

**THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES**

**Consolidated Financial Statements**

**June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Arc of Bristol County, Inc and Affiliates  
Attleboro, Massachusetts

I have audited the accompanying consolidated financial statements of The Arc of Bristol County, Inc and Affiliates (nonprofit organizations) which comprise the consolidated statement of financial position as of June 30, 2014 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit 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 I 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 applicable in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Bristol County, Inc. and Affiliates as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 14, 2014 on my consideration of The Arc of Bristol County, Inc. and Affiliates' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Arc of Bristol County, Inc. and Affiliates' internal control over financial reporting and compliance.

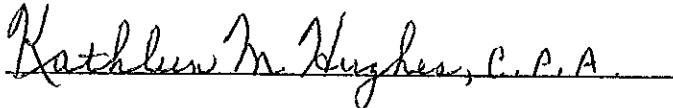
## Report on Summarized Comparative Information

I have previously audited The Arc of Bristol County, Inc. and Affiliates' 2013 financial statements, and my report dated November 14, 2013, expressed an unmodified opinion on those financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

## Supplementary Information

The information included in the statements of financial position and activities by entity is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

  
Kathleen M. Hughes, C.P.A.

Norfolk, Massachusetts  
November 14, 2014

**THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES**  
**Consolidated Statement of Financial Position**  
**June 30, 2014 and 2013**

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>ASSETS</b>		
Cash	\$1,036,901	\$652,673
Accounts receivable	959,345	1,271,717
Agency Endowment Fund	253,589	225,170
Replacement reserve	153,102	154,945
Other assets	149,855	157,639
Property and equipment	<u>2,491,966</u>	<u>2,588,633</u>
<b>TOTAL ASSETS</b>	<u><u>\$5,044,758</u></u>	<u><u>\$5,050,777</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$85,433	\$100,536
Accrued expenses	335,660	341,222
Leases payable	957	4,691
Deferred grants	0	50,000
Loans payable	46,754	37,912
Mortgages payable	<u>2,467,481</u>	<u>2,551,354</u>
<b>TOTAL LIABILITIES</b>	<u>2,936,285</u>	<u>3,085,715</u>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Property and equipment	109,584	173,149
Board Designated	118,000	97,000
Undesignated	1,638,827	1,452,851
Temporarily restricted	200,000	200,000
Permanently restricted	<u>42,062</u>	<u>42,062</u>
<b>TOTAL NET ASSETS</b>	<u>2,108,473</u>	<u>1,965,062</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$5,044,758</u></u>	<u><u>\$5,050,777</u></u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Consolidated Statement of Activities and Changes in Net Assets  
 For the Year Ended June 30, 2014  
 With Comparative Totals for June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2014	June 30, 2013
<b>REVENUE, SUPPORT AND OTHER INCOME</b>					
DDS Contracts	\$2,796,530			\$2,796,530	\$2,769,286
Rhode Island Contracts	1,370,895			1,370,895	1,257,654
Medicaid payments for services	2,877,046			2,877,046	2,528,165
Other program income	269,821			269,821	195,835
Donations, bequests and fundraising	44,083			44,083	40,072
Grants	63,385			63,385	122,750
Rental income	208,408			208,408	198,758
Investment income	38,224			38,224	35,075
Donated rent	8,000			8,000	8,000
<b>Total revenue, support and other income</b>	<u>7,676,392</u>	<u>0</u>	<u>0</u>	<u>7,676,392</u>	<u>7,155,595</u>
<b>EXPENSES</b>					
Program services	6,493,400			6,493,400	5,937,828
Management and general	963,372			963,372	907,244
Fundraising	76,209			76,209	82,387
<b>Total expenses</b>	<u>7,532,981</u>	<u>0</u>	<u>0</u>	<u>7,532,981</u>	<u>6,927,459</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>143,411</u>	<u>0</u>	<u>0</u>	<u>143,411</u>	<u>228,136</u>
Net Assets, Beginning of Period	<u>1,723,000</u>	<u>200,000</u>	<u>42,062</u>	<u>1,965,062</u>	<u>1,736,926</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$1,866,411</u>	<u>\$200,000</u>	<u>\$42,062</u>	<u>\$2,108,473</u>	<u>\$1,965,062</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2014  
With Comparative Totals for June 30, 2013

	Program Services	Management and General	Fund Raising	Total June 30, 2014	Total June 30, 2013
Salaries and related expenses	\$3,434,001	\$525,047	\$66,936	4,025,984	\$3,801,287
Program expenses	2,501,444			2,501,444	2,265,345
Occupancy expenses	441,021	85,335		526,356	415,544
General operating expenses		315,501	9,273	324,774	285,412
Total expenses before depreciation	6,376,466	925,883	76,209	7,378,558	6,767,588
Depreciation	115,176	37,489		152,665	158,113
Amortization	1,758			1,758	1,758
Total expenses	\$6,493,400	\$963,372	\$76,209	\$7,532,981	\$6,927,459

The accompanying notes are an integral part of these financial statements.

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Consolidated Statement of Cash Flows  
For the Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$143,411	\$228,136
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation and amortization	154,423	158,113
Unrealized (gains) on investments	(28,419)	(22,931)
(Increase) decrease in operating assets		
Accounts receivable	312,372	(43,651)
Replacement reserve	1,843	(10,698)
Other assets	6,026	(48,740)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(20,665)	45,178
Leases payable	(3,734)	(6,385)
Deferred revenue	(50,000)	(50,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>515,257</u>	<u>249,022</u>
<b>Cash Flows from Investing Activities</b>		
Change in restricted cash	0	(1,893)
Purchase of property and equipment	(55,998)	(12,075)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(55,998)</u>	<u>(13,968)</u>
<b>Cash Flows from Financing Activities</b>		
Increase in long term debt	25,385	40,000
Payments on long-term debt	(100,416)	(90,277)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(75,031)</u>	<u>(90,277)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>384,228</b>	<b>184,777</b>
<b>Cash and cash equivalents, beginning of period</b>	<u>652,673</u>	<u>467,896</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$1,036,901</u></u>	<u><u>\$652,673</u></u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	<u>\$84,302</u>	<u>\$99,322</u>

The accompanying notes are an integral part of these financial statements.



# THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements June 30, 2014 and 2013

### Note 1. Summary of Significant Accounting Policies:

#### Nature of Activities:

The Arc of Bristol County, Inc. and its Affiliates all provide services to individuals with developmental disabilities and also to their families. Currently they provide services in Southeastern Massachusetts and Rhode Island. The major sources of revenue are contracts and leases with Massachusetts and contracts with Rhode Island.

#### Financial Statement Presentation:

The Organizations report information regarding their financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Net assets are released from donor restrictions when expenses are incurred or some event occurs that satisfies the restriction. Donor restricted contributions that are received and expended in the same year are reported as unrestricted revenues.

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended June 30, 2013 from which the summarized information was derived.

#### Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Income Taxes - Uncertain Positions:

The Organizations are exempt from federal income taxes under section 501(c)(3) or 501(c)(2) of the Internal Revenue Code and therefore have made no provision for federal income taxes in the accompanying financial statements. The Organizations believe that they do not have any uncertain tax positions that are material to the financial statements. The Organizations' Federal Exempt Organization tax returns (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

## THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements June 30, 2014 and 2013

#### Estimates:

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

#### Functional Allocation of Expenses:

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

#### Donated Facilities:

During the years ended June 30, 2014 and 2013, donated facilities for one of the Fall River programs were valued at their fair market value of \$8,000 for each year.

#### Principles of Consolidation:

The consolidated financial statements include the accounts of The Arc of Bristol County Inc. and Affiliates, The Arc of Greater Fall River, Inc; The Arc of Greater Fall River Realty, Inc and Advocacy Resource Center of Greater New Bedford, Inc. which are all under common control. All significant intercompany balances and transactions are eliminated in consolidation.

#### Note 2. Accounts Receivable:

Accounts receivable consist of amounts due from various agencies, principally the Commonwealth of Massachusetts and the State of Rhode Island for services performed pertaining to the Organizations' various contracts.

#### Note 3. Agency Endowment Fund:

The Community Foundation of Southeastern Massachusetts (the Foundation) manages in an agency capacity an endowment fund in the original principal amount of \$250,000 commencing May 14, 1997. The purpose is to provide current income and long-term protection for the operations of the Organization. The assets of this fund would revert back to the Organization should the Foundation dissolve or cease to be a charitable organization. During the year ended June 30, 2014, the Organization received \$5,384 of income from the fund as well as receiving a distribution of \$8,749. For the year ended June 30, 2013, the Organization received \$1,519 of income and a distribution of \$9,419.

# THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements June 30, 2014 and 2013

### Note 4. Property and Equipment:

Fixed assets are carried at cost with depreciation being computed on a straight-line basis over the estimated useful lives of the assets. The Organizations capitalize all purchases of property and equipment in excess of \$5,000. Property and equipment consist of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land and buildings	\$ 3,830,808	\$ 3,823,964
Furnishings and fixtures	177,647	177,647
Vehicles	259,465	233,080
Office equipment	<u>214,976</u>	<u>207,594</u>
	4,482,896	4,442,285
Accumulated depreciation	<u>1,990,930</u>	<u>1,853,652</u>
	<u>\$2,491,966</u>	<u>\$2,588,633</u>

### Note 5. Donated Property:

On September 22, 1993, the Patricia Howard Irrevocable Trust donated a condominium to the Arc. The condominium, located in Attleboro, MA, was transferred pursuant to powers set forth in said Trust and must be maintained, in perpetuity, as a residence for developmentally disabled individuals. The market value of the property on the date of transfer was estimated at \$57,000.

On July 1, 1997, the above donated condominium was exchanged for a building on Brown Street, Attleboro, MA. All stipulations and restrictions set forth in the original Patricia Howard Irrevocable Trust still apply. The Brown Street property is still to be maintained, in perpetuity, as a residence for developmentally disabled individuals. The asset value of the Brown Street property on July 1, 1997 was \$128,784 (building \$113,784 and land \$15,000).

### Note 6. Replacement Reserve:

In accordance with the provisions of the mortgage note between the Organization (Borrower) and the Massachusetts Housing Finance Agency (Agency), the Borrower shall establish and maintain a reserve fund for replacements (the Replacement Reserve) in an escrow account controlled by the Agency by depositing with the Agency the existing balance of the replacement reserve, and such monthly amounts thereafter, as set forth in the "Replacement Reserve - Payment Schedule" annexed in the mortgage agreement as Exhibit A. It is agreed by the Borrower that the replacement reserve shall be adjusted each year as set forth in the schedule. In addition, pursuant to Section 5.8 of the lease, as modified by the Rider to the Lease, the replacement reserve amount shall be subject to review by the Borrower and DCAM every five years for the term of the lease. The interest earned on the account shall remain in the replacement reserve for the benefit of the project.

**THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements  
June 30, 2014 and 2013**

**Note 6. (continued)**

Disbursements from such fund, whether for the purpose of effecting replacement of structural elements or mechanical equipment, may be made only after receiving prior consent in writing from the Agency, which consent will not be withheld unreasonably, and upon written approval by the DCAM in accordance with Section 5.8 of the Community Residence Lease Purchase Agreement. In an event of default under the mortgage whereby repayment of the loan is accelerated, the Agency may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated. In the event of prepayment of the loan pursuant to the provision of the mortgage, the balance in such fund shall belong to the Borrower. (Also see notes 7 and 8)

**Note 7. Mortgages Payable:**

Mortgages payable consist of the following at June 30, 2014:

Facilities Consolidation Fund Mortgages assigned to CEDAC FCF Program represent five separate 30 year loans. Interest on the loans accrues at 0% per year simple interest and is assessed on a pro rata basis at the end of each month during the first 20 years unless the project's debt coverage ratio exceeds 1.05. Such excess cash flow is due and payable to CEDAC within 45 days of the end of each calendar year and shall be applied first to the interest due and thereafter to reduce the principal balance of the Facilities Consolidation Fund loans. The mortgages are secured by five related land and buildings. Additionally, these mortgages are subordinated to debt with Massachusetts Housing Finance Agency. The balance due on these mortgages at June 30, 2014 was \$874,227.

In addition, the following mortgages are with Massachusetts Housing Finance Agency:

1. Mortgage note payable in monthly installments of \$959. including interest at 5.35%, maturing in August, 2026, secured by land and building. The balance due at June 30, 2014 was \$102,707.
2. Mortgage note payable in monthly installments of \$962. including interest at 5.35%, maturing in July, 2026, secured by land and building. The balance due at June 30, 2014 was \$102,618.
3. Mortgage note payable in monthly installments of \$1,007. including interest at 5.55%, maturing in December, 2026, secured by land and building. The balance due at June 30, 2014 was \$108,804.
4. Mortgage note payable in monthly installments of \$985. including interest at 5.35%, maturing in August, 2026, secured by land and building. The balance due at June 30, 2014 was \$105,523.

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements  
June 30, 2014 and 2013

Note 7. (continued):

5. Mortgage note payable in monthly installments of \$1,024, including interest at 5.55%, maturing in January, 2029, secured by land and building. The balance due at June 30, 2014 was \$122,706.

The schedule of the next five year maturities on the above are as follows:

2015	\$ 30,443
2016	31,473
2017	33,926
2018	35,814
2019	37,924
Thereafter	<u>1,247,005</u>
	<u>\$1,416,585</u>

In August, 2006, the Organization purchased a building in Taunton at which time the existing mortgages were refinanced through the Bank of America. The Organization's obligations due to the refinancing are as follows:

A 25 year mortgage in the amount of \$850,000 with a 20 year fixed rate. The interest rate is a one month LIBOR hedged with a 20 year fixed rate swap at closing. At closing, the rate was 6.16%. The outstanding balance at June 30, 2014 was \$734,283.

A 20 year mortgage in the amount of \$500,000 with a 5 year fixed rate. The interest rate is based on a tax-exempt adjusted rate over 20 years. After refinancing in August, 2011, the current rate is 4.05%. The outstanding balance at June 30, 2014 was \$64,853.

The schedule of the next five year maturities on the above are as follows:

2015	\$ 46,160
2016	49,510
2017	52,834
2018	56,495
2019	60,470
Thereafter	<u>533,667</u>
	<u>\$ 799,136</u>

## THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements June 30, 2014 and 2013

#### Note 7. (continued):

In August, 2007, the Organization purchased property on Dunham Street, Attleboro which was financed by a mortgage with Bristol County Savings Bank in the amount of \$234,000 over 20 years with a fixed rate of 8% for the first five years followed by annual adjustments up to 1% above the Bank's base rate. Monthly payments are currently \$1,594.88 at a rate of 5%. The outstanding balance at June 30, 2014 was \$184,335.

In November, 2010, the Organization purchased property on Carver Street, Pawtucket which was financed by a mortgage with Bristol County Savings Bank in the amount of \$75,000 over 20 years with a fixed rate of 6.5% for the first five years followed by annual adjustments up to 2% above the bank's base rate. For the first 5 years the monthly principal and interest payments are \$559.18. The outstanding balance at June 30, 2014 was \$67,425.

All real estate is pledged as collateral on all the mortgages listed above.

In April, 2013, the Organization received a 36 month loan in the amount of \$40,000 to purchase equipment. Monthly payments are \$1,043.75 principal plus interest at 4.25%. The outstanding balance at June 30, 2014 was \$25,053. All business assets of the Corporation are pledged as collateral.

In December, 2013, the Organization received a 48 month loan in the amount of \$25,385 to purchase a vehicle. Monthly payments are \$569.99 principal plus interest at 3.72%. The outstanding balance at June 30, 2014 was \$21,702. The vehicle is pledged as collateral.

The Organization has also established a line of credit with the Bristol County Savings Bank in the amount \$600,000. The line of credit has an interest rate of the current bank rate plus 1% with a floor of 5%. All business assets of the Corporation are pledged as collateral. There was no outstanding balance at either June 30, 2014 or June 30, 2013.

#### Note 8. Rental Income:

The Organization leases to the Commonwealth of Massachusetts five residences, which were constructed in 1997, 1998 and 1999 under separate 30 year leases. Each of these leases requires that the property be maintained for residential use by the Department of Developmental Services. The leases contain purchase options by the Lessee, which can be exercised anytime during the lease term and would result in a transfer of the property to the Lessee at the end of the lease term. The purchase options in these leases provide that the Commonwealth of Massachusetts would assume the balance of the then outstanding mortgage obligations relating to the property as a condition of exercising the purchase option. (see note 7). These leases are being accounted for as operating leases. These leases require that the Organization establish a "replacement reserve fund" for the purpose of financing the repairs and maintenance of the leased properties. The balance of the replacement reserve as of June 30, 2014 is \$153,102. At June 30, 2013, the balance was \$154,945. (Also see note 6).

**THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements  
June 30, 2014 and 2013**

**Note 8. (continued):**

**The amounts due to fund the replacement reserve during the next five years are as follows:**

2015	\$ 27,290
2016	28,655
2017	30,240
2018	31,906
2019	<u>33,834</u>
	<u>\$151,925</u>

**The following is a schedule of the future rents to be received over the next 5 years:**

2015	\$ 140,757
2016	142,691
2017	144,729
2018	147,260
2019	<u>149,021</u>
	<u>\$ 724,458</u>

**Rental income for the year ended June 30, 2014 was \$142,311 and for year ended June 30, 2013 it was \$140,354.**

**Note 9. Leases Commitments:**

**Capital Leases:**

**The Organization leases certain office equipment and the economic substance of the leases is that the Organization is financing the purchase of the equipment and accordingly, they are recorded in the Organization's assets and liabilities.**

**Future minimum lease payments under the capital leases are \$957 for 2015.**

**The assets held under capital leases are included in equipment as follows:**

Equipment	\$26,184
Less accumulated depreciation	<u>(26,184)</u>
	<u>\$ 0</u>

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements  
June 30, 2014 and 2013

Note 9. (continued)

**Operating Leases:**

The Organization leases space at various locations, some under a lease agreement and some as tenant at will. The current leases have expiration dates ranging from 2015 through 2017. Rent expense under these leases was \$181,062 for the year ended June 30, 2014. The Organization also paid \$29,988 as a tenant at will.

Minimum future lease payments under the various leases in effect at June 30, 2014 are as follows:

Year Ending June 30, 2015	\$196,514
June 30, 2016	142,642
June 30, 2017	<u>79,000</u>
	<u>\$418,156</u>

The Organization also leases two vehicles under operating leases expiring in 2015 and 2016. The leases require a combined fixed monthly payment of \$1,298.

Minimum future lease payments under these leases are as follows:

Year Ending June 30, 2015	\$13,479
June 30, 2016	<u>3,594</u>
	<u>\$17,073</u>

**Note 10. Deferred Charges:**

Deferred charges consist of the unamortized balance of mortgage acquisition costs incurred with refinancing arrangements. These costs are being amortized over the life of the related debt. Amortization expense for each of the past two years amounted to \$1,758

**Note 11. Pension:**

The Organization maintains a 403B tax sheltered annuity as well as a Section 125 cafeteria plan and a Section 457B deferred annuity contract for its employees.

**Note 12. Related Party Transactions:**

Two members of the Board of Directors are employees of one of the banks for the Organizations' cash accounts. The Organization incurred interest on the mortgages held by this bank in the amount of \$10,600 for the year ended June 30, 2014 and \$12,512 for the year ended June 30, 2013.



THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements  
June 30, 2014 and 2013

**Note 12. (continued):**

During fiscal years ended June 30, 2014 and 2013, two employees were related to key management. Total salaries paid to the two employees were \$ 36,886 in 2014 and \$34,843 in 2013.

**Note 13. Subsequent Event:**

The Organization evaluated subsequent events through November 14, 2014, the date of financial statement issuance.

**Note 14. Surplus Revenue Retention:**

Beginning with fiscal year ended June 30, 1993, Massachusetts allowed a nonprofit provider to retain an annual net surplus of up to 5% of gross revenue derived from delivering services. The cumulative amount retained since that time may not exceed 20% of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies and must be segregated as surplus revenue retention fund balance. A current year surplus which exceeds the 5% level or a cumulative surplus exceeding the 20% level may be: 1) reinvested in program services as stipulated by the purchasing agency; 2) recouped or, 3) used by the Commonwealth to reduce future contracts to the Organization.

Cumulative (deficit) at June 30, 2010	\$ (847,771)
Revenue retention for June 30, 2011	<u>91,269</u>
Cumulative (deficit) at June 30, 2011	(756,502)
Revenue retention for June 30, 2012	<u>135,423</u>
Cumulative (deficit) at June 30, 2012	(621,079)
Revenue retention for June 30, 2013	<u>128,517</u>
Cumulative (deficit) at June 30, 2013	(492,562)
Revenue retention for June 30, 2014	<u>112,504</u>
Cumulative (deficit) at June 30, 2014	\$ <u>(380,058)</u>

**THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES**

**SUPPLEMENTARY REPORT AND STATEMENTS**

**JUNE 30, 2014**

**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  
The Arc of Bristol County, Inc. and Affiliates  
Attleboro, Massachusetts**

**I have audited, in accordance with the 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 consolidated financial statements of The Arc of Bristol County, Inc. and Affiliates (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 14, 2014.**

**Internal Control over Financial Reporting**

**In planning and performing my audit of the consolidated financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I 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 a 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.**

My 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 my audit I did not identify any deficiencies in internal control that I 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 consolidated financial statements are free of material misstatement, I performed tests of its compliance with certain laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance and the results 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.

*Kathleen M. Hughes, C.P.A.*

Norfolk, Massachusetts  
November 14, 2014

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Statement of Financial Position by Entity  
Includes Inter-Company Receivables / Payables  
June 30, 2014

	Bristol County ARC	Fall River ARC	New Bedford	ARC Realty	TOTALS
<b>ASSETS</b>					
Cash	799,130	173,652	41,163	22,956	\$1,036,901
Accounts receivable	959,345				959,345
Due from Affiliates	125,471	122,917			248,388
Other assets	127,335	750	253,589	21,770	403,444
Replacement reserve				153,102	153,102
Property and equipment	1,601,888	3,086	1,976	885,016	2,491,966
<b>TOTAL ASSETS</b>	<u>\$3,613,169</u>	<u>\$300,405</u>	<u>\$296,728</u>	<u>\$1,082,844</u>	<u>\$5,293,146</u>
<b>LIABILITIES</b>					
Accounts payable	\$85,433				\$85,433
Accrued expenses	335,660				335,660
Leases payable	957				957
Due to Affiliates	51,352		162,503	34,533	248,388
Loans payable	46,754				46,754
Mortgages payable	1,050,896			1,416,585	2,467,481
<b>TOTAL LIABILITIES</b>	<u>1,571,052</u>	<u>0</u>	<u>162,503</u>	<u>1,451,118</u>	<u>3,184,673</u>
<b>NET ASSETS</b>					
Unrestricted					
Property and equipment	109,584				109,584
Board Designated	118,000				118,000
Undesignated	1,772,471	300,405	(65,775)	(368,274)	1,638,827
Temporarily restricted			200,000		200,000
Permanently restricted	42,062				42,062
<b>TOTAL NET ASSETS</b>	<u>2,042,117</u>	<u>300,405</u>	<u>134,225</u>	<u>(368,274)</u>	<u>2,108,473</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$3,613,169</u>	<u>\$300,405</u>	<u>\$296,728</u>	<u>\$1,082,844</u>	<u>\$5,293,146</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF BRISTOL COUNTY, INC. AND AFFILIATES

Statement of Activities and Changes in Net Assets by Entity  
For the Year Ended June 30, 2014

	Bristol County ARC	Fall River ARC	New Bedford	ARC Realty	TOTALS
<b>REVENUE, SUPPORT AND OTHER INCOME</b>					
DDS Contracts	\$2,796,530				\$2,796,530
Rhode Island Contracts	1,370,895				1,370,895
Medicaid payments for services	2,877,046				2,877,046
Other program income	180,609	64,145	25,067		269,821
Donations, bequests and fundraising	21,985	148	21,950		44,083
Grants	63,385				63,385
Rental income	66,097			142,311	208,408
Investment income	956	96	37,172		38,224
Donated rent	8,000				8,000
<b>Total revenue, support and other income</b>	<u>7,385,503</u>	<u>64,389</u>	<u>84,189</u>	<u>142,311</u>	<u>7,676,392</u>
<b>EXPENSES</b>					
Program services	6,223,421	60,959	64,073	144,947	6,493,400
Management and general	965,372				965,372
Fundraising	76,209				76,209
<b>Total expenses</b>	<u>7,263,002</u>	<u>60,959</u>	<u>64,073</u>	<u>144,947</u>	<u>7,532,981</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>122,501</u>	<u>3,430</u>	<u>20,116</u>	<u>(2,636)</u>	<u>143,411</u>
Net Assets, Beginning of Period	1,919,616	296,975	114,109	(365,638)	1,965,062
<b>NET ASSETS, END OF PERIOD</b>	<u>\$2,042,117</u>	<u>\$300,405</u>	<u>\$134,225</u>	<u>(\$368,274)</u>	<u>\$2,108,473</u>

The accompanying notes are an integral part of these financial statements.