

Acre Family Child Care, Inc.

**Financial Statements
& Independent Auditor's Report**

For the Years Ended December 31, 2013 and 2012

To the Board of Directors of
Acre Family Child Care, Inc.

In accordance with your request, we have examined the financial statements of Acre Family Child Care, Inc. as of and for the years ending December 31, 2013 and 2012 and submit the following:

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Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
April 10, 2014

Independent Auditor's Report

To the Board of Directors of
Acre Family Child Care, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Acre Family Child Care, Inc., (a non-profit organization), which comprise the statements of financial position as of December 31, 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 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 audits 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 reasonable 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 Acre Family Child Care, Inc. as of December 31, 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.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2014 on our consideration of Acre Family Child Care, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acre Family Child Care, Inc.'s internal control over financial reporting and compliance.

Anstiss + Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
April 10, 2014

Acre Family Child Care, Inc.
Statements of Financial Position
December 31, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 649,073	\$ 736,987
Investments (Note 6)	824,539	795,516
Contracts receivable (Note 3)	273,568	242,873
Other receivables - net of allowance for doubtful accounts (Note 4)	60,941	39,032
Prepaid expenses	23,496	47,138
Total current assets	1,831,617	1,861,546
Fixed assets - net (Note 7)	89,624	53,002
Other assets		
Beneficial interest in an agency endowment (Notes 6 and 8)	113,418	103,070
Security deposits	-	1,116
Total other assets	113,418	104,186
Total assets	\$ 2,034,659	\$ 2,018,734
Liabilities & Net Assets		
Current liabilities		
Accounts payable	\$ 21,268	\$ 30,582
Provider contracts payable	186,357	166,889
Accrued expenses	14,400	14,100
Accrued wages and salaries	23,685	37,050
Accrued vacation and benefits	17,750	18,750
Deferred revenue	9,695	9,948
Current portion of capital lease obligation (Note 10)	27,216	27,879
Total current liabilities	300,371	305,198
Capital lease obligation (Note 10)	16,664	40,187
Total liabilities	317,035	345,385
Net assets		
Unrestricted net assets	1,705,108	1,668,772
Temporarily restricted net assets (Note 2)	12,516	4,577
Total net assets	1,717,624	1,673,349
Total liabilities & net assets	\$ 2,034,659	\$ 2,018,734

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statements of Activities
For the Years Ended December 31, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>
Revenue and support:						
Program service fees	\$ 3,676,507	-	\$ 3,676,507	\$ 3,655,932	-	\$ 3,655,932
Grants and contributions	101,654	114,812	216,466	65,825	74,035	139,860
Investment income - net (Note 5)	90,026	-	90,026	86,661	-	86,661
Change in fair value of beneficial interest in an agency endowment (Note 8)	14,688	-	14,688	9,605	-	9,605
(Loss) gain on the disposition/sale of fixed asset	(1,234)	-	(1,234)	5,000	-	5,000
Net assets released from restrictions	106,873	(106,873)	-	69,458	(69,458)	-
Total revenue and support	<u>3,988,514</u>	<u>7,939</u>	<u>3,996,453</u>	<u>3,892,481</u>	<u>4,577</u>	<u>3,897,058</u>
Expenses:						
Program	3,406,122	-	3,406,122	3,316,770	-	3,316,770
General administrative	525,750	-	525,750	521,248	-	521,248
Fundraising	20,306	-	20,306	1,596	-	1,596
Total expenses	<u>3,952,178</u>	<u>-</u>	<u>3,952,178</u>	<u>3,839,614</u>	<u>-</u>	<u>3,839,614</u>
Change in net assets	<u>36,336</u>	<u>7,939</u>	<u>44,275</u>	<u>52,867</u>	<u>4,577</u>	<u>57,444</u>
Net assets at beginning of year	<u>1,668,772</u>	<u>4,577</u>	<u>1,673,349</u>	<u>1,615,905</u>	<u>-</u>	<u>1,615,905</u>
Net assets at end of year	<u>\$ 1,705,108</u>	<u>\$ 12,516</u>	<u>\$ 1,717,624</u>	<u>\$ 1,668,772</u>	<u>\$ 4,577</u>	<u>\$ 1,673,349</u>

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2013

	Child Care Services	Transportation Services	Training Initiatives	Total Program Services	General and Administrative	Fundraising	Total for 2013
Salaries and payroll taxes	\$ 341,298	\$ 228,265	\$ 35,380	\$ 604,943	\$ 314,142	\$ -	\$ 919,085
Fringe benefits	82,653	52,411	1,965	137,029	89,851	-	226,880
Advertising	-	95	-	95	2,049	2,169	4,313
Vehicle expenses	350	86,430	-	86,780	-	-	86,780
Information technology	13,083	8,354	1,332	22,769	16,998	-	39,767
Direct care subcontractors	2,272,552	139,663	-	2,412,215	-	-	2,412,215
Consultants	-	-	-	-	-	685	685
Events	3,092	-	-	3,092	-	11,180	14,272
Grant expense	-	-	-	-	1,000	-	1,000
Insurance	7,737	5,029	802	13,568	7,146	-	20,714
Interest expense	-	3,693	-	3,693	-	-	3,693
Legal and accounting	-	-	-	-	14,350	-	14,350
Licenses and permits	-	-	-	-	525	-	525
Meetings and conferences	287	-	-	287	5,175	529	5,991
Rent	16,920	10,998	1,804	29,722	15,628	-	45,350
Office expense	-	-	-	-	15,729	2,918	18,647
Office supplies	28	204	-	232	5,261	685	6,178
Printing and membership dues	370	328	-	698	10,401	2,140	13,239
Program expenses	680	1,409	33,067	35,156	-	-	35,156
Provider training	3,876	-	-	3,876	-	-	3,876
Repairs and maintenance	2,163	1,406	224	3,793	1,998	-	5,791
Staff training	-	48	-	48	5,284	-	5,332
Telephone	6,013	2,049	-	8,062	10,048	-	18,110
Travel	1,420	92	-	1,512	3,026	-	4,538
Bad debt expense	10,000	-	-	10,000	-	-	10,000
Depreciation expense	-	28,552	-	28,552	7,139	-	35,691
Total	\$ 2,762,522	\$ 569,026	\$ 74,574	\$ 3,406,122	\$ 525,750	\$ 20,306	\$ 3,952,178

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Child Care Services	Transportation Services	Training Initiatives	Total Program Services	General and Administrative	Fundraising	Total for 2012
Salaries and payroll taxes	\$ 313,382	\$ 212,623	\$ 41,841	\$ 567,846	\$ 328,741	\$ -	\$ 896,587
Fringe benefits	78,648	53,354	7,279	139,281	80,928	-	220,209
Advertising	-	510	-	510	2,998	150	3,658
Vehicle expenses	336	78,647	-	78,983	-	-	78,983
Information technology	9,728	6,397	1,305	17,430	10,262	-	27,692
Direct care subcontractors	2,252,514	131,008	-	2,383,522	-	-	2,383,522
Consultants	-	-	-	-	2,325	-	2,325
Events	3,219	260	66	3,545	-	-	3,545
Insurance	6,856	4,509	920	12,285	7,232	-	19,517
Interest expense	-	5,024	-	5,024	31	-	5,055
Legal and accounting	-	1,270	-	1,270	13,825	-	15,095
Licenses and permits	-	-	-	-	660	-	660
Meetings and conferences	77	54	-	131	6,849	-	6,980
Rent	11,803	7,762	1,583	21,148	12,552	-	33,700
Office expense	94	29	-	123	11,970	1,000	13,093
Office supplies	67	254	-	321	6,593	-	6,914
Printing and membership dues	305	260	-	565	10,428	446	11,439
Program expenses	1,067	930	15,629	17,626	-	-	17,626
Provider training	11,535	-	235	11,770	-	-	11,770
Repairs and maintenance	2,391	1,573	321	4,285	2,523	-	6,808
Staff training	-	-	-	-	8,920	-	8,920
Telephone	5,389	1,864	-	7,253	8,438	-	15,691
Travel	1,004	37	-	1,041	3,034	-	4,075
Bad debt expense	8,000	-	-	8,000	-	-	8,000
Depreciation expense	-	34,811	-	34,811	2,939	-	37,750
Total	\$ 2,706,415	\$ 541,176	\$ 69,179	\$ 3,316,770	\$ 521,248	\$ 1,596	\$ 3,839,614

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 44,275	\$ 57,444
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	35,691	37,750
Loss (gain) on the disposition/sale of fixed assets	1,234	(5,000)
Realized and unrealized gain on investments	(70,355)	(64,561)
Change in fair value of a beneficial interest in an agency endowment	(14,688)	(9,605)
Bad debt expense	10,000	8,000
Changes in assets and liabilities		
(Increase) decrease in contracts and other receivables	(62,604)	45,677
Decrease (increase) in prepaid expenses and other assets	24,758	(527)
(Decrease) increase in accounts payable	(9,314)	10,274
Increase (decrease) in provider contracts payable	19,468	(26,987)
(Decrease) increase in accrued expenses	(14,065)	4,239
(Decrease) increase in deferred revenue	(253)	1,513
Net cash (used for) provided by operating activities	<u>(35,853)</u>	<u>58,217</u>
Cash flows from financing activities		
Payments on capital lease obligation	(24,186)	(26,433)
Net cash used for financing activities	<u>(24,186)</u>	<u>(26,433)</u>
Cash flows from investing activities		
Purchase of investments	(185,633)	(180,007)
Proceeds from sale of investments	226,965	134,384
Distribution from beneficial interest in an agency endowment	4,341	-
Purchase of fixed assets	(73,548)	-
Net cash used for investing activities	<u>(27,875)</u>	<u>(45,623)</u>
Net decrease in cash and cash equivalents	(87,914)	(13,839)
Cash and cash equivalents - beginning	736,987	750,826
Cash and cash equivalents - ending	<u>\$ 649,073</u>	<u>\$ 736,987</u>
Supplemental data:		
Interest paid	\$ 3,693	\$ 5,055
Taxes paid	\$ -	\$ -
In-kind contributions	\$ -	\$ -

See accompanying auditor's report and notes to financial statements.

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 1 - Organization

Acre Family Child Care, Inc. (the "Organization" or "Acre") was incorporated in the Commonwealth of Massachusetts as a not-for-profit organization on November 22, 1988. The Organization provides training programs in English, Spanish and Khmer, which enable women to run licensed family child care businesses out of their own homes. The training program begins with an initial three-month session and builds a career ladder through "Benchmarks for Child Care Quality" workshops and an accreditation track from the National Association for Family Child Care.

The Organization's network of family child care providers offers care to over 300 children on a daily basis. Acre offers training sessions and networking meetings on issues specific to child care regulations and makes regular visits to the child care homes to monitor the quality of care and to offer one-to-one technical assistance. The Organization also administers a loan program, which offers small business loans to contracting providers for equipment, facility development and educational needs. In addition, Acre offers transportation to and from child care via mini-school buses. The Organization transports approximately 120 children each day. All drivers have Commercial Drivers Licenses and are trained in CPR and First Aid.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Basis of Presentation

Acre reports net assets and revenues, expenses, gains, and losses in accordance with the provisions of ASC 958-205, "*Presentation of Financial Statements*". Under ASC 958-205, financial information is classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations are classified as unrestricted.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time, are classified as temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2013 and 2012 the Organization had \$12,516 and \$4,577 of net assets temporarily restricted for fixed asset purchases and UPK grant costs, respectively.

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization are classified as permanently restricted. Generally, the donors of these assets permit the corporation to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2013 and 2012 the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

Cash equivalents are composed of highly liquid investments with an original maturity of three months or less.

Investments

Acre follows the provisions of ASC 958-320, “*Investments – Debt and Equity Securities*”, whereby investments in marketable securities with readily determinable fair values are reported at their fair market values in the statement of financial position. The market value of publicly traded securities is based upon quotes from principal exchanges on which the securities are traded. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the accompanying statements of activities.

Fixed Assets

The Organization capitalizes major purchases of fixed assets, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance and repairs are charged to expense as incurred. Capitalized assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. When assets are retired or disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is provided using the straight-line method over the estimated useful life of the assets as follows:

<u>Description</u>	<u>Years</u>
Leasehold Improvements	5
Furniture, fixtures and equipment	3-7
Vehicles	5

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Contracts

Contracts are recognized as revenue upon performance of reimbursable activities. In some cases, the contracts have been restricted by the funding source as being only available for use in specific programs. These funds are normally expended as received and are recorded together with other unrestricted contracts.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Expense Allocation

Expenses are allocated among program and supporting services directly or based on time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization.

Fair Value of Financial Instruments

The Organization follows ASC 820-10, "*Fair Value Measurements and Disclosures*". ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In those instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (continued)

The carrying amounts for cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value due to their short-term nature.

ASC 825-10, “*Financial Instruments*”, permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. Acre Family Child Care, Inc. has adopted the additional fair value option allowed in the standard for the presentation of its beneficial interest in an agency endowment (Note 8).

Advertising

The Organization expenses advertising costs as incurred. During the years ended December 31, 2013 and 2012, the Organization incurred advertising costs of \$4,313 and \$3,658, respectively.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and contract receivables. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. Management periodically assesses the stability of the financial institutions that hold their funds and considers credit risk to be minimal. The Organization has not experienced any losses in such accounts. Credit risk associated with contracts receivable is concentrated among State agencies which comprise substantially all of the receivable balances as of December 31, 2013 and 2012.

Uncertain Tax Positions

The Organization, incorporated under Chapter 180 of the Massachusetts General Laws as a tax exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization is required by ASC 740-10, “*Income Taxes*”, to evaluate and disclose tax positions that could have an effect on the Organization’s financial statements. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of the Organization’s income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax exempt not-for-profit entity.

Note 3 - Contracts and Contracts Receivable

The Organization received program service fee revenue of \$3,676,507 and \$3,655,932 during fiscal years ending December 31, 2013 and 2012, respectively. Included in this funding is \$3,287,161 and \$3,292,209, respectively, from several contracts with the Commonwealth of

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 3 - Contracts and Contracts Receivable (Continued)

Massachusetts, Department of Early Education and Care, which are funded in large measure by the U.S. Department of Health and Human Services. The combined funding sources provide most of the support for the Organization's programs.

These contracts are subject to possible audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization as of December 31, 2013 and 2012 or on the changes in its net assets or cash flows for the years then ended. Amounts receivable under these contracts as of December 31, 2013 and 2012 were \$273,568 and \$242,873, respectively.

Note 4 - Other Receivables

Revenue is accounted for at established rates on the accrual basis. The Organization's policy is not to accrue interest on contracts receivable. The Organization records its accounts receivable at the outstanding principal amount, less an allowance for doubtful accounts. On a periodic basis, the Organization's management evaluates its accounts receivable and, if appropriate, establishes an allowance for doubtful accounts. The evaluation considers factors such as the history of write-offs and collections, as well as current credit conditions and estimated payment arrangement outcomes. The allowance for doubtful accounts was \$30,788 and \$23,000 as of December 31, 2013 and 2012, respectively.

The Organization has a business loan program that gives its provider network access to small business loans of up to \$5,000 at an interest rate 4% to be used for child care center renovations, equipment or higher education. The provider loans are all due within one year from the date of disbursement. Management deems all loans to be collectible as monthly payments are withheld from the providers' compensation until the loan is paid in full. Therefore, no allowance has been recorded for these receivables. Included in other receivables as of December 31, 2013 and 2012 were provider loans of \$22,653 and \$10,053, respectively.

Note 5 - Investments

Realized and unrealized gains or losses on investments are determined by comparison of the difference between market values and average cost, respectively. Dividend and interest income is recognized when earned.

Investment income for the years ended December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Unrealized gain -	\$ 55,626	\$ 47,779
Realized gain	14,729	16,782
Interest and dividends	28,452	30,203
Investment fees	(8,781)	(8,103)
Total return on investments	\$ 90,026	\$ 86,661

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 5 - Investments (Continued)

Investment return is shown net of investment management and custody fees paid directly to investment managers. In addition, there were investment fees that were not paid directly to the managers, but rather netted from the return by the various funds.

Note 6 - Fair Value of Financial Instruments

Investment decisions are made by the Board of Directors, which has oversight responsibility for the Organization's investments. The Organization's portfolio is managed by outside investment managers who invest according to the investment guidelines established by the Board of Directors.

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures (see Note 2). The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2013 and 2012:

	2013			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Foreign large cap	\$ 109,527	\$ 109,527	\$ -	\$ -
Diversified emerging markets	68,274	68,274	-	-
Exchange traded	25,587	25,587	-	-
Large cap	223,753	223,753	-	-
Commodities broad basket	33,395	33,395	-	-
Mid cap blend	41,832	41,832	-	-
Small blend	9,061	9,061	-	-
Fixed income funds:				
Intermediate-term bond	151,791	151,791	-	-
Bank loan	56,406	56,406	-	-
Nontraditional bond	38,413	38,413	-	-
High yield bond	66,500	66,500	-	-
Agency endowment	113,418	-	-	113,418
Total assets	<u>\$ 937,957</u>	<u>\$ 824,539</u>	<u>\$ -</u>	<u>\$ 113,418</u>

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 6 - Fair Value of Financial Instruments (Continued)

	2012			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity funds:				
Foreign large cap	\$ 64,969	\$ 64,969	\$ -	\$ -
Diversified emerging markets	68,641	68,641	-	-
Exchange traded	24,252	24,252	-	-
Large cap	194,973	194,973	-	-
Commodities broad basket	40,390	40,390	-	-
Commodities precious metals	16,296	16,296	-	-
Mid cap blend	31,344	31,344	-	-
Small blend	7,670	7,670	-	-
Fixed income funds:				
Intermediate-term bond	241,430	241,430	-	-
Bank loan	40,632	40,632	-	-
High yield bond	64,919	64,919	-	-
Agency endowment	103,070	-	-	103,070
Total assets	\$898,586	\$ 795,516	\$ -	\$ 103,070

Level 3 assets consist of a beneficial interest in an irrevocable agency endowment fund at the Greater Lowell Community Foundation (GLCF) as described in Note 7. Changes in assets with significant unobservable inputs for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Beginning balance	\$ 103,070	\$ 93,465
Additions	-	-
Distributions	(4,341)	-
Change in fair value	14,688	9,605
Ending balance	\$ 113,418	\$ 103,070

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 7 - Fixed Assets

Fixed assets consisted of the following as of December 31st:

	2013	2012
Leasehold Improvements	\$ 46,531	\$ 10,856
Furniture & Equipment	49,016	77,076
School Buses	102,367	150,840
Total Fixed Assets	<u>197,914</u>	<u>238,772</u>
Less: Accumulated Depreciation	<u>(108,290)</u>	<u>(185,770)</u>
Fixed Assets - Net	<u>\$ 89,624</u>	<u>\$ 53,002</u>

Depreciation expense was \$35,691 and \$37,750 for years ending December 31, 2013 and 2012, respectively.

Note 8 - Beneficial Interest in an Agency Endowment

In 2003, an irrevocable agency endowment fund was established by the Organization's Board of Directors to be maintained by the GLCF. The fund agreement grants a variance power to the GLCF that allows for the modification of the agreement by GLCF in certain limited circumstances. The purpose of the fund is to provide the Organization with an annual distribution of unrestricted support in accordance with a "Spending Policy" adopted by the Community Foundation's board. The current spending policy allows for an annual distribution of 5% of the average value of the fund. Funds in the amount of \$4,341 were distributed from the endowment in 2013. No funds were distributed from the endowment in 2012. In accordance with ASC 958-605, "*Transfers of Assets to a Not-for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*", the fund has been reported as an asset of the Organization. As of December 31, 2013 and 2012, the Organization's beneficial interest in the funds held by GLCF was \$113,418 and \$103,070, respectively. Net gains (losses) attributed to the fund (including realized and unrealized gains and losses, interest and dividend income and administration fees) amounting to \$14,688 and \$9,605 for the years ending December 31, 2013 and 2012, respectively, have been included in the statements of activities.

Note 9 - Line of Credit

The Organization has an available \$75,000 line of credit with Enterprise Bank & Trust Company. The variable interest rate, based on the bank's prime rate plus 1%, was 4.25% at December 31, 2013. The line, which expires on December 31, 2045, is secured by all of the Organization's assets and is due on demand. As of December 31, 2013 and 2012, there were no outstanding balances.

Note 10 - Capital Lease Obligation Payable

Organization has several capital lease obligations with Key Government Finance. The first lease, beginning in June 2007, matured in June 2012 and has been revised as an operating lease (see Note 11). The second lease, beginning in December 2008, matured in December 2013 and has been revised to continue as an operating lease in 2014 (see Note 11).

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 10 - Capital Lease Obligation Payable (Continued)

The third lease, beginning in May 2009, matures in April 2014. Payments are due monthly in the amount of \$715, which includes principal and interest (at a rate of 9.9%). The fourth lease, beginning in May 2010, matures May 2015. Payments are due monthly in the amount of \$846, which includes principal and interest (at a rate of 4.7%). Proceeds from each lease were used to purchase mini school buses. The leases are secured by the related property.

The value of the school buses under these leases, which are included in fixed assets, was \$102,367 and \$150,840 as of December 31, 2013 and 2012, respectively. Amortization on the lease obligations of \$28,552 and \$34,811 has been included in depreciation expense as of December 31, 2013 and 2012, respectively.

Future minimum lease payments due on these capital leases, which contain bargain purchase options, together with the present value of the net minimum lease payments as of December 31, 2013 are as follows:

Year ending December 31 st :	Amount
2014	\$ 30,394
2015	15,228
Total future minimum lease payments	45,622
Less: amount representing interest	(1,742)
Present value of future minimum lease payments	43,880
Less: current maturities of capital lease obligations	(27,216)
Capital lease obligations, net of current maturities	\$ 16,664

Note 11 - Equipment Lease

Upon termination of one of its capital leases in June 2012 (see Note 9) the Organization entered into an arrangement to lease the school bus on a monthly basis. The lease is payable at a monthly rate of \$654. Expense under this arrangement was \$7,848 and \$3,924 for the years ended December 31, 2013 and 2012, respectively.

Upon termination of one of its capital leases in December 2013 (see Note 9) the Organization entered into an arrangement to lease the school bus on a monthly basis beginning in January 2014. The lease is payable at a monthly rate of \$762. There was no expense incurred under this arrangement for the year ended December 31, 2013.

Note 12 - Employee Retirement

The Organization adopted a Simplified Employee Pension Plan in 2006. All employees that have attained the age of 18 and received compensation of at least \$450 during the plan year are eligible to participate. Vesting in the plan is immediate. Contributions shall be allocated in proportion to the compensation of the participants. Elective deferrals are not permitted. A contribution rate of 2% was approved by the Board of Directors for the years ended December 31, 2013 and 2012.

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 12 - Employee Retirement (Continued)

Pension expense was \$16,682 and \$16,190 for the years ended December 31, 2013 and 2012, respectively.

Acre also has a deferred compensation agreement to provide deferred compensation for employees covered under Internal Revenue Code Section 403(b). The Plan is funded through elective employee contributions.

Note 13 - Rent

The Organization had leased office space located in Lowell, MA under a tenant-at-will agreement that was terminated as of June 2013. Rent expense under this lease was \$16,800 and \$33,600 for the years ended December 31, 2013 and 2012, respectively.

On June 7, 2013, the Organization entered into a lease for office space located at 55-67 Middle Street, Lowell, Massachusetts with an effective date of June 1, 2013 and an expiration date of May, 31, 2018. Rent expense under this lease was \$25,083 for the year ended December 31, 2013.

Future minimum annual lease payments under this operating lease at December 31, 2013 are as follows:

Fiscal year ending	
December 31, 2014	\$ 43,000
December 31, 2015	43,000
December 31, 2016	43,000
December 31, 2017	43,000
December 31, 2018	17,917
Total minimum lease payments	<u>\$ 189,917</u>

Note 14 - Related Party Activity

During 2013 and 2012, four members of the Board of Directors were also members of Acre's network of family child care providers. The Organization paid \$192,420 and \$189,969 in direct care provider fees to those Board members during the years ended December 31, 2013 and 2012, respectively.

Included in provider contracts payable as of December 31, 2013 and 2012 were direct care providers fees payable to those Board members in the amounts of \$15,751 and \$13,876, respectively. Included in other receivables as of December 31, 2013 was a provider loan receivable from one of those Board members with a balance of \$2,730. There were no provider loan receivables from related parties as of December 31, 2012.

Acre Family Child Care, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Note 14 - Related Party Activity (Continued)

Two members of the Board of Directors are also employees of Enterprise Bank where the Organization's cash, line of credit and investments are held. The Organization paid \$8,781 and \$8,103 in investment fees to Enterprise Bank for the years ended December 31, 2013 and 2012, respectively.

Note 15 - Subsequent Events

ASC 855-10, "*Subsequent Events*", defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent to December 31, 2013 through April 10, 2014, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

Note 16 - Surplus Revenue Retention

The Organization's contracts with the Commonwealth of Massachusetts are negotiated unit rate type contracts. The Commonwealth allows the Organization to retain a surplus of total revenues attributable to or generated by the Commonwealth funded child care programs to be utilized for the charitable purposes of the Organization. The deficit retention increased by \$241,399 from \$756,017 at December 31, 2012 to \$997,416 at December 31, 2013. This accumulated deficit can be utilized to offset surpluses generated in the future.

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors of
Acre Family Child Care, Inc.

We have audited, 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, the financial statements of Acre Family Child Care, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Acre Family Child Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we

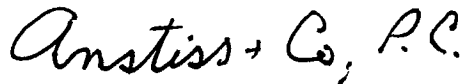
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anstiss & Co., P.C.
Lowell, MA
April 10, 2014

Independent Auditor's Report on Compliance for each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors of
Acre Family Child Care, Inc.

Report on Compliance for Each Major Federal Program

We have audited Acre Family Child Care, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Acre Family Child Care, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Acre Family Child Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Acre Family Child Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Acre Family Child Care, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anstiss + Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
April 10, 2014

Acre Family Child Care, Inc.
Schedule of Findings and Questioned Costs
December 31, 2013

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Acre Family Child Care, Inc.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Acre Family Child Care, Inc. were disclosed during the audit.
4. No instances of noncompliance or significant deficiencies in internal control over compliance relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Acre Family Child Care, Inc. expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program include: CFDA #93.575, Child Care and Development Block Grant, CFDA #93.596, Child Care Mandatory and Matching Funds of the Child Care Development Fund, and CFDA #93.713, ARRA – Child Care and Development Block Grant.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Acre Family Child Care, Inc. did not qualify as a low-risk auditee.

B. Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Program Audit

None

Acre Family Child Care, Inc.
Schedule of Findings and Questioned Costs
December 31, 2013

SUMMARY OF PRIOR AUDIT FINDINGS

Financial Statements Audit

Instance of Noncompliance

2012-1 Health and Safety Requirements

Condition: Provider insurance coverage is not being documented and verified by the Organization in a consistent manner as necessary to be in compliance with federal health and safety requirements under the “Child Care and Development Block Grant”, CFDA No. 93.575 – Grant Period-year ended December 31, 2012, “Child Care Mandatory and Matching Funds of the Child Care Development Fund”, CFDA No. 93.596 – Grant Period-year ended December 31, 2012, and “ARRA – Child Care and Development Block Grant”, CFDA No. 93.713 – Grant Period-year ended December 31, 2012. The federal compliance requirement states that the Organization is responsible for documenting and verifying child care provider compliance with relevant health and safety requirements for those providers serving children who receive subsidies.

Criteria: Procedures should be in place that would ensure that insurance coverage is documented and verified for each provider on an annual basis and at the time of coverage renewal.

Effect: Organization would be in compliance with federal requirements over health and safety requirements.

Recommendation: Insurance coverage should be documented, verified and monitored for each provider to ensure there are no lapses in coverage and to ensure compliance with the health and safety requirements.

Corrective Action: During fiscal year 2013, management intends to add to its existing procedures a process to designate insurance coverage documentation and verification responsibilities to specific

individuals and review responsibilities to others. In the meantime, management is reviewing and updating its files to ensure it has current insurance coverage documented and verified for each of its providers.

Current Status: During 2013 management designated an individual to systematically review and update its files to ensure current insurance coverage had been documented and received for each of its providers.

Federal Awards Programs Audit

Department of Health & Human Services, Passed Through Commonwealth of Massachusetts, Department of Early Education and Care

2012 - 2 Child Care Cluster which includes “Child Care and Development Block Grant”, CFDA No. 93.575 – Grant Period-year ended December 31, 2012, “Child Care Mandatory and Matching Funds of the Child Care Development Fund”, CFDA No. 93.596 – Grant Period-year ended December 31, 2012, and “ARRA – Child Care and Development Block Grant”, CFDA No. 93.713 – Grant Period-year ended December 31, 2012.

Instance of Noncompliance: The instance of noncompliance at finding 2012-1 applies to this grant.

2012 - 3 Child Care Cluster which includes “Child Care and Development Block Grant”, CFDA No. 93.575 – Grant Period-year ended December 31, 2012, “Child Care Mandatory and Matching Funds of the Child Care Development Fund”, CFDA No. 93.596 – Grant Period-year ended December 31, 2012, and “ARRA – Child Care and Development Block Grant”, CFDA No. 93.713 – Grant Period-year ended December 31, 2012.

Significant Deficiency in Internal Control over Compliance: The instance of noncompliance at finding 2012-1 applies to this grant.

Acre Family Child Care, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>State Contract Number</u>	<u>Federal Expenditures</u>
Department of Health & Human Services:			
<u>Pass-through Commonwealth of Massachusetts</u>			
<u>Department of Early Education and Care -</u>			
* Child Care Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CT-BEC-3100ACREFAMILYDAPPSP CT-BEC-3000-10ACREFAMILY25IE CT-BEC-3200ACREFAMILYDAPPTN CT-BEC-3300ACREFAMILYDAPPHL CT-BEC-2013FLEXPOOLINCOMEEL CT-BEC-2014FLEXPOOLINCOMEEL CT-BEC-2013PRIORPOPSUPPMA01 CT-BEC-2014PRIORPOPSUPPMA01 CT-BEC-2013TEENCONTFLEXPOOL CT-BEC-2014TEENCONTFLEXPOOL	\$ 254,326 122,077 5,496 6,963 9,767 8,913 27,760 34,591 41 38 <hr/> 469,972
Child Care and Development Block Grant	93.575	CT-BEC-3100ACREFAMILYDAPPSP CT-BEC-3000-10ACREFAMILY25IE CT-BEC-3200ACREFAMILYDAPPTN CT-BEC-3300ACREFAMILYDAPPHL CT-BEC-2013FLEXPOOLINCOMEEL CT-BEC-2014FLEXPOOLINCOMEEL CT-BEC-2013PRIORPOPSUPPMA01 CT-BEC-2014PRIORPOPSUPPMA01 CT-BEC-2013TEENCONTFLEXPOOL CT-BEC-2014TEENCONTFLEXPOOL	163,218 254,005 11,436 14,489 20,322 18,546 17,816 22,199 85 79 <hr/> 522,195 <hr/> 992,167
Total Child Care Cluster			<hr/> 992,167
Temporary Assistance for Needy Families	93.558	CT-BEC-3000-10ACREFAMILY25IE CT-BEC-3200ACREFAMILYDAPPTN CT-BEC-3300ACREFAMILYDAPPHL CT-BEC-2013FLEXPOOLINCOMEEL CT-BEC-2014FLEXPOOLINCOMEEL CT-BEC-2013TEENCONTFLEXPOOL CT-BEC-2014TEENCONTFLEXPOOL	528,833 23,810 30,165 42,311 38,612 178 164 <hr/> 664,073
<u>Pass-through International Institute of New England</u> Refugee and Entrant Assistance - Discretionary Grants	93.576	90RG0095/01	10,823 <hr/> 1,667,063
Total Department of Health & Human Services			
Institute of Museum and Library Services			
<u>Pass-through Discovery Museums</u>			
Museums for America	45.301	MA-04-11-0211-11	9,295 <hr/>
Department of Housing and Urban Development:			
<u>Pass-through City of Lowell</u>			
Community Development Block Grants/Entitlement Grants	14.218	32710154-00 32750171-00	12,000 10,000 <hr/> 22,000
Total Federal Award Expenditures			<hr/> \$ 1,698,358 <hr/>

Acre Family Child Care, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Acre Family Child Care, Inc. under programs of the federal government for the year ended December 31, 2013. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Acre Family Child Care, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Acre Family Child Care, Inc.

2. Summary of Significant Accounting Policies:

(a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(b) Pass-through entity identifying numbers are presented where available.

* Major Program