

# Beaverbrook STEP, Inc.

## Financial Statements

Years Ended June 30, 2013 and 2012

# Beaverbrook STEP, Inc.

## FINANCIAL STATEMENTS Years Ended June 30, 2013 and 2012

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### CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses .....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-17



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Beaverbrook STEP, Inc.  
Watertown, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Beaverbrook STEP, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beaverbrook STEP, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Boston, Massachusetts  
September 25, 2013

## Beaverbrook STEP, Inc.

Statements of Financial Position

June 30, 2013 and 2012

	2013			2012		
	STEP	HUD	Total	STEP	HUD	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,613,550	\$ 6,370	\$ 2,619,920	\$ 2,393,985	\$ 1,461	\$ 2,395,446
Accounts receivable	216,358	-	216,358	273,718	-	273,718
Inventory	41,480	-	41,480	35,795	-	35,795
Prepaid expenses	22,368	310	22,678	30,918	357	31,275
Investment	-	-	-	29,259	-	29,259
Deposits and other assets	25,636	193,498	219,134	19,670	198,510	218,180
Mortgage acquisition costs, net of accumulated amortization of \$2,083 (\$1,719 as of June 30, 2012)	11,868	-	11,868	7,232	-	7,232
Property and equipment, at cost less accumulated depreciation and amortization	6,508,315	225,241	6,733,556	6,737,677	228,692	6,966,369
<b>Total assets</b>	<b>\$ 9,439,575</b>	<b>\$ 425,419</b>	<b>\$ 9,864,994</b>	<b>\$ 9,528,254</b>	<b>\$ 429,020</b>	<b>\$ 9,957,274</b>
<b>LIABILITIES AND NET ASSETS</b>						
Accounts payable	\$ 46,198	\$ 3,746	\$ 49,944	\$ 108,891	\$ 5,916	\$ 114,807
Accrued expenses	575,514	4,244	579,758	554,877	3,831	558,708
Mortgage notes payable	4,890,917	421,339	5,312,256	5,034,684	459,234	5,493,918
Notes payable	84,299	-	84,299	121,392	-	121,392
Tenant security deposits	-	3,561	3,561	-	3,440	3,440
<b>Total liabilities</b>	<b>5,596,928</b>	<b>432,890</b>	<b>6,029,818</b>	<b>5,819,844</b>	<b>472,421</b>	<b>6,292,265</b>
Commitment						
Unrestricted net assets	3,842,647	(7,471)	3,835,176	3,708,410	(43,401)	3,665,009
<b>Total liabilities and net assets</b>	<b>\$ 9,439,575</b>	<b>\$ 425,419</b>	<b>\$ 9,864,994</b>	<b>\$ 9,528,254</b>	<b>\$ 429,020</b>	<b>\$ 9,957,274</b>

See notes to financial statements.

# Beaverbrook STEP, Inc.

Statements of Activities

Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted		Temporarily Restricted	Total	Unrestricted		Temporarily Restricted	Total
	STEP	HUD			STEP	HUD		
Revenues and other support:								
Contract revenue	\$ 10,420,861	\$ 159,813	\$ -	\$ 10,580,674	\$ 10,108,102	\$ 160,880	\$ -	\$ 10,268,982
Other service fee income	218,484	-	-	218,484	312,440	-	-	312,440
Rental income	688,236	57,404	-	745,640	665,076	54,702	-	719,778
Interest income	5,035	292	-	5,327	4,452	400	-	4,852
Contributions	19,809	-	-	19,809	47,548	-	-	47,548
Miscellaneous income	196,930	-	-	196,930	193,056	-	-	193,056
Loss on sale of property, plant and equipment	-	-	-	-	(1,296)	-	-	(1,296)
Net assets released from restrictions	-	-	-	-	254	-	(254)	-
Total revenues and other support	11,549,355	217,509	-	11,766,864	11,329,632	215,982	(254)	11,545,360
Expenses:								
Program services:								
Residential services	8,175,832	-	-	8,175,832	8,000,104	-	-	8,000,104
Community habilitation services	1,433,736	181,579	-	1,615,315	1,371,162	188,880	-	1,560,042
Individual support	42,360	-	-	42,360	38,380	-	-	38,380
Day services	888,653	-	-	888,653	755,746	-	-	755,746
Total program services	10,540,581	181,579	-	10,722,160	10,165,392	188,880	-	10,354,272
Supporting services:								
General and administrative	874,537	-	-	874,537	860,934	-	-	860,934
Total expenses	11,415,118	181,579	-	11,596,697	11,026,326	188,880	-	11,215,206
Change in net assets	134,237	35,930	-	170,167	303,306	27,102	(254)	330,154
Net assets, beginning of year	3,708,410	(43,401)	-	3,665,009	3,405,104	(70,503)	254	3,334,855
Net assets, end of year	\$ 3,842,647	\$ (7,471)	\$ -	\$ 3,835,176	\$ 3,708,410	\$ (43,401)	\$ -	\$ 3,665,009

See notes to financial statements.

## Beaverbrook STEP, Inc.

Statement of Functional Expenses

Year Ended June 30, 2013

	Residential Services	Community Habilitation Services	Individual Support	Day Services	Total Program Services	General and Administrative	Total Expenses
Salaries	\$ 5,418,180	\$ 877,696	\$ 25,329	\$ 528,969	\$ 6,850,174	\$ 464,452	\$ 7,314,626
Payroll taxes and other benefits	1,057,982	177,191	5,388	99,860	1,340,421	89,792	1,430,213
Professional fees	11,103	9,563	-	-	20,666	91,767	112,433
Supplies	294,982	50,425	747	17,168	363,322	17,355	380,677
Occupancy	670,089	257,940	9,632	119,748	1,057,409	181,312	1,238,721
Transportation	149,241	26,854	61	54,914	231,070	87	231,157
Interest	225,001	89,385	-	5,515	319,901	-	319,901
Commercial resources	-	-	-	29,397	29,397	-	29,397
Other expenses	73,522	11,600	1,203	5,457	91,782	28,176	119,958
Depreciation and amortization	275,732	114,661	-	27,625	418,018	1,596	419,614
<b>Total expenses</b>	<b>\$ 8,175,832</b>	<b>\$ 1,615,315</b>	<b>\$ 42,360</b>	<b>\$ 888,653</b>	<b>\$ 10,722,160</b>	<b>\$ 874,537</b>	<b>\$ 11,596,697</b>

See notes to financial statements.

## Beaverbrook STEP, Inc.

Statement of Functional Expenses

Year Ended June 30, 2012

	Residential Services	Community Habilitation Services	Individual Support	Day Services	Total Program Services	General and Administrative	Total Expenses
Salaries	\$ 5,270,405	\$ 834,193	\$ 23,880	\$ 472,105	\$ 6,600,583	\$ 426,428	\$ 7,027,011
Payroll taxes and other benefits	1,005,647	158,440	5,104	87,643	1,256,834	81,039	1,337,873
Professional fees	10,360	7,256	-	-	17,616	87,483	105,099
Supplies	287,697	46,811	757	17,196	352,461	20,111	372,572
Occupancy	677,104	267,175	8,362	115,345	1,067,986	181,409	1,249,395
Transportation	192,911	24,168	153	6,800	224,032	27	224,059
Interest	244,718	94,665	-	5,668	345,051	-	345,051
Commercial resources	324	490	-	20,369	21,183	2,286	23,469
Other expenses	38,067	8,459	124	6,001	52,651	57,705	110,356
Depreciation and amortization	272,871	118,385	-	24,619	415,875	4,446	420,321
<b>Total expenses</b>	<b>\$ 8,000,104</b>	<b>\$ 1,560,042</b>	<b>\$ 38,380</b>	<b>\$ 755,746</b>	<b>\$ 10,354,272</b>	<b>\$ 860,934</b>	<b>\$ 11,215,206</b>

See notes to financial statements.

**Beaverbrook STEP, Inc.**  
 Statements of Cash Flows  
 Years Ended June 30, 2013 and 2012

	2013			2012		
	STEP	HUD	Total	STEP	HUD	Total
<b>Cash flows from operating activities:</b>						
Contract receipts	\$ 10,482,741	\$ 159,813	\$ 10,642,554	\$ 10,108,830	\$ 160,880	\$ 10,269,710
Other service fee income	220,557	-	220,557	312,440	-	312,440
Rental receipts	681,965	57,402	739,367	660,324	55,278	715,602
Contributions received	19,809	-	19,809	47,548	-	47,548
Miscellaneous receipts	192,085	-	192,085	180,708	-	180,708
Interest received	5,035	292	5,327	4,452	400	4,852
Salaries paid	(7,253,617)	(39,193)	(7,292,810)	(6,935,580)	(40,368)	(6,975,948)
Payroll taxes and other benefits paid	(1,421,411)	(9,568)	(1,430,979)	(1,336,208)	(9,335)	(1,345,543)
Suppliers paid	(2,104,802)	(68,992)	(2,173,794)	(1,939,031)	(80,177)	(2,019,208)
Interest paid	(286,191)	(33,710)	(319,901)	(308,567)	(36,484)	(345,051)
Net cash provided by operating activities	<u>536,171</u>	<u>66,044</u>	<u>602,215</u>	<u>794,916</u>	<u>50,194</u>	<u>845,110</u>
<b>Cash flows from investing activities:</b>						
Change in deposits	(1,450)	5,012	3,562	-	(8,962)	(8,962)
Proceeds from investment	28,889	-	28,889	-	-	-
Purchase of property and equipment	(158,185)	(28,252)	(186,437)	(181,767)	(20,630)	(202,397)
Net cash used in investing activities	<u>(130,746)</u>	<u>(23,240)</u>	<u>(153,986)</u>	<u>(181,767)</u>	<u>(29,592)</u>	<u>(211,359)</u>
<b>Cash flows from financing activities:</b>						
Principal payments of mortgages and notes payable	(180,860)	(37,895)	(218,755)	(162,396)	(35,122)	(197,518)
Proceeds from mortgages and notes payable	-	-	-	18,042	-	18,042
Payment of mortgage acquisition costs	(5,000)	-	(5,000)	-	-	-
Net cash used in financing activities	<u>(185,860)</u>	<u>(37,895)</u>	<u>(223,755)</u>	<u>(144,354)</u>	<u>(35,122)</u>	<u>(179,476)</u>
Net change in cash and cash equivalents	219,565	4,909	224,474	468,795	(14,520)	454,275
Cash and cash equivalents, beginning of year	2,393,985	1,461	2,395,446	1,925,190	15,981	1,941,171
Cash and cash equivalents, end of year	<u>\$ 2,613,550</u>	<u>\$ 6,370</u>	<u>\$ 2,619,920</u>	<u>\$ 2,393,985</u>	<u>\$ 1,461</u>	<u>\$ 2,395,446</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>						
Change in net assets	\$ 134,237	\$ 35,930	\$ 170,167	\$ 303,052	\$ 27,102	\$ 330,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation and amortization	387,911	31,703	419,614	390,215	30,106	420,321
Loss on sale of property, plant and equipment	-	-	-	1,296	-	1,296
Loss on investments	370	-	370	98	-	98
Change in accounts receivable	57,360	-	57,360	(15,995)	-	(15,995)
Change in inventory	(5,685)	-	(5,685)	(2,296)	-	(2,296)
Change in prepaid expenses	8,550	47	8,597	1,898	(207)	1,691
Change in deposits and other assets	(4,516)	-	(4,516)	(377)	-	(377)
Change in accounts payable	(62,693)	(2,170)	(64,863)	71,490	(5,239)	66,251
Change in accrued expenses	20,637	413	21,050	45,535	(2,144)	43,391
Change in tenant security deposits	-	121	121	-	576	576
Total adjustments	<u>401,934</u>	<u>30,114</u>	<u>432,048</u>	<u>491,864</u>	<u>23,092</u>	<u>514,956</u>
Net cash provided by operating activities	<u>\$ 536,171</u>	<u>\$ 66,044</u>	<u>\$ 602,215</u>	<u>\$ 794,916</u>	<u>\$ 50,194</u>	<u>\$ 845,110</u>

See notes to financial statements.



# Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

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## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

Beaverbrook STEP, Inc. (the "Organization") is a not-for-profit organization which provides community, residential and support services to adults with developmental disabilities. The Organization assists consumers with the access, training and opportunities necessary to fully experience the benefits of community living in an independent setting.

A summary of the Organization's significant accounting policies follows:

### Classification and Reporting of Net Assets

The Organization's financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America ("GAAP"). Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets are reported in two self-balancing groups as follows:
  - **STEP** - STEP funds represent the portion of expendable funds that are available for support of operations, for plant related transactions and acquisitions and those funds designated for specific purposes by the Organization's Board of Directors.
  - **HUD** - HUD funds represent resources for the operations of HUD Project No. 023-EH018 and resources for plant transactions and acquisitions related to HUD Project No. 023-EH018.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. As of June 30, 2013 and 2012, the Organization does not have temporarily restricted net assets.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2013 and 2012, the Organization does not have permanently restricted net assets.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

# Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Liquidity

In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their estimated maturity.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization has included in cash and cash equivalents short-term, highly liquid investments consisting of certificates of deposits and money market funds.

### Accounts Receivable

Accounts receivable are carried at original invoice amount. Management determines the collectability of accounts receivable by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

### Inventory

Inventory, consisting of supplies on hand, is stated at the lower of cost or market determined by the first-in, first-out method.

### Investment and Investment Income

The Organization accounts for its investment in The Resource Consortium, LLC (Note 2) under the equity method. Gains and losses on the investment are based on the Organization's share of income and losses.

### Property and Equipment

Property and equipment is recorded at cost or estimated market value, if received by donation, at the time such assets are received. Depreciation and amortization are provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

<u>Description</u>	<u>Years</u>
Buildings and building improvements	10-40
Furniture and equipment	3-10
Motor vehicles	3-5
Leasehold improvements	5
Life safety improvements	5

### Mortgage Escrow Accounts

The Organization maintains mortgage escrow accounts, which represent reserves which are required to be held under the HUD mortgage agreement. These reserves are included in deposits and other assets on the statement of financial position.

# Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

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## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Revenue Recognition

The Organization's clients are substantially funded by the Massachusetts Department of Developmental Services ("DDS") and the U.S. Department of Housing and Urban Development ("HUD"). Therefore, the Organization is subject to the regulations of DDS and HUD. Revenue is recorded in individual programs under negotiated contracts with DDS and the maximum rental rate allowable under HUD.

The Organization is also subject to the regulations of the Massachusetts Executive Office for Administration and Finance Operational Services Division ("OSD"). Excess of revenue over expense from the Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purposes provided such expenditures are reimbursable under OSD regulations.

### Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity. Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset category.

Contributions of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are acquired.

### Advertising Costs

The Organization expenses advertising costs as incurred.

### Construction in Progress

Costs associated with on-going projects are accumulated until completion. The completed asset is then depreciated over its estimated useful life once placed in service.

# Beaverbrook STEP, Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

## 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

### Income Tax Status

The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

The Organization follows Financial Accounting Standards Board ("FASB") ASC 740, "Income Taxes", which clarifies the treatment of the Organization's position of accounting for income taxes recognized in the financial statements. It also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in the tax return. In addition, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes the Organization has no material uncertainties in income taxes. The Organization is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for fiscal years before 2010. The Organization will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

## 2. RELATED PARTY TRANSACTIONS

During July 2000, the Organization entered into an agreement with eleven other member organizations to form The Resource Consortium, LLC (the "Company"), an entity formed to arrange for, coordinate, and manage the delivery of services benefiting adults with mental retardation and other developmental disabilities in the Commonwealth of Massachusetts who reside in nursing facilities or who are or should be screened for admission to community programs. The Company dissolved in December 2012, with the remaining proceeds distributed to the twelve affiliates. During the years ended June 30, 2013 and 2012, losses on investment in the Company totaled \$370 and \$98, respectively. As of June 30, 2012, the Organization's investment in The Resource Consortium, LLC totaled \$29,259.

A new Company using the name The Resource Consortium, LLC was established in February 2013 when the Organization entered into an agreement with eight other member organizations. The entity was formed to provide valuable, cost-effective, community-based services including Long Term Services and Supports (LTSS) coordination, person-centered planning, nursing and clinical supports, self-advocacy, ABA and self-directed planning services for individuals with disabilities, their family members, community provider organizations and state agencies. The Organization is the Resident Agent of the Company, and the Executive Director of Beaverbrook STEP, Inc. is a member of the Executive Committee of The Resource Consortium, LLC. As of June 30, 2013, The Resource Consortium, LLC has not been funded and the Organization has no investment in it. However, the Organization did pay legal and other bills for the establishment of The Resource Consortium, LLC during the year ended June 30, 2013 totaling \$4,893, which is included in other receivables as of June 30, 2013.

## 3. DEPOSITS AND OTHER ASSETS

Following is a summary as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
HUD required reserve for replacement account	\$ 175,185	\$ 180,211
HUD required residual receipts account	14,875	14,859
Security deposits	18,211	16,763
Refundable deposits	<u>10,863</u>	<u>6,347</u>
	<u>\$ 219,134</u>	<u>\$ 218,180</u>

## Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

### 4. PROPERTY AND EQUIPMENT

Following is a summary as of June 30, 2013 and 2012:

	2013		
	STEP	HUD	Total
Buildings and building improvements	\$ 7,660,693	\$ 1,122,686	\$ 8,783,379
Land	1,423,919	-	1,423,919
Furniture and equipment	435,410	725	436,135
Motor vehicles	320,810	-	320,810
Leasehold improvements	360,683	-	360,683
Life safety improvements	15,981	6,639	22,620
Construction-in-progress	44,500	-	44,500
	<u>10,261,996</u>	<u>1,130,050</u>	<u>11,392,046</u>
Less - accumulated depreciation and amortization	<u>3,753,681</u>	<u>904,809</u>	<u>4,658,490</u>
	<u>\$ 6,508,315</u>	<u>\$ 225,241</u>	<u>\$ 6,733,556</u>
	2012		
	STEP	HUD	Total
Buildings and building improvements	\$ 7,637,986	\$ 1,094,436	\$ 8,732,422
Land	1,423,919	-	1,423,919
Furniture and equipment	426,180	725	426,905
Motor vehicles	258,937	-	258,937
Leasehold improvements	340,808	-	340,808
Life safety improvements	15,981	6,639	22,620
	<u>10,103,811</u>	<u>1,101,800</u>	<u>11,205,611</u>
Less - accumulated depreciation and amortization	<u>3,366,134</u>	<u>873,108</u>	<u>4,239,242</u>
	<u>\$ 6,737,677</u>	<u>\$ 228,692</u>	<u>\$ 6,966,369</u>

As of June 30, 2013, construction-in-progress represented two projects. During the year ended June 30, 2013, the Organization started a renovation project at one of its residential sites. The project's total cost was \$27,500 and was completed in August 2013. In addition, the Organization also started a project for an electronic medical record database system to be used at its various residential sites. The project is estimated to cost a total of \$33,500 and be completed during the year ending June 30, 2014.

### 5. LINE OF CREDIT

The Organization has a \$150,000 line of credit agreement with Watertown Savings Bank. Borrowings on the line of credit bear interest at a rate equal to 1.5% above the Wall Street Journal prime rate (4.75% as of June 30, 2013). The line of credit is secured by real property at 55 Waverly Street, Belmont, MA with a depreciated cost of \$125,197 as of June 30, 2013. There was no outstanding balance on the line of credit as of June 30, 2013 and 2012.

# Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

## 6. MORTGAGE NOTES PAYABLE

	<u>2013</u>	<u>2012</u>
<u>STEP</u>		
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note is payable in monthly installments of \$895 including interest, to July 2038. The note is secured by real property at 111 Galen Street, Watertown, MA.	\$ 144,391	\$ 146,929
Note payable to Watertown Savings Bank with interest at 3.625% per annum. The note is payable in monthly installments of \$1,255 including interest, to October 2022. The note is secured by real property at 22-24 Bromfield Street, Watertown, MA.	124,711	-
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note was payable in monthly installments of \$1,407 including interest, to February 2023. The note was secured by real property at 22-24 Bromfield Street, Watertown, MA, and was refinanced during the year ended June 30, 2013.	-	135,225
Note payable to Watertown Savings Bank with interest at 4.125% per annum. The note is payable in monthly installments of \$1,360, including interest, to February 2025. The note is secured by real property at 387-389 Belmont Street, Belmont, MA.	151,023	-
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note was payable in monthly installments of \$1,472, including interest, to February 2025. The note was secured by real property at 387-389 Belmont Street, Belmont, MA, and was refinanced during the year ended June 30, 2013.	-	160,462
Note payable to Watertown Savings Bank with interest at 3.625% per annum. The note is payable in monthly installments of \$480, including interest, to October 2015. The note is secured by real property at 20 Riverside Street, Unit number G-7, Watertown, MA.	12,935	-
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note was payable in monthly installments of \$450, including interest, to February 2016. The note was secured by real property at 20 Riverside Street, Unit number G-7, Watertown, MA, and was refinanced during the year ended June 30, 2013.	<u>-</u>	<u>17,833</u>
Balance Forward	\$ 433,060	\$ 460,449

# Beaverbrook STEP, Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

## 6. MORTGAGE NOTES PAYABLE...continued

	<u>2013</u>	<u>2012</u>
Balance Forward	\$ 433,060	\$ 460,449
Note payable to Watertown Savings Bank with interest at 3.625% per annum. The note is payable in monthly installments of \$711, including interest, to October 2015. The note is secured by property at 170 Main Street – Unit #303, Watertown, MA.	19,077	-
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note was payable in monthly installments of \$733, including interest, to October 2015. The note was secured by property at 170 Main Street – Unit #303, Watertown, MA, and was refinanced during the year ended June 30, 2013.	-	26,662
Note payable to Watertown Savings Bank with interest at 4.125% per annum. The note is payable in monthly installments of \$2,367, including interest, through October 2027. The note is secured by real property at 24 Hillside Road, Watertown, MA.	308,323	-
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note was payable in monthly installments of \$2,512, including interest, through November 2027. The note was secured by real property at 24 Hillside Road, Watertown, MA, and was refinanced during the year ended June 30, 2013.	-	322,651
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note is payable in monthly installments of \$1,442, including interest, through November 2031. The note is secured by real property at 55 Waverley Street, Watertown, MA.	204,115	209,761
Note payable to Watertown Savings Bank with interest at 3.625% per annum. The note is payable in monthly installments of \$693, including interest, through February 2032. The note is secured by real property at 170 Main Street, Unit 100, Watertown, MA.	96,509	99,315
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note is payable in monthly installments of \$4,440, including interest, through February 2032. The note is secured by real property at 45-47 Forest Street, Watertown, MA.	614,908	-
Note payable to Watertown Savings Bank with interest at 6.00% per annum. The note was payable in monthly installments of \$4,542, including interest, through February 2032. The note was secured by real property at 45-47 Forest Street, Watertown, MA, and was refinanced during the year ended June 30, 2013.	<u>-</u>	<u>632,568</u>
Balance Forward	\$ 1,675,992	\$ 1,751,406

# Beaverbrook STEP, Inc.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

## 6. MORTGAGE NOTES PAYABLE...continued

	<u>2013</u>	<u>2012</u>
Balance Forward	\$ 1,675,992	\$ 1,751,406
Note payable to a trust with interest at 7.875% per annum. The note is payable in monthly installments of \$622, including interest, through February 2022. The note is secured by a second mortgage on real property at 45-47 Forest Street, Watertown, MA.	46,739	50,360
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note is payable in monthly installments of \$5,264, including interest, through July 2034. The note is secured by real property at 45-47 Quirk Street, Watertown, MA.	779,048	-
Note payable to Watertown Savings Bank with interest at 6.00% per annum. The note was payable in monthly installments of \$5,438, including interest, through July 2034. The note was secured by real property at 45-47 Quirk Street, Watertown, MA, and was refinanced during the year ended June 30, 2013.	-	797,524
Note payable to Watertown Savings Bank with interest at 5.75% per annum. The note is payable in monthly installments of \$3,105, including interest, through July 2035. The note is secured by real property at 8 Panteline Terrace, Watertown, MA.	466,242	476,370
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note is payable in monthly installments of \$3,461, including interest, through March 2037. The note is secured by real property at 50 Mapleton Street, Brighton, MA.	543,658	-
Note payable to Watertown Savings Bank with interest at 6.00% per annum. The note was payable in monthly installments of \$3,585, including interest, through July 2035. The note was secured by real property at 50 Mapleton Street, Brighton, MA, and was refinanced during the year ended June 30, 2013.	-	554,044
Note payable to Watertown Savings Bank with interest at 5.625% per annum. The note is payable in monthly installments of \$3,821, including interest, through October 2033. The note is secured by real property at 122 Grove Street, Brookline, MA.	554,753	-
Note payable to Watertown Savings Bank with interest at 6.00% per annum. The note was payable in monthly installments of \$3,944, including interest, through October 2033. The note was secured by real property at 122 Grove Street, Brookline, MA, and was refinanced during the year ended June 30, 2013.	-	<u>568,749</u>
Balance Forward	\$ 4,066,432	\$ 4,198,453



# Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

## 6. MORTGAGE NOTES PAYABLE...continued

	<u>2013</u>	<u>2012</u>
Balance Forward	\$ 4,066,432	\$ 4,198,453
Note payable to Watertown Savings Bank with interest at 5.75% per annum. The note is payable in monthly installments of \$4,960, including interest, through March 2041. The note is secured by real property at 17 Kensington Circle, Brookline, MA.	<u>824,485</u>	<u>836,231</u>
Total STEP	4,890,917	5,034,684

### HUD

Note payable to United States Department of Housing and Urban Development ("HUD") under Section 202 of the Housing Act, with interest at 7.625% per annum, payable in monthly installments of \$5,967, including interest, to April 2021. The note is secured by real property located at 43 Phillips Street and 16 Irving Street, Watertown, MA and by an assignment to HUD of all rights to the income received by the Organization from the operation of the mortgaged property.

<u>421,339</u>	<u>459,234</u>
<u>\$ 5,312,256</u>	<u>\$ 5,493,918</u>

Maturities of mortgage notes payable are due in the next five years and in the aggregate are as follows:

<u>Year ending June 30,</u>	<u>STEP</u>	<u>HUD</u>	<u>Total</u>
2014	\$ 155,195	\$ 40,888	\$ 196,083
2015	162,898	44,117	207,015
2016	162,315	47,601	209,916
2017	166,122	51,360	217,482
2018	175,134	55,417	230,551
Thereafter	<u>4,069,253</u>	<u>181,956</u>	<u>4,251,209</u>
	<u>\$ 4,890,917</u>	<u>\$ 421,339</u>	<u>\$ 5,312,256</u>

## Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

### 7. NOTES PAYABLE

	<u>2013</u>	<u>2012</u>
<u>STEP</u>		
Six notes payable to Toyota Financial Services with interest at 7.90% per annum, payable in monthly installments ranging from \$314 to \$358, maturing on various dates through February 2016 and secured by the respective motor vehicles.	\$ 52,989	\$ 72,099
Two notes payable to America Honda Finance with interest at 1.90% and 4.99% per annum, payable in monthly installments of \$410 and \$365 to January 2016 and July 2015, respectively, and are secured by the respective motor vehicles.	21,029	29,114
Three notes payable to Watertown Savings Bank with interest at 6.50% and 7% per annum, payable in monthly installments ranging from \$256 to \$360, maturing on various dates through December 2015 and secured by the respective motor vehicle.	<u>10,281</u>	<u>20,179</u>
	<u>\$ 84,299</u>	<u>\$ 121,392</u>

Maturities of the notes payable for the next three years and in the aggregate are as follows:

Year ending June 30,

2014	\$ 36,828
2015	33,787
2016	<u>13,684</u>
	<u>\$ 84,299</u>

### 8. OPERATING LEASES

The Organization leases its administrative office under an operating lease which expires in January 2014. Lease expense was \$131,708 and \$128,806 for the years ended June 30, 2013 and 2012, respectively.

The Organization leases residential and day service space for its programs under both tenant-at-will and operating leases expiring at various dates through April 2021. The operating leases require minimum annual rental payments ranging from \$580 to \$6,500. Lease expense under these leases was \$428,956 and \$426,556 for the years ended June 30, 2013 and 2012, respectively.

The Organization leases office equipment expiring at various dates through May 2018. The office equipment leases require annual rental payments ranging from \$11 to \$222. Rent expense under these leases was \$5,767 and \$6,642 for the years ended June 30, 2013 and 2012, respectively.

The Organization leases various motor vehicles under operating leases expiring at various dates through March 2017. The leases require minimum annual rental payments ranging from \$179 to \$700. Lease expense under these leases was \$57,760 and \$69,695 for the years ended June 30, 2013 and 2012, respectively.

## Beaverbrook STEP, Inc.

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

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### 8. OPERATING LEASES...continued

Future minimum lease payments due for leases with minimum future periods of one year or more are as follows:

2014	\$	202,385
2015		167,474
2016		155,632
2017		133,189
2018		78,592
Thereafter		<u>319,313</u>
	\$	<u>1,056,585</u>

### 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the year ended June 30, 2012 by incurring costs satisfying the restricted purposes or by the occurrence of other events specified by the donor. Contributions of \$254 were used for educational benefits. There were no net assets released from restrictions during the year ended June 30, 2013.

### 10. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through September 25, 2013, the date the financial statements were available to be issued.