | | | | |
| Government and other grants and fees | \$ 8,236,067 | \$ - | \$ - | \$ 8,236,067 |
| Contributions | 267,930 | - | 159,275 | 427,205 |
| Foundations and trusts | 602,049 | - | - | 602,049 |
| United Way | 304,996 | - | - | 304,996 |
| Special events (net of direct costs of \$103,656) | 198,954 | - | - | 198,954 |
| Net assets released from restriction for operating activities | 276,688 | (252,288) | (24,400) | - |
| Total public support | <u>9,886,684</u> | <u>(252,288)</u> | <u>134,875</u> | <u>9,769,271</u> |
| Revenue | | | | |
| Program service fees | 1,823,706 | - | - | 1,823,706 |
| Endowment transfer to support operations | 856,719 | - | - | 856,719 |
| In-kind donations | 147,429 | - | - | 147,429 |
| Rents | 15,207 | - | - | 15,207 |
| Income from HEFA trust | 8,410 | - | - | 8,410 |
| Total other revenue | <u>2,851,471</u> | <u>-</u> | <u>-</u> | <u>2,851,471</u> |
| Total public support and revenue | <u>12,738,155</u> | <u>(252,288)</u> | <u>134,875</u> | <u>12,620,742</u> |
| Expenses | | | | |
| Program services | | | | |
| Family counseling | 1,047,925 | - | - | 1,047,925 |
| Teen and youth | 1,900,608 | - | - | 1,900,608 |
| Child abuse treatment | 1,984,898 | - | - | 1,984,898 |
| Child abuse prevention and family strengthening | 3,270,527 | - | - | 3,270,527 |
| Early intervention | 403,047 | - | - | 403,047 |
| Homecare | 1,736,040 | - | - | 1,736,040 |
| Residential services | 556,649 | - | - | 556,649 |
| Adoptions and pregnancy counseling | 152,139 | - | - | 152,139 |
| Child advocacy | 129,760 | - | - | 129,760 |
| Summer camp | 274,385 | - | - | 274,385 |
| Total program services | <u>11,455,978</u> | <u>-</u> | <u>-</u> | <u>11,455,978</u> |
| Supporting services | | | | |
| Public relations and financial development | 452,551 | - | - | 452,551 |
| Management and general | 798,942 | - | - | 798,942 |
| Total supporting services | <u>1,251,493</u> | <u>-</u> | <u>-</u> | <u>1,251,493</u> |
| Total expenses | <u>12,707,471</u> | <u>-</u> | <u>-</u> | <u>12,707,471</u> |
| Increase (decrease) in net assets before non-operating gains and losses | <u>30,684</u> | <u>(252,288)</u> | <u>134,875</u> | <u>(86,729)</u> |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENT OF ACTIVITIES (concluded)

Year Ended December 31, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Increase (decrease) in net assets before non-operating gains and losses | \$ 30,684 | \$ (252,288) | \$ 134,875 | \$ (86,729) |
| Non-operating gains and losses | | | | |
| Investment gain reduced by the portion of cumulative net appreciation designated for current operations | 968,298 | - | - | 968,298 |
| Unrealized gain on mark to market interest rate swap | 101,448 | - | - | 101,448 |
| Change in beneficial interest in funds held by others | - | - | 90,730 | 90,730 |
| Increase (decrease) in net assets | 1,100,430 | (252,288) | 225,605 | 1,073,747 |
| Net assets, beginning of year | 11,374,816 | 2,619,139 | 2,687,718 | 16,681,673 |
| Net assets, end of year | <u>\$ 12,475,246</u> | <u>\$ 2,366,851</u> | <u>\$ 2,913,323</u> | <u>\$ 17,755,420</u> |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
|--|---------------------|----------------------------------|----------------------------------|-------------------|
| Public support and revenue | | | | |
| Public support | | | | |
| Government and other grants and fees | \$ 7,986,444 | \$ - | \$ - | \$ 7,986,444 |
| Contributions | 401,525 | - | 211,401 | 612,926 |
| Foundations and trusts | 589,090 | - | - | 589,090 |
| United Way | 343,962 | - | - | 343,962 |
| Special events (net of direct costs of \$101,186) | 159,211 | - | - | 159,211 |
| Net assets released from restriction for operating activities | 118,762 | (118,762) | - | - |
| Total public support | <u>9,598,994</u> | <u>(118,762)</u> | <u>211,401</u> | <u>9,691,633</u> |
| Revenue | | | | |
| Program service fees | 1,673,422 | - | - | 1,673,422 |
| Endowment transfer to support operations | 663,354 | - | - | 663,354 |
| In-kind donations | 221,620 | - | - | 221,620 |
| Rents | 3,626 | - | - | 3,626 |
| Income from HEFA trust | 8,145 | - | - | 8,145 |
| Total other revenue | <u>2,570,167</u> | <u>-</u> | <u>-</u> | <u>2,570,167</u> |
| Total public support and revenue | <u>12,169,161</u> | <u>(118,762)</u> | <u>211,401</u> | <u>12,261,800</u> |
| Expenses | | | | |
| Program services | | | | |
| Family counseling | 1,117,703 | - | - | 1,117,703 |
| Teen and youth | 2,278,597 | - | - | 2,278,597 |
| Child abuse treatment | 1,644,015 | - | - | 1,644,015 |
| Child abuse prevention and family strengthening | 2,768,202 | - | - | 2,768,202 |
| Early intervention | 408,898 | - | - | 408,898 |
| Homecare | 1,539,865 | - | - | 1,539,865 |
| Residential services | 592,487 | - | - | 592,487 |
| Adoptions and pregnancy counseling | 216,263 | - | - | 216,263 |
| Child advocacy | 211,588 | - | - | 211,588 |
| Summer camp | 227,957 | - | - | 227,957 |
| Total program services | <u>11,005,575</u> | <u>-</u> | <u>-</u> | <u>11,005,575</u> |
| Supporting services | | | | |
| Public relations and financial development | 427,405 | - | - | 427,405 |
| Management and general | 785,600 | - | - | 785,600 |
| Total supporting services | <u>1,213,005</u> | <u>-</u> | <u>-</u> | <u>1,213,005</u> |
| Total expenses | <u>12,218,580</u> | <u>-</u> | <u>-</u> | <u>12,218,580</u> |
| Increase (decrease) in net assets before non-operating gains and losses | <u>(49,419)</u> | <u>(118,762)</u> | <u>211,401</u> | <u>43,220</u> |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENT OF ACTIVITIES (concluded)

Year Ended December 31, 2011

| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
|--|----------------------|----------------------------------|----------------------------------|----------------------|
| Increase (decrease) in net assets before non-operating gains and losses | <u>\$ (49,419)</u> | <u>\$ (118,762)</u> | <u>\$ 211,401</u> | <u>\$ 43,220</u> |
| Non-operating gains and losses | | | | |
| Investment loss reduced by the portion of cumulative net appreciation designated for current operations | (951,952) | - | - | (951,952) |
| Unrealized (loss) on mark to market interest rate swap | (748,755) | - | - | (748,755) |
| Change in beneficial interest in funds held by others | - | - | (130,908) | (130,908) |
| Increase (decrease) in net assets | (1,750,126) | (118,762) | 80,493 | (1,788,395) |
| Net assets, beginning of year | 13,124,942 | 2,737,901 | 2,607,225 | 18,470,068 |
| Net assets, end of year | <u>\$ 11,374,816</u> | <u>\$ 2,619,139</u> | <u>\$ 2,687,718</u> | <u>\$ 16,681,673</u> |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,073,747 | \$ (1,788,395) |
| Adjustments to reconcile change to net cash provided (used) by operating activities | | |
| Depreciation | 369,616 | 373,667 |
| Reinvested income | (310,652) | (392,867) |
| Realized (gain) on sale of investments | (102,398) | (356,631) |
| Unrealized (gain) loss on investments | (1,463,682) | 976,443 |
| Unrealized (gain) loss on mark to market interest rate swap | (101,448) | 748,755 |
| Amortization of NHHFA notes payable | 18,426 | 17,382 |
| (Increase) in restricted cash | (5,000) | - |
| (Increase) decrease in accounts receivable | 31,147 | (199,831) |
| (Increase) in prepaid expenses | (20,151) | (41,023) |
| (Increase) decrease in deferred expenses | 17,529 | (591) |
| (Increase) in bequest receivable | (50,000) | - |
| (Increase) decrease in beneficial interests in trusts | (90,729) | 65,434 |
| (Decrease) in deferred contract revenue | - | (74,919) |
| Increase (decrease) in accounts payable | 21,035 | (22,578) |
| Increase (decrease) in accrued vacation and expenses | (4,753) | 23,578 |
| | <u>(617,313)</u> | <u>(671,576)</u> |
| Net cash (used in) operating activities | | |
| Cash flows used in investing activities | | |
| Cash paid for land, buildings and equipment | <u>(83,477)</u> | <u>(75,122)</u> |
| Cash flows from financing activities | | |
| Contribution restricted to endowment | (159,275) | (210,501) |
| Proceeds from appropriation of endowment | 1,151,675 | 749,219 |
| Proceeds from release of restricted endowment | 24,400 | - |
| Net cash advance (payment) on line of credit | (124,535) | 124,535 |
| Cash payments on long-term debt | (138,423) | (88,962) |
| Cash paid on annuity | (1,125) | (1,125) |
| | <u>752,717</u> | <u>573,166</u> |
| Net cash provided by financing activities | | |
| Increase (decrease) increase in cash and cash equivalents | 51,927 | (173,532) |
| Cash and cash equivalents, beginning of year | <u>203,538</u> | <u>377,070</u> |
| Cash and cash equivalents, end of year | <u>\$ 255,465</u> | <u>\$ 203,538</u> |
| Supplemental disclosure of cash flow information | | |
| Interest paid in cash | <u>\$ 332,900</u> | <u>\$ 337,341</u> |
| Amortization of 2007 NHHFA note payable | <u>\$ 9,786</u> | <u>\$ 9,232</u> |
| Amortization of 2005 NHHFA note payable | <u>\$ 8,640</u> | <u>\$ 8,150</u> |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

| | Family Counseling | Teen and Youth | Child Abuse Treatment | Child Abuse Prevention and Family Strengthening | Early Intervention | Homecare | Residential Services | Adoptions and Pregnancy Counseling | Child Advocacy | Summer Camp | Financial Development | Management and General | Total |
|---|----------------------|----------------------|-----------------------------|---|-----------------------|--------------|-------------------------|---|-------------------|----------------|--------------------------|------------------------------|---------------|
| Salaries | \$ 635,022 | \$ 980,976 | \$ 1,018,969 | \$ 1,850,539 | \$ 223,647 | \$ 1,263,462 | \$ 324,070 | \$ 86,153 | \$ 90,880 | \$ 90,924 | \$ 226,793 | \$ 567,760 | \$ 7,359,195 |
| Employee benefits | 62,019 | 154,674 | 109,230 | 215,323 | 38,382 | 55,487 | 55,452 | 19,627 | 8,535 | 6,471 | 30,140 | 64,858 | 820,198 |
| Payroll related costs | 65,661 | 98,404 | 106,101 | 204,609 | 21,182 | 142,134 | 35,232 | 7,405 | 7,506 | 11,192 | 18,632 | 45,821 | 763,879 |
| Assistance to individuals | 29,206 | 177,457 | 72,615 | 214,692 | 11 | 4,578 | 18,265 | 730 | 2 | 49,812 | 95,100 | 4 | 662,472 |
| Travel and transportation | 24,096 | 52,934 | 79,841 | 388,858 | 20,320 | 50,256 | 10,100 | 2,666 | 758 | 4,451 | 3,446 | 186 | 637,912 |
| Professional fees | 81,389 | 60,976 | 161,099 | 24,117 | 46,216 | 17,640 | 19,001 | 9,972 | 376 | 20,588 | 9,412 | 29,116 | 479,902 |
| Occupancy | 43,459 | 82,619 | 43,816 | 118,572 | 10,716 | 39,261 | 19,245 | 4,149 | 2,496 | 41,108 | 8,430 | 3,778 | 417,649 |
| Interest | 32,624 | 56,590 | 111,426 | 53,916 | 12,732 | 56,106 | 16,575 | 4,685 | 4,176 | 8,299 | - | 2,264 | 359,393 |
| Communications | 15,213 | 41,282 | 30,509 | 61,441 | 7,981 | 17,712 | 7,302 | 5,184 | 2,429 | 4,463 | 13,447 | 1,649 | 208,612 |
| Rental and equipment maintenance | 8,342 | 19,195 | 30,641 | 13,277 | 2,474 | 3,117 | 4,175 | 2,257 | 1,180 | 2,842 | 357 | 36,211 | 124,068 |
| Supplies | 3,968 | 23,377 | 6,917 | 17,635 | 1,275 | 8,731 | 8,046 | 677 | 390 | 9,948 | 3,212 | 3,977 | 88,153 |
| Printing and publications | 3,745 | 2,365 | 8,812 | 18,551 | 1,070 | 5,753 | 600 | 2,111 | 1,522 | 4,884 | 34,547 | 1,233 | 85,193 |
| Insurance | 4,211 | 11,741 | 9,200 | 15,874 | 2,367 | 6,979 | 4,264 | 790 | 535 | 544 | 1,679 | 5,442 | 63,626 |
| Miscellaneous | 3,304 | 8,353 | 10,688 | 6,862 | 1,499 | 12,628 | 2,903 | 251 | 308 | 1,377 | 1,687 | 2,921 | 52,781 |
| Conferences and meetings | 2,858 | 9,334 | 12,963 | 5,721 | 672 | 913 | 2,105 | 246 | 3,280 | 4,027 | 2,986 | 6,835 | 51,940 |
| Membership dues | 332 | 1,507 | 2,737 | 1,865 | 269 | 941 | 1,972 | 86 | 1,146 | 152 | 1,015 | 3,431 | 15,453 |
| Total expenses before depreciation and in-kind donations | 1,015,449 | 1,781,784 | 1,815,564 | 3,211,852 | 390,813 | 1,685,698 | 529,307 | 146,989 | 125,519 | 261,082 | 450,883 | 775,486 | 12,190,426 |
| Depreciation | 32,476 | 58,623 | 103,499 | 51,970 | 12,234 | 50,342 | 21,530 | 5,150 | 4,241 | 11,377 | - | 18,174 | 369,616 |
| In-kind donations | - | 60,201 | 65,835 | 6,705 | - | - | 5,812 | - | - | 1,926 | 1,668 | 5,282 | 147,429 |
| Total functional expenses | \$ 1,047,925 | \$ 1,900,608 | \$ 1,984,898 | \$ 3,270,527 | \$ 403,047 | \$ 1,736,040 | \$ 556,649 | \$ 152,139 | \$ 129,760 | \$ 274,385 | \$ 452,551 | \$ 798,942 | \$ 12,707,471 |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

| | Family Counseling | Teen and Youth | Child Abuse Treatment | Child Abuse Prevention and Family Strengthening | Early Intervention | Homecare | Residential Services | Adoptions and Pregnancy Counseling | Child Advocacy | Summer Camp | Financial Development | Management and General | Total |
|--|----------------------|----------------------|-----------------------------|---|-----------------------|--------------|-------------------------|---|-------------------|----------------|--------------------------|------------------------------|---------------|
| Salaries | \$ 658,368 | \$ 1,212,882 | \$ 918,542 | \$ 1,453,036 | \$ 235,855 | \$ 1,131,447 | \$ 341,041 | \$ 122,574 | \$ 119,515 | \$ 73,392 | \$ 225,280 | \$ 544,150 | \$ 7,036,082 |
| Employee benefits | 71,353 | 201,785 | 97,008 | 180,527 | 45,324 | 54,955 | 51,572 | 26,090 | 16,462 | 4,077 | 29,095 | 51,451 | 829,699 |
| Assistance to individuals | 36,252 | 198,916 | 77,431 | 198,213 | (5) | 11,333 | 34,632 | 10,680 | (3) | 36,982 | 72,465 | - | 676,896 |
| Payroll related costs | 62,571 | 112,312 | 84,241 | 142,947 | 20,673 | 111,478 | 31,378 | 10,001 | 10,248 | 6,416 | 18,495 | 38,514 | 649,274 |
| Travel and transportation | 37,610 | 59,117 | 60,798 | 301,668 | 21,259 | 38,296 | 10,903 | 3,699 | 4,773 | 6,372 | 2,914 | 591 | 548,000 |
| Professional fees | 97,102 | 59,390 | 76,426 | 40,191 | 31,700 | 19,304 | 21,431 | 9,121 | 26,899 | 15,237 | 13,172 | 36,872 | 446,845 |
| Occupancy | 28,251 | 80,945 | 52,194 | 95,526 | 9,646 | 27,681 | 22,510 | 5,020 | 3,327 | 49,799 | 7,849 | 25,537 | 408,285 |
| Interest | 35,501 | 74,595 | 95,914 | 51,737 | 13,548 | 50,508 | 18,107 | 7,072 | 7,070 | 7,062 | - | 2,193 | 363,307 |
| Communications | 16,346 | 45,197 | 28,859 | 59,657 | 7,557 | 16,838 | 8,008 | 6,058 | 3,511 | 3,867 | 17,668 | 2,521 | 216,087 |
| Rental and equipment maintenance | 8,031 | 17,378 | 11,256 | 11,149 | 3,971 | 3,054 | 6,214 | 2,993 | 1,137 | 1,553 | - | 30,605 | 97,341 |
| Supplies | 6,222 | 26,186 | 14,747 | 14,253 | 2,018 | 7,100 | 8,020 | 1,076 | 622 | 2,509 | 3,169 | 6,971 | 92,893 |
| Printing and publications | 10,786 | 2,288 | 9,653 | 4,365 | 1,266 | 9,917 | 2,991 | (10) | 852 | 4,542 | 31,523 | 1,223 | 79,396 |
| Conferences and meetings | 6,663 | 13,428 | 10,227 | 5,248 | 673 | 691 | 1,634 | 2,432 | 1,782 | 3,307 | 2,266 | 12,221 | 60,572 |
| Insurance | 4,565 | 11,771 | 6,952 | 14,575 | 1,286 | 4,831 | 4,434 | 918 | 640 | 376 | 1,274 | 4,609 | 56,231 |
| Miscellaneous | 1,448 | 4,631 | 6,518 | 10,690 | 769 | 5,105 | 1,624 | 1,119 | 6,684 | 680 | 831 | 2,291 | 42,390 |
| Membership dues | 658 | 3,474 | 1,666 | 3,033 | 217 | 931 | 1,778 | 160 | 1,161 | 277 | 1,392 | 5,248 | 19,995 |
| Total expenses before depreciation and in-kind donations | 1,081,727 | 2,124,295 | 1,552,432 | 2,586,815 | 395,757 | 1,493,469 | 566,277 | 209,003 | 204,680 | 216,448 | 427,393 | 764,997 | 11,623,293 |
| Depreciation | 35,387 | 75,066 | 91,082 | 50,671 | 13,141 | 46,396 | 21,419 | 7,260 | 6,908 | 10,307 | - | 16,030 | 373,667 |
| In-kind donations | 589 | 79,236 | 501 | 130,716 | - | - | 4,791 | - | - | 1,202 | 12 | 4,573 | 221,620 |
| Total functional expenses | \$ 1,117,703 | \$ 2,278,597 | \$ 1,644,015 | \$ 2,768,202 | \$ 408,898 | \$ 1,539,865 | \$ 592,487 | \$ 216,263 | \$ 211,588 | \$ 227,957 | \$ 427,405 | \$ 785,600 | \$ 12,218,580 |

See notes to financial statements.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF ACTIVITIES

Child and Family Services of New Hampshire (the "Organization") operates as a voluntary, non-sectarian, non-profit organization located throughout the State of New Hampshire providing direct social services for families and children. The Organization's major source of revenue is derived from government and other grant income.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC) 958-205 and subsections.

This Topic establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. This Topic further requires classification of net assets and its revenues, expenses, gains and losses into three categories, based on the existence or absence of externally imposed restrictions. The categories, unrestricted, temporarily restricted and permanently restricted net assets are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled by actions of the Organization. It also includes the accumulated appreciation related to permanently restricted endowment gifts, which is a requirement of FASB ASC 958-205-45.

Permanently Restricted – Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes. Permanent restricted net assets also include the fair value of the Organization's beneficial interest in funds held by others.

Principles of consolidation

The financial statements include accounts of the Organization and Child and Family Realty Corporation, a commonly controlled organization. All inter-organization transactions have been eliminated.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Organization applied for and has been granted recognition of exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986. Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholders or individuals. The Organization had no unrelated business income at December 31, 2012 and 2011. Accordingly, no provision for income taxes has been recorded. The income tax filings for the tax years before 2008 are no longer subject to examination by federal and state taxing authorities.

Cash and cash equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Temporary cash investments held in the investment portfolio are excluded from cash and cash equivalents.

Cash restricted for payment of long-term debt

Per the terms of the Series 2007 Bond, which included a refinancing of Series 1999 debt, the Organization deposited \$1,056,089 at December 31, 2008 to an escrow fund in order to pay off the Series 1999 Bonds. This payment took place during January 2009. At December 31, 2012 and 2011, the balance of this escrow fund was \$30,000.

Bond refinance costs

The Series 2007 bond was refinanced in 2009. Loan costs of \$39,250 associated with the refinancing are being amortized over the initial five year term of the agreement.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable and revenue

Accounts receivable is recognized when qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grants or reductions of future grant awards. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Allowance for doubtful accounts

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. At December 31, 2012 and 2011, accounts receivable are presented net of an allowance for doubtful accounts of \$7,505 and \$8,205, respectively.

Property, plant and equipment

Property, plant and equipment are recorded at cost or, in the case of donated assets, at fair market value on the date received. Any such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions over the useful life of the asset. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Major additions and improvements of \$1,000 or more are capitalized, while ordinary maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and any gains or losses are reflected in the statement of activities.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (concluded)

Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 15-50 years |
| Furniture and equipment | 5-10 years |
| Leasehold improvements | 10 years |
| Vehicles | 5 years |

Investments

The Organization accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments with readily determinable values and all investments in debt securities are stated at their fair values in the statement of financial position. Investments without readily determinable fair values are stated at cost. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Periodically, management reviews investments for which the market value has fallen significantly below cost and recognizes impairment losses where they believe these declines are other-than-temporary.

Annuities

Certain gifts require that the Organization pay the donor a predetermined amount during the donor's lifetime. Such gifts are recorded as revenue when received and the present value of the future amount payable is credited to a liability account. Periodically, an adjustment is made to annuities payable to record the actuarial income or expense due to the computation of the liability based upon the revised life expectancies.

Contributions and grants

In accordance with the Not-for-Profit Entities Topic of the ASC 958-605 and subsections, contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor/grantor restrictions. Contributions and grants restricted for a specific purpose are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon satisfaction of those restrictions. If the restrictions on contributions and grants are satisfied in the same fiscal period in which they are received, then management has elected to classify them as unrestricted for reporting purposes.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Donated materials and services

Donated materials and equipment are reflected in the accompanying statements at their estimated fair values at date of receipt. A substantial number of volunteers have donated significant amounts of time to Child and Family Services of New Hampshire program services; however, the value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 3. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or observable inputs other than quoted market prices.

Level 3 inputs consist of inputs that are unobservable and significant to the fair value measurement and have the lowest priority.

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Grants receivable | \$ 697,348 | \$ 659,227 |
| Fees for services | <u>259,884</u> | <u>329,852</u> |
| | 957,232 | 989,079 |
| Less allowance for uncollectible accounts | <u>(7,505)</u> | <u>(8,205)</u> |
| Total | <u>\$ 949,727</u> | <u>\$ 980,874</u> |

Note 5. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

The Organization is the sole beneficiary of three funds that are established at the New Hampshire Charitable Foundation (NHCF). One of the funds was established in 2005. Income from the funds is to provide assistance to children attending Camp Spaulding and for capital improvements to the camp. The fund resolution provides that distributions from the funds can be made at the discretion of the NHCF Board of Directors; however, the Organization has received distributions from the funds of an amount equal to approximately 5% of the average market value of the fund over the last five years. Excess earnings, if any, are reinvested.

At December 31, 2012 and 2011, the fair market value of the funds, which approximates the present value of future benefits expected to be received, was \$751,523 and \$706,317, respectively. The Organization received \$30,214 and \$32,695 from the funds in 2012 and 2011, respectively.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 5. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS (concluded)

In addition, the Organization has a split-interest in three charitable remainder trusts. The assets are held in trust by banks as permanent trustees of the trusts. The fair value of these beneficial interests is determined by applying the Organization's percentage interest to the fair value of the trust assets as reported by the trustee.

| <u>Trust</u> | <u>Percentage Interest</u> | <u>2012</u> | <u>2011</u> |
|--------------|----------------------------|-------------------|-------------------|
| Greenleaf | 100% | \$ 382,039 | \$ 362,040 |
| Spaulding | 100% | 329,237 | 312,453 |
| Cogswell | 50% | <u>274,056</u> | <u>265,316</u> |
| Total | | <u>\$ 985,332</u> | <u>\$ 939,809</u> |

Income distributed by these trusts was \$43,342 and \$40,002 in 2012 and 2011, respectively.

Beneficial interest in funds held by others is reported at its fair value, which is estimated as the present value of expected future cash inflows on a recurring basis. As discussed in Note 3, the valuation technique used by the Organization is a level 3 measure because there are no observable market transactions.

Changes in fair value of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are comprised of the following:

| | <u>Beneficial Interest in Funds Held by Others</u> |
|--|--|
| Balance at December 31, 2010 | \$ 1,711,560 |
| Contribution | 65,474 |
| Change in value of beneficial interest | <u>(130,908)</u> |
| Balance at December 31, 2011 | 1,646,126 |
| Change in value of beneficial interest | <u>90,729</u> |
| Balance at December 31, 2012 | <u>\$ 1,736,855</u> |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|---------------------|---------------------|
| Land | \$ 1,144,949 | \$ 1,144,949 |
| Buildings and improvements | 8,540,136 | 8,504,704 |
| Furniture and equipment | 1,864,695 | 1,855,844 |
| Vehicles | 128,606 | 163,794 |
| Leasehold improvements | 66,783 | 66,783 |
| Software | <u>168,608</u> | <u>147,015</u> |
| | 11,913,777 | 11,883,089 |
| Less accumulated depreciation | <u>(4,597,687)</u> | <u>(4,280,860)</u> |
| Property, plant and equipment, net | <u>\$ 7,316,090</u> | <u>\$ 7,602,229</u> |

Note 7. INVESTMENTS

Investments consist of the following:

| | <u>2012</u> | | <u>2011</u> | |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Domestic equities | \$ 5,378,589 | \$ 6,563,094 | \$ 5,410,122 | \$ 5,864,679 |
| International equities | 3,858,629 | 3,891,869 | 3,794,526 | 3,278,319 |
| Fixed income securities | 1,988,704 | 2,207,774 | 2,422,615 | 2,632,737 |
| Inflation hedging | 1,768,387 | 1,883,898 | 2,221,542 | 2,038,106 |
| Cash and equivalents | <u>408,536</u> | <u>408,536</u> | <u>281,398</u> | <u>281,398</u> |
| Total | <u>\$ 13,402,845</u> | <u>\$ 14,955,171</u> | <u>\$ 14,130,203</u> | <u>\$ 14,095,239</u> |

Under the terms of a line of credit agreement with a bank, the Organization has agreed not to pledge these assets as security on any other debt.

During 2009, the Organization requested a full redemption of its investment in the limited partnership. The limited partnership acknowledged receipt of the request, but noted that redemptions from the fund were suspended as of the year ended December 31, 2009. During 2010, the limited partnership had formally notified the Organization that all outstanding redemption requests will be honored pro rata based on the redeeming investors' total investment in the Fund relative to the total of all redeeming investors' investment in the Fund. The amount redeemed for the year ended December 31, 2012 and 2011 was \$233,349 and \$689,085, respectively.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 7. INVESTMENTS (continued)

Investment return is summarized as follows:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Interest and dividend income | \$ 310,652 | \$ 392,867 |
| Net realized and unrealized gain (loss) | <u>1,566,080</u> | <u>(619,812)</u> |
| Total investment gain (loss) | <u>\$ 1,876,732</u> | <u>\$ (226,945)</u> |

Expenses relating to investment revenues, including management fees amounted to \$88,028 and \$100,173 for the years ended December 31, 2012 and 2011, respectively, and have been netted against investment revenues in the accompanying statements of activities.

The Organization's policy is to avail itself of a Board approved percentage of investment income for operations with any remaining interest, dividends, or appreciation reinvested. The spending policy approved by the Board of Trustees for 2012 was 6% of the average fair market value of all investments over the previous twelve quarters. The income recognized during the years ended December 31, 2012 and 2011 was \$856,719 and 663,354, respectively. The cash transferred to operations from investments during the years ended December 31, 2012 and 2011 was \$1,125,000 and \$680,000, respectively.

As discussed in Note 3 to these financial statements, the Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of December 31, 2012. Level 2 is for investments measured using inputs such as quoted market prices for similar assets. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 7. INVESTMENTS (concluded)

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of the Foundation's marketable securities as follows:

| | <u>Fair Value</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
|-----------------------------|----------------------|----------------------|---------------------|-------------------|
| December 31, 2012 | | | | |
| Value on a recurring basis | | | | |
| Marketable securities | | | | |
| Domestic equities | \$ 6,563,094 | \$ 6,563,094 | \$ - | \$ - |
| International equities | 3,891,869 | 3,891,869 | - | - |
| Fixed income securities | 2,207,774 | - | 2,207,774 | - |
| Inflation hedging | <u>1,883,898</u> | <u>1,883,898</u> | <u>-</u> | <u>-</u> |
| Total marketable securities | <u>\$ 14,546,635</u> | <u>\$ 12,338,861</u> | <u>\$ 2,207,774</u> | <u>\$ -</u> |
| December 31, 2011 | | | | |
| Value on a recurring basis | | | | |
| Marketable securities | | | | |
| Domestic equities | \$ 5,864,679 | \$ 5,864,679 | \$ - | \$ - |
| International equities | 3,278,319 | 3,278,319 | - | - |
| Fixed income securities | 2,632,737 | - | 2,632,737 | - |
| Inflation hedging | <u>2,038,106</u> | <u>1,806,025</u> | <u>-</u> | <u>232,081</u> |
| Total marketable securities | <u>\$ 13,813,841</u> | <u>\$ 10,949,023</u> | <u>\$ 2,632,737</u> | <u>\$ 232,081</u> |

Note 8. LINE OF CREDIT

The Organization has available a \$1,500,000 revolving line of credit agreement with Citizens Bank. The line of credit expires on June 30, 2013, unless extended. The line carries a variable rate of interest at the Wall Street Journal prime rate (3.25% at December 31, 2012), adjusted at each change in the index. At December 31, 2012, there was no balance due on the line of credit.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 9. LONG-TERM DEBT

| | <u>2012</u> | <u>2011</u> |
|---|--------------|--------------|
| Obligation payable, original amount \$5,540,000, in monthly sinking fund installments, through January 1, 2038, plus fixed interest at 3.915% per annum paid to a counterparty to a swap agreement, plus variable rate interest paid to bondholders, minus variable rate interest received from the counterparty to a swap agreement. The debt is secured by the Organization's investments and gross receipts. In July 2009, the Organization converted this obligation to a bank purchase mode. Reference is made to Note 11. | \$ 5,075,000 | \$ 5,185,000 |
| Capital lease payable in monthly installments of \$4,036 including interest at 7.35%, through January 2012. The lease was for a phone system. | - | 2,993 |
| Capital lease payable in monthly installments of \$1,573 including interest at 2.92%, through October 2014. The lease is for a phone system. | 32,169 | 49,828 |
| Capital lease payable in monthly installments of \$777 through October 2012. The lease is for equipment. | - | 7,771 |
| Note payable to the New Hampshire Housing and Finance Authority dated June 7, 2005. The face amount of the note is \$550,000, does not require the payment of interest and is due in 30 years. Accordingly, the note has been recorded at its present value with interest imputed at 6.0%. The note is secured by real estate located in Dover, New Hampshire. | 152,628 | 143,988 |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 9. LONG-TERM DEBT (concluded)

Note payable to the New Hampshire Housing and Finance Authority dated May 22, 2007. The face amount of the note is \$700,000, does not require the payment of interest and is due in 30 years. Accordingly, the note has been recorded at its present value with interest imputed at 6.0%. The note is secured by real estate located in Manchester, New Hampshire.

| | | |
|-------------------------|---------------------|---------------------|
| | <u>172,885</u> | <u>163,099</u> |
| Total | 5,432,682 | 5,552,679 |
| Less current maturities | <u>(133,093)</u> | <u>(138,336)</u> |
| Long-term debt | <u>\$ 5,299,589</u> | <u>\$ 5,414,343</u> |

Future maturities of long-term debt are as follows:

| <u>Year ending</u> <u>December 31,</u> | <u>Amount</u> |
|---|---------------------|
| 2013 | \$ 133,093 |
| 2014 | 129,162 |
| 2015 | 120,000 |
| 2016 | 130,000 |
| 2017 | 135,000 |
| Thereafter | <u>4,785,427</u> |
| Total | <u>\$ 5,432,682</u> |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 10. SERIES 2007 REVENUE BONDS

During 2007, the New Hampshire Health and Education Facilities Authorities (the "Authority") sold \$5,540,000 of its Revenue Bonds, Child and Family Services Issue, Series 2007, and loaned the proceeds of the bonds to the Organization to refund its Series 1999 Series Bonds and to finance certain improvements to the Organization's facilities. The Series 2007 Bonds were issued with a variable interest rate determined on a weekly basis. Prior to issuing the Bonds, the Organization entered into an interest rate swap agreement (the "Swap Agreement") with Citizens Bank of NH (the "Counterparty") for the life of the bond issue to hedge the interest rate risk associated with the Series 2007 Bonds. The interest rate swap agreement requires the Organization to pay the Counterparty, a fixed rate of 3.915%, in exchange, the Counterparty will pay the Organization a variable rate on the notional amount based on the 67% of one-month LIBOR. Counterparty payments to the Organization were intended to offset Organization payments of variable rate interest to bond holders. Counterparty credit worthiness and market variability can impact the variable rates received and paid by the Organization, with the potential of increasing Organization interest payments. As a result, the cost of the interest rate swap for 2012 and 2011 is added to interest expense in the statement of functional expense. The bonds mature in 2038 and can be repaid at any time.

The Organization is required to include the fair value of the swap in the statement of financial position, and annual changes, if any, in the fair value of the swap in the statement of activities. For example, during the bond's 30-year holding period, the annually calculated value of the swap will be reported as an asset if interest rates increase above those in effect on the date of the swap was entered into (and as an unrealized gain in the statement of activities), which will generally be indicative that the net fixed rate the Organization is paying on the swap is below market expectations of rates during the remaining term of the swap. The swap will be reported as a liability (and as an unrealized loss in the statement of activities) if interest rates decrease below those in effect on the date the swap was entered into which will generally be indicative that the net fixed rate the Organization is paying on the swap is above market expectations of rates during the remaining term of the swap. The annual accounting adjustments of value changes in the swap transaction are non-cash recognition requirements, the net effect of which will be zero at the end of the bond's 30-year term. The Organization recorded the swap liability position of approximately \$1,558,953 and \$1,660,401 at December 31, 2012 and 2011, respectively.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 10. SERIES 2007 REVENUE BONDS (concluded)

During 2009, there occurred a downgrading of the credit rating of the Counterparty to the letter of credit reimbursement agreement, which triggered a mandatory tender of the Series 2007 Bonds in whole and a temporary conversion of one hundred percent of the principal amount to a bank purchase mode under the terms of said letter of credit reimbursement agreement. Since it became evident that the credit markets would not soon return to normalcy, the Organization elected to convert the Series 2007 Bonds from a weekly rate mode to a bank purchase mode. This new bank purchase mode created a rate period in which the Series 2007 Bonds bear interest at the tax adjusted bank purchase rate of 68 percent of the sum of the adjusted period LIBOR (30 day) rate and 325 basis points. The bank purchase mode commenced on July 31, 2009 and expires on July 31, 2014; however, the expiration date may be extended by the Counterparty and the Organization has the option to convert back to the weekly rate mode.

The Series 2007 Bond documents require the Organization to comply with certain financial covenants. As of December 31, 2012, the Organization was in compliance with these covenants.

Note 11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following specific program services:

| | <u>2012</u> | <u>2011</u> |
|------------------------|---------------------|---------------------|
| Deferred loan interest | \$ 924,488 | \$ 942,912 |
| Camp Spaulding | 498,104 | 547,880 |
| Camp Pavillion | 298,676 | 306,925 |
| Union Street | 238,219 | 245,025 |
| Teen and youth | 114,939 | 226,649 |
| Teen center | 101,673 | 111,507 |
| Child abuse prevention | 96,432 | 106,979 |
| Camp | 52,483 | 42,353 |
| Family counseling | 29,455 | 8,620 |
| Child abuse treatment | 6,242 | 50,000 |
| Homecare | <u>6,140</u> | <u>30,289</u> |
| Total | <u>\$ 2,366,851</u> | <u>\$ 2,619,139</u> |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 12. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2012 and 2011, permanently restricted net assets of \$2,913,323 and \$2,687,718, respectively, are restricted to investments in perpetuity and for which income earned is expendable to support operations subject to certain restrictions. At December 31, 2012 and 2011, permanently restricted net assets include \$985,332 and \$939,809, respectively, in investments held in perpetual trusts.

Note 13. LEASES

The Organization leases office and counseling space located in various New Hampshire communities.

Future minimum lease payments due under these leases are as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|------------------------|-------------------|
| 2013 | \$ 96,378 |
| 2014 | 63,383 |
| 2015 | 63,383 |
| 2016 | 63,383 |
| 2017 | 14,383 |
| Thereafter | <u>3,437</u> |
| Total | <u>\$ 304,347</u> |

For the years ended December 31, 2012 and 2011, rent expense in connection with these leases was \$123,117 and \$100,461, respectively. The Organization also leases office and counseling space in New Hampshire on a tenant-at-will basis.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 14. ENDOWMENT FUND ASSETS

The Not-for-Profit Entities Topic of the ASC intends to improve the quality of consistency of financial reporting of endowments held by not-for-profit organizations. This Topic provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act (UPMIFA). New Hampshire has adopted UPMIFA. The Topic also requires additional financial statement disclosures on endowments and related net assets.

The Organization has adopted an investment and spending policy to ensure a total return (income plus capital change) necessary to preserve and enhance the principal of the fund and at the same time, provide a dependable source of support for current operations and programs. The withdrawal from the fund in support of current operations is expected to remain a constant percentage of the total fund, adjusted for new gifts to the fund.

In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of investment managers of diverse investment styles. Asset allocation parameters have been developed for various funds within the structure, based on investment objectives, liquidity needs, and time horizon for intended use.

The spending policy is 5% of the average total endowment value over the trailing 12 quarters with a 1% contingency margin. This includes interest and dividends paid out to the Organization.

Measurement of investment performance against policy objectives will be computed on a total return basis, net of management fees and transaction costs. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value.

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 14. ENDOWMENT FUND ASSETS (continued)

| December 31, 2012 | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Investments, beginning of year | \$ 12,984,428 | \$ - | \$ 1,110,811 | \$ 14,095,239 |
| Investment return | | | | |
| Investment income | 310,652 | - | - | 310,652 |
| Realized gain | 102,398 | - | - | 102,398 |
| Unrealized gain | <u>1,463,682</u> | <u>-</u> | <u>-</u> | <u>1,463,682</u> |
| Total investment return | 1,876,732 | - | - | 1,876,732 |
| Contribution | - | - | 159,275 | 159,275 |
| Appropriation of endowment assets: | | | | |
| Spending rate | (856,719) | - | - | (856,719) |
| Additional from Board designated funds | <u>(294,956)</u> | <u>-</u> | <u>-</u> | <u>(294,956)</u> |
| | <u>(1,151,675)</u> | <u>-</u> | <u>-</u> | <u>(1,151,675)</u> |
| Release of restriction | <u>-</u> | <u>-</u> | <u>(24,400)</u> | <u>(24,400)</u> |
| Investments, end of year | <u>\$ 13,709,485</u> | <u>\$ -</u> | <u>\$ 1,245,686</u> | <u>\$ 14,955,171</u> |

Investment Net Asset Composition by Fund Type:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Undesignated | \$ 1,594,565 | \$ - | \$ - | \$ 1,663,784 |
| Board designated | 12,114,920 | - | - | 12,114,920 |
| Donor designated | <u>-</u> | <u>-</u> | <u>1,245,686</u> | <u>1,176,467</u> |
| Total | <u>\$ 13,709,485</u> | <u>\$ -</u> | <u>\$ 1,245,686</u> | <u>\$ 14,955,171</u> |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

Note 14. ENDOWMENT FUND ASSETS (concluded)

| December 31, 2011 | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Investments, beginning of year | \$ 13,965,237 | \$ - | \$ 895,665 | \$ 14,860,902 |
| Investment return | | | | |
| Investment income | 392,867 | - | - | 392,867 |
| Realized gain | 356,631 | - | - | 356,631 |
| Unrealized gain | <u>(976,443)</u> | <u>-</u> | <u>-</u> | <u>(976,443)</u> |
| Total investment return | (226,945) | - | - | (226,945) |
| Contribution | - | - | 211,401 | 211,401 |
| Appropriation of endowment assets: | | | | |
| Spending rate | (663,354) | - | - | (663,354) |
| Additional from Board designated funds | <u>(86,765)</u> | <u>-</u> | <u>-</u> | <u>(86,765)</u> |
| | <u>(750,119)</u> | <u>-</u> | <u>-</u> | <u>(750,119)</u> |
| Transfer of funds | <u>(3,745)</u> | <u>-</u> | <u>3,745</u> | <u>-</u> |
| Investments, end of year | <u>\$ 12,984,428</u> | <u>\$ -</u> | <u>\$ 1,110,811</u> | <u>\$ 14,095,239</u> |

Investment Net Asset Composition by Fund Type:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Undesignated | \$ 1,592,994 | \$ - | \$ - | \$ 1,662,213 |
| Board designated | 11,391,434 | - | - | 11,391,434 |
| Donor designated | <u>-</u> | <u>-</u> | <u>1,110,811</u> | <u>1,041,592</u> |
| Total | <u>\$ 12,984,428</u> | <u>\$ -</u> | <u>\$ 1,110,811</u> | <u>\$ 14,095,239</u> |

CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Note 15. PENSION PLAN

The Organization sponsored a defined contribution plan that covered all employees at day of hire and was at least twenty-one years of age. A pre-tax voluntary contribution is permitted by employees up to limits imposed by the Internal Revenue Code and other limitations specified in the Plan. There were no contributions made to the plan by the Organization for the years ended December 31, 2012 and 2011.

Note 16. RECLASSIFICATION

Certain 2011 amounts have been reclassified to conform to 2012 classification. These reclassifications had no effect on the increase in net assets for 2011.

Note 17. RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of checking and money market accounts in one financial institution. The Federal Deposit Insurance Corporation insures the balances up to \$250,000 at each bank. As of December 31, 2012, the Organization's accounts exceeded federally insured limits by \$72,636.

The majority of the Organization's grants are received from agencies of the state of New Hampshire. As such, the Organization's ability to generate resources via grants is dependent upon the economic health of that area and of the state of New Hampshire. An economic downturn could cause a decrease in grants that coincides with an increase in demand for the Organization's services.

Note 18. SUBSEQUENT EVENTS

Child and Family Services of New Hampshire has evaluated subsequent events through March 20, 2013, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended December 31, 2012.



Manchester Office Statewide Headquarters
464 Chestnut St., P.O. Box 448, Manchester, NH 03105
tel 603-518-4000 fax 603-668-6260
toll free 800-640-6486 www.cfsnh.org

MISSION STATEMENT

Child and Family Services is dedicated to advancing the well-being of children by providing an array of services to strengthen family life and by promoting community commitment to the needs of children.

Child and Family Services

464 Chestnut Street, PO Box 448, Manchester NH 03105-0448
800-640-6486 / 603-518-4000

Board of Directors 2012-2013

Suzanne Boulter, MD Board Position: Email: drsboulter@yahoo.com
PO Box 402 HomePh: (603) 253-4889 Employer: Dartmouth Medical School
Waterville Valley NH 03215 WorkPh: Title: Doctor/Professor Pediatrics,
Community & Family Medicine
Fax: CellPh: 496-1511

Elaine Brody Board Position: Email: [REDACTED]
[REDACTED] HomePh: [REDACTED] Employer:
[REDACTED] WorkPh: Title: Business Manager
[REDACTED] Fax: [REDACTED] CellPh:

William Conrad Board Position: Treasurer, Finance Committee Chair Email: wsc@bcfinance.com
76 Plummer Rd HomePh: (603) 666-0072 Employer: Baldwin & Clarke Corporate Finance, Inc
Bedford NH 03110-6043 WorkPh: (603) 668-4353 Title: Managing Director
Fax: (603) 622-1107 CellPh:

Gail Garceau Board Position: Email: [REDACTED]
[REDACTED] HomePh: [REDACTED] Employer:
[REDACTED] WorkPh: Title:
[REDACTED] Fax: [REDACTED] CellPh: [REDACTED]

Lou Kaucic Board Position: Email: lkaucic@me.com
31 Lower Smith Road HomePh: (603) 527-1910 Employer: Coaches Collective International
Sanbornton NH 03269 WorkPh: Title: Executive Director
Fax: CellPh: (913) 636-7474

Bradford Kuster, Esq. Board Position: Secretary, Advocacy Chair Email: bradkuster@gmail.com
15 North Main Street, Suite 206 HomePh: (603) 746-3245 Employer: Attorney at Law
Concord NH 03301 WorkPh: (603) 226-1919 Title: Attorney
Fax: CellPh: 491-4769

Peggy Lambert Board Position: Email: plambert@cmc-nh.org
654 Raymond Road HomePh: (603) 483-5143 Employer: Catholic Medical Center
Auburn NH 03032 WorkPh: (603) 663-6408 Title: Director Critical Care Services
Fax: (603) 663-2059 CellPh: 540-6387

Kirk Leoni Board Position: Email: kleoni@nathanwechsler.com
70 Commercial St., Suite 401 HomePh: (603) 529-7730 Employer: Nathan Wechsler & Company, PA
Concord NH 03301 WorkPh: (603) 410-2732 Title: CPA/President
Fax: CellPh:

Child and Family Services

464 Chestnut Street, PO Box 448, Manchester NH 03105-0448
800-640-6486 / 603-518-4000



| | | |
|--|---|--|
| Marilyn Mahoney, Esq. 51 High Street Manchester NH 03104 | Board Position: Chair, Advocacy Committee HomePh: (603) 497-2160 WorkPh: (603) 668-0359 Fax: (603) 624-2364 | Email: mmahoney@harveymahoney.com Employer: Harvey & Mahoney Title: Attorney CellPh: |
| Willard "Bud" Martin 1 Mill Plaza Laconia NH 03246 | Board Position: Advocacy Committee HomePh: (603) 284-6560 WorkPh: (603) 527-9161 Fax: | Email: wgm@mlolaw.com Employer: Martin, Lord and Osman, PA Title: CellPh: |
| Michael Ostrowski, CEO 464 Chestnut Street - PO Box 448 Manchester NH 03105 | Board Position: Asst. Secretary/CEO HomePh: WorkPh: (603) 518-4143 Fax: (603) 668-6260 | Email: ostrowskim@cfsnh.org Employer: Child and Family Services Title: CEO CellPh: 494-6219 |
| Samantha Pause 67 North Park Street Lebanon NH 03766 | Board Position: HomePh: (603) 448-2643 WorkPh: (603) 448-8643 Fax: (603) 448-1470 | Email: samantha.pause@mascomabank.com Employer: Mascoma Savings Bank Title: SVP Marketing CellPh: |
| Lynne Stahler [Redacted] [Redacted] | Board Position: 2nd Vice Chair HomePh: [Redacted] WorkPh: [Redacted] Fax: [Redacted] | Email: [Redacted] Employer: Title: Business Owner CellPh: [Redacted] |
| Gregory Swope, Esq. 77 Reserve Place Concord NH 03301 | Board Position: Concord Regional Board, Chair HomePh: (603) 223-0847 WorkPh: (603) 227-9699 Fax: | Email: gswope@usa.net Employer: Attorney at Law Title: Attorney CellPh: |
| Kerry Uhler 183 Center Road - PO Box 1493 Hillsboro NH 03244 | Board Position: 1st Vice Chair HomePh: (603) 464-4154 WorkPh: (603) 756-3600 Fax: (603) 756-9005 | Email: Kerry@bensonwood.com Employer: Bensonwood Title: Project Steward CellPh: 748-2383 |

State of New Hampshire
Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that CHILD AND FAMILY SERVICES OF NEW HAMPSHIRE is a New Hampshire nonprofit corporation formed September 25, 1914. I further certify that it is in good standing as far as this office is concerned, having filed the return(s) and paid the fees required by law.



In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 25th day of January A.D. 2013

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
4/4/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

| | |
|---|---|
| PRODUCER FIAI/Cross Insurance 1100 Elm Street Manchester NH 03101 | CONTACT NAME: Linda Dacey PHONE (A/C, No, Ext): (603) 669-3218 FAX (A/C, No): (603) 645-4331 E-MAIL ADDRESS: ldacey@crossagency.com |
| INSURER(S) AFFORDING COVERAGE | |
| INSURED Child & Family Services of New Hampshire Po Box 448 Manchester NH 03105 | INSURER A: Philadelphia Ins Co INSURER B: QBE Insurance Corp 39217 INSURER C: Travelers Ins. Co. INSURER D: INSURER E: INSURER F: |

COVERAGES **CERTIFICATE NUMBER:** 12-13 Pkg, BA, Prof & Umb **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | ADDL INSR | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|--|---|----------|---|-------------------------|-------------------------|--|
| A | GENERAL LIABILITY | | | PHPK879641 | 7/1/2012 | 7/1/2013 | EACH OCCURRENCE \$ 1,000,000 |
| | <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY | | | | | | DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 |
| | <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR | | | | | | MED EXP (Any one person) \$ 15,000 |
| | GENL AGGREGATE LIMIT APPLIES PER: | | | | | | PERSONAL & ADV INJURY \$ 1,000,000 |
| | <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJ-JECT <input type="checkbox"/> LOC | | | | | | GENERAL AGGREGATE \$ 2,000,000 |
| | | | | | | | PRODUCTS - COMPOP AGG \$ 2,000,000 |
| | | | | | | | \$ |
| A | AUTOMOBILE LIABILITY | | | PHPK879641 | 7/1/2012 | 7/1/2013 | COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 |
| | <input checked="" type="checkbox"/> ANY AUTO | | | | | | BODILY INJURY (Per person) \$ |
| | <input type="checkbox"/> ALL OWNED AUTOS | <input type="checkbox"/> SCHEDULED AUTOS | | | | | BODILY INJURY (Per accident) \$ |
| | <input checked="" type="checkbox"/> HIRED AUTOS | <input checked="" type="checkbox"/> NON-OWNED AUTOS | | | | | PROPERTY DAMAGE (Per accident) \$ |
| | | | | | | | Drive other car \$ 1,000,000 |
| | | | | | | | \$ |
| A | UMBRELLA LIAB | | | PHUB385665 | 7/1/2012 | 7/1/2013 | EACH OCCURRENCE \$ 4,000,000 |
| | <input checked="" type="checkbox"/> EXCESS LIAB | <input type="checkbox"/> OCCUR | | | | | AGGREGATE \$ 4,000,000 |
| | <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000 | <input type="checkbox"/> CLAIMS-MADE | | | | | \$ |
| B | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY | | | QWC4001064 (3a.) NH All officers included | 4/4/2013 | 4/4/2014 | <input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER |
| | ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) | <input checked="" type="checkbox"/> Y/N | N/A | | | | E.L EACH ACCIDENT \$ 500,000 |
| | If yes, describe under DESCRIPTION OF OPERATIONS below | | | | | | E.L DISEASE - EA EMPLOYEE \$ 500,000 |
| | | | | | | | E.L DISEASE - POLICY LIMIT \$ 500,000 |
| C | Fidelity & Forgery | | | 104895803 | 4/1/2013 | 4/1/2015 | Limit: \$200,000 |
| | A Professional Liability | | | PHPK879641 | 7/1/2012 | 7/1/2013 | Aggregate \$2,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 DHHS: State of NH, Division for Children, Youth & Families are listed as additional insureds with respects to the CGL as per written contract.

| | |
|--|--|
| CERTIFICATE HOLDER (603) 271-4729 John.H.Harrington@dhhs.sta DHHS: State of NH Director Division for Children, Youth & Families 129 Pleasant Street Concord, NH 03301 | CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Don Lefebvre/JSC <i>Ronald R. Lefebvre</i> |
|--|--|



STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

129 PLEASANT STREET, CONCORD, NH 03301-3857
603-271-4451 1-800-852-3345 Ext. 4451
FAX: 603-271-4729 TDD Access: 1-800-735-2964

Nicholas A. Toumpas
Commissioner

Maggie Bishop
Director

October 4, 2011

G&C Approved

His Excellency, Governor John H. Lynch
and the Honorable Executive Council
State House
Concord, New Hampshire 03301

Date 10/26/11
Item # 44

REQUESTED ACTION

Authorize the Department of Health and Human Services, Divisions for Children, Youth and Families and Juvenile Justice Services to enter into a contract amendment (Purchase Order # 1012945) with Familystrength, an Affiliate of Goodwill Industries of Northern New England, (Vendor #155929 B001) 85 North State Street, Concord, NH 03301 by increasing the price limitation by \$50,000.00 from \$624,999.00 to \$674,999.00 for the provision of family assessment and inclusive reunification program services effective upon the date of Governor and Council approval through June 30, 2013. Governor and Council approved the original agreement on December 8, 2010, Item #125. Funds to support this request are available in the following accounts in SFY 2012 and SFY 2013.

05-95-40-402010-58470000 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVCS, HHS: CHILDREN AND YOUTH, FEDERAL GRANT PROGRAMS, PROMOTING SAFE AND STABLE FAMILIES

| Class/Object | Title | Activity Code | State Fiscal Year | Current Modified Budget | Increase (Decrease) Amount | Revised Modified Budget |
|--------------|---------------------------|---------------|-------------------|-------------------------|----------------------------|-------------------------|
| 102-500734 | Social Services Contracts | 40007000 | 2011 | \$0.00 | \$0.00 | \$0.00 |
| 102-500734 | Social Services Contracts | 40007000 | 2012 | \$0.00 | \$25,000.00 | \$25,000.00 |
| 102-500734 | Social Services Contracts | 40007000 | 2013 | \$0.00 | \$25,000.00 | \$25,000.00 |
| Subtotal | | | | \$0.00 | \$50,000.00 | \$50,000.00 |

05-95-40-404010-58850000 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVCS, HHS: CHILDREN AND YOUTH, FEDERAL GRANT PROGRAMS, TITLE IVB SUBPART I

| Class/Object | Title | Activity Code | State Fiscal Year | Current Modified Budget | Increase (Decrease) Amount | Revised Modified Budget |
|--------------|---------------------------|---------------|-------------------|-------------------------|----------------------------|-------------------------|
| 102-500734 | Social Services Contracts | 40130214 | 2011 | \$124,999.00 | \$0.00 | \$124,999.00 |
| 102-500734 | Social Services Contracts | 40130214 | 2012 | \$250,000.00 | \$0.00 | \$250,000.00 |
| 102-500734 | Social Services Contracts | 40130214 | 2013 | \$250,000.00 | \$0.00 | \$250,000.00 |
| Subtotal | | | | \$624,999.00 | \$0.00 | \$624,999.00 |
| Total | | | | \$624,999.00 | \$50,000.00 | \$674,999.00 |

EXPLANATION

The Divisions for Children, Youth and Families and Juvenile Justice Services are requesting the amendment of the Family Assessment and Inclusive Reunification (FAIR) Contract that ensures compliance with the Federally mandated Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272); Adoption and Safe Families Act of 1997 (P.L. 105-89); and regulations resulting there from – Titles IV-B, Section 422 and IV-E Section 475(5) of the Social Security Act. The above action is requested to provide a family assessment and inclusive reunification program, an administrative case review, for children and youth who are in the care and custody of the Division for Children, Youth and Families or the Division for Juvenile Justice Services and in foster or out-of-home care.

The Divisions are requesting an increase the funds allotted for this contract to support needed staffing increases. Before awarding this contract, the Division completed a caseload analysis of each proposed region covered by the contract. This analysis was used to determine staffing levels of each region in the State. As a result of that analysis, it was determined that a part-time facilitator would adequately serve the North Country. However, since the contract has been awarded and commenced, both the Contractor and the Divisions have indicated that this region requires a full-time position due to the extensive travel requirements, increases in caseloads and to provide the quality of services outlined in the contract.

On August 25, 2010 the Divisions issued a Request for Proposal for Family Assessment and Inclusive Reunification Services that was published on the Department website, and advertised for three consecutive days in the New Hampshire Union Leader. A bidders conference was held on September 9, 2010 and three prospective bidding agencies attended. All three agencies submitted proposals; which included Child & Family Services, Easter Seals of New Hampshire, and Familystrength. The Divisions formed a multi-discipline Evaluation Team to review and evaluate each proposal.

The scores of each proposal reflect the experience, Scope of Services and cost of each bidder. Familystrength submitted a proposal that best articulated the scope of services requested and received the highest average score – 91.6 points out of a possible 100, Easter Seals received 82.2 points and Child & Family Services received 76.5 points. After thoroughly discussing the three competing proposals, the Evaluation Team recommended awarding this contract to Familystrength. The Division Director concurred with the Committee's recommendation, based on the factors shared by the Team. The Bid Summary is attached.

The contractor shall achieve the following performance measures verified by the submission of quarterly reports, semi-annual reports and an annual report to include, but not limited to, the following performance measures:

- In 80% of the surveys completed, the Contractor must achieve a satisfactory rating from parents, children and other participants of the FAIR meeting in a format agreed upon by the Division and the Contractor;
- In 98% of the cases requiring review, the Contractor must schedule a review for each child who resides in an out-of-home care setting according to the time requirements established by federal/state laws, Division policies, and before the corresponding 6-month, 12-month, 18-month, etc. court hearings.

Performance that does not meet the negotiated expectations of these goals may result in financial penalties or a termination of the contract as described and authorized in the P-37 agreement.

Should Governor and Council not authorize this request the Divisions would be unable to adequately serve families in the North Country by ensuring that staffing is at a level that provides a timely and thorough case review. This could possibly lead to extended involvement with the Divisions and increased out of home

placement. Approval of this request will provide for adequate staffing so that North Country families can have their cases reviewed both timely and thoroughly.

Area Served: Statewide.

Source of Funds: 100% Federal Department of Health and Human Services Funds.

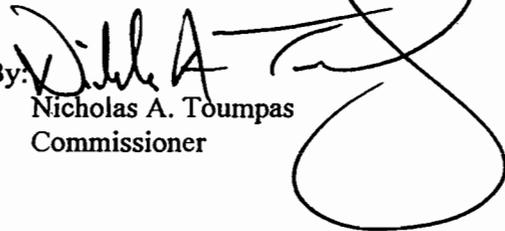
In the event that Federal Funds become no longer available, General Funds will not be requested to support this program.

Respectfully submitted,



Maggie Bishop
Director

Approved By:



Nicholas A. Toumpas
Commissioner

NH Department of Health and Human Services

STANDARD EXHIBIT C-I

ADDITIONAL SPECIAL PROVISIONS

1. The Division reserves the right to renew the contract for up to four additional years, subject to continued availability of funds, satisfactory performance of services, and approval by the Governor and Executive Council.