

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Financial Statements

June 30, 2014

BRIDGEWELL, INC. AND AFFILIATES

Index

June 30, 2014

Independent Auditors' Report

Independent Auditors' 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*

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Consolidated Financial Statements:

Consolidated Statement of Financial Position as of June 30, 2014
with Comparative Totals as of June 30, 2013

Consolidated Statement of Activities for the Year Ended June 30, 2014
with Comparative Totals for the Year Ended June 30, 2013

Consolidated Statement of Cash Flows for the Year Ended June 30, 2014

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2014

Notes to Consolidated Financial Statements

Schedule of Findings and Questioned Costs

Independent Auditors' Report on Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2014

Supplemental Information:

Consolidating Schedule of Assets, Liabilities and Net Assets as of June 30, 2014

Consolidating Schedule of Revenues and Expenses for the Year Ended June 30, 2014



Independent Auditors' Report

To the Board of Directors of
Bridgewell, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Bridgewell, Inc. (a nonprofit organization) and Affiliates, (the Agency), 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 Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2014, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the consolidated financial statements, the Agency's 2013 consolidated financial statements have been restated for the correction of an error. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Agency's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 14, 2013. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our 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 consolidated financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, which is the responsibility of management, is presented for additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



November 12, 2014



Independent Auditors' 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
Bridgewell, Inc. and Affiliates

We 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 Bridgewell, Inc. (a nonprofit organization) and Affiliates, (the Agency), 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, and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's consolidated financial statements are free from 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 consolidated 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 results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 12, 2014



**Independent Auditors' 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
Bridgewell, Inc. and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Bridgewell, Inc. (a nonprofit organization) and Affiliates', (the Agency), 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 the Agency's major federal program for the year ended June 30, 2014. The Agency's major federal program is identified in the summary of auditors' 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 its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major federal program 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 Agency'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 the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Major Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Agency 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 the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Agency'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 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. 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.

Handwritten signature of Namin P. Martini in cursive script.

November 12, 2014

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Statement of Financial Position

As of June 30, 2014

With Comparative Totals as of June 30, 2013

| Current Assets | <u>2014</u> | <u>2013</u> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 1,542,510 | \$ 2,655,347 |
| Accounts receivable, net of allowance | 5,850,765 | 3,304,698 |
| Prepaid expenses and other current assets | 603,611 | 615,734 |
| Other accounts receivable | 1,518,290 | - |
| Deposits | 16,684 | 933 |
| Investments | <u>93,101</u> | <u>73,594</u> |
| Total current assets | <u>9,624,961</u> | <u>6,650,306</u> |
| Restricted Deposits and Funded Reserves | | |
| Reserve for satisfaction of long term debt | 730,000 | - |
| Other reserves | <u>230,660</u> | <u>209,035</u> |
| Total restricted deposits and funded reserves | <u>960,660</u> | <u>209,035</u> |
| Fixed Assets | | |
| Property and equipment | 53,039,174 | 49,642,801 |
| Less: accumulated depreciation | <u>(20,315,919)</u> | <u>(18,801,284)</u> |
| Total net fixed assets | <u>32,723,255</u> | <u>30,841,517</u> |
| Other Assets | | |
| Deferred financing costs, net of amortization | 496,246 | 230,917 |
| Investments - restricted | 256,966 | 171,927 |
| Intangible assets, net of amortization | 4,669 | 14,517 |
| Security deposits and other assets | <u>115,979</u> | <u>92,431</u> |
| Total other assets | <u>873,860</u> | <u>509,792</u> |
| Total Assets | <u>\$ 44,182,736</u> | <u>\$ 38,210,650</u> |

The accompanying notes are an integral part of the consolidated financial statements.

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Statement of Financial Position - continued

As of June 30, 2014

With Comparative Totals as of June 30, 2013

| Current Liabilities | <u>2014</u> | <u>2013</u> |
|---|--------------------------|--------------------------|
| Accounts payable | \$ 1,806,923 | \$ 1,071,340 |
| Accrued expenses | 2,469,855 | 1,731,766 |
| Lines of credit | 863,146 | - |
| Long term debt, current | 477,570 | 456,174 |
| Deferred revenue | 234,467 | 135,391 |
| Due to Commonwealth of Massachusetts | <u>92,551</u> | <u>143,195</u> |
| Total current liabilities | <u>5,944,512</u> | <u>3,537,866</u> |
| Long Term Liabilities | | |
| Deferred compensation | 256,966 | 171,927 |
| Long term debt | <u>30,923,989</u> | <u>28,858,457</u> |
| Total long term liabilities | <u>31,180,955</u> | <u>29,030,384</u> |
| Total liabilities | <u>37,125,467</u> | <u>32,568,250</u> |
| Net Assets | | |
| Unrestricted | 3,859,416 | 2,502,000 |
| Temporarily restricted | <u>3,197,853</u> | <u>3,140,400</u> |
| Total net assets | <u>7,057,269</u> | <u>5,642,400</u> |
| Total Liabilities and Net Assets | <u>\$ 44,182,736</u> | <u>\$ 38,210,650</u> |

The accompanying notes are an integral part of the consolidated financial statements.

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Statement of Activities

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2014 Total</u> | <u>2013 Total</u> |
|---|---------------------|-----------------------------------|-----------------------|-----------------------|
| Revenue and Support | | | | |
| Contributions, grants and special events | \$ 370,190 | \$ 57,453 | \$ 427,643 | \$ 984,302 |
| Program service fees | 48,749,170 | - | 48,749,170 | 43,893,592 |
| Rental revenue | 3,952,125 | - | 3,952,125 | 3,567,933 |
| Investment revenue (expense) | 35,897 | - | 35,897 | (6,980) |
| Revenue from commercial products and services | 41,821 | - | 41,821 | 48,975 |
| Gain on sale of property and equipment | 24,527 | - | 24,527 | 3,745 |
| Other | 362,354 | - | 362,354 | 344,216 |
| | <u>53,536,084</u> | <u>57,453</u> | <u>53,593,537</u> | <u>48,835,783</u> |
| Expenses | | | | |
| Management and general | 7,046,261 | - | 7,046,261 | 5,173,624 |
| Fundraising | 512,183 | - | 512,183 | 511,346 |
| Program services | 46,768,919 | - | 46,768,919 | 42,595,966 |
| | <u>54,327,363</u> | <u>-</u> | <u>54,327,363</u> | <u>48,280,936</u> |
| Change in Net Assets from Operations | <u>(791,279)</u> | <u>57,453</u> | <u>(733,826)</u> | <u>554,847</u> |
| Other Changes | | | | |
| Gain on involuntary conversion | 1,518,290 | - | 1,518,290 | - |
| Excess of net assets acquired (Note 14) | 834,587 | - | 834,587 | - |
| Loss on refinancing | (204,182) | - | (204,182) | - |
| | <u>2,148,695</u> | <u>-</u> | <u>2,148,695</u> | <u>-</u> |
| Change in Net Assets | 1,357,416 | 57,453 | 1,414,869 | 554,847 |
| Net Assets at Beginning of Year, as Restated | <u>2,502,000</u> | <u>3,140,400</u> | <u>5,642,400</u> | <u>5,087,553</u> |
| Net Assets at End of Year | <u>\$ 3,859,416</u> | <u>\$ 3,197,853</u> | <u>\$ 7,057,269</u> | <u>\$ 5,642,400</u> |

The accompanying notes are an integral part of the consolidated financial statements.

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

| Cash Flows from Operating Activities | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------------|
| Change in Net Assets | \$ 1,414,869 | \$ 554,847 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 2,166,243 | 2,091,598 |
| Amortization of financing costs and intangible assets | 146,157 | 79,115 |
| Gain (loss) on sale of property and equipment | (24,527) | (3,745) |
| Interest on restricted deposits, net of fees | (433) | (715) |
| Contributions restricted for long term investment | - | (627,488) |
| Unrealized and realized (gain) loss on investments | (18,212) | 14,261 |
| Unrealized gain on investments - restricted | (12,910) | (4,621) |
| Interest and dividends on investments - restricted, net of fees | (1,295) | (365) |
| Interest and dividends, net of fees | (2,129) | (1,250) |
| Loss on refinancing | 204,182 | - |
| Decrease (increase) in assets | | |
| Accounts receivable, net of allowance | (2,828,308) | (607,316) |
| Prepaid expenses and other current assets | (18,152) | 10,360 |
| Other accounts receivable | (1,518,290) | - |
| Security deposit and other assets | (23,548) | (43,161) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 845,021 | (555,690) |
| Accrued expenses | 821,239 | (124,801) |
| Deferred revenue | 99,076 | 25,698 |
| Due to Commonwealth of Massachusetts | (50,644) | 80,663 |
| Net Cash Provided by Operating Activities | <u>1,198,339</u> | <u>887,390</u> |
| Cash Flows from Investing Activities | | |
| Deposits to restricted deposits and funded reserves | (751,192) | (15,635) |
| Withdrawals from restricted deposits and funded reserves | - | 356,825 |
| Proceeds from sale of fixed assets | 291,665 | 4,547 |
| Purchase of fixed assets | (1,524,256) | (2,080,938) |
| Cash acquired in acquisition | 64,495 | - |
| Decrease in construction payables | - | (422,237) |
| Purchase of investments | - | (6,100) |
| Purchase of investments - restricted | (70,000) | (80,000) |
| Net Cash Used in Investing Activities | <u>\$ (1,989,288)</u> | <u>\$ (2,243,538)</u> |

The accompanying notes are an integral part of the consolidated financial statements.

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows - continued

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

| Cash Flows from Financing Activities | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| Proceeds from contributions restricted for investment | \$ - | \$ 627,488 |
| Repayments of line of credit | (809,346) | - |
| Advances on line of credit | 1,598,992 | - |
| Repayments of capital lease obligations | - | (14,630) |
| Repayments of long term debt | (689,365) | (629,019) |
| Proceeds from long term debt | 183,651 | 700,467 |
| Payment of deferred financing costs | <u>(605,820)</u> | <u>(21,919)</u> |
| Net Cash (Used in) Provided by Financing Activities | <u>(321,888)</u> | <u>662,387</u> |
| Net Decrease in Cash and Cash Equivalents | (1,112,837) | (693,761) |
| Cash and Cash Equivalents - Beginning | <u>2,655,347</u> | <u>3,349,108</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 1,542,510</u> | <u>\$ 2,655,347</u> |
| Supplement Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | <u>\$ 807,885</u> | <u>\$ 1,006,446</u> |

See Note 7 for noncash investing and financing activities.

BRIDGEWELL, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

| | Program Services | | | | | | | | Total Program Services | Management and General | Fundraising | 2014 Total | 2013 Total |
|--------------------------------------|--|--|------------------------|-----------------------|-----------------------|-------------------------------------|---|--|------------------------------|------------------------------|-------------------|----------------------|----------------------|
| | Development Disabilities Residential Services | Development Disabilities Day Services | Outpatient Services | Affordable Housing | Community Services | Mental Health Day Services | Mental Health Residential Services | Center for Professional Innovation | | | | | |
| Functional Expenses | | | | | | | | | | | | | |
| Salaries and wages | \$ 21,701,897 | \$ 2,448,742 | \$ 2,831,119 | \$ 205,139 | \$ 775,462 | \$ 114,345 | \$ 340,620 | \$ 51,460 | \$ 28,468,784 | \$ 3,600,408 | \$ 222,125 | \$ 32,291,317 | \$ 29,064,976 |
| Employee benefits and payroll taxes | 3,899,710 | 461,930 | 521,938 | 47,568 | 133,252 | 21,507 | 60,253 | 9,323 | 5,155,481 | 853,734 | 40,458 | 6,049,673 | 5,170,875 |
| Supplies and expense | 696,651 | 131,972 | 130,298 | 95,410 | 21,010 | 12,255 | 17,326 | 68,796 | 1,173,718 | 752,512 | 25,262 | 1,951,492 | 1,726,718 |
| Occupancy | 3,943,202 | 585,766 | 527,423 | 1,517,761 | 327,510 | 27,029 | 106,004 | 31,056 | 7,065,751 | 350,579 | 3,403 | 7,419,733 | 5,974,038 |
| Insurance | 465,120 | 49,154 | 40,256 | 15,871 | 107,148 | 1,129 | 7,045 | 488 | 686,211 | 191,544 | 2,034 | 879,789 | 820,801 |
| Purchased services | 132,096 | 168,395 | 96,150 | 28,903 | 3,470 | 216,974 | 34,230 | 58,070 | 738,288 | 774,758 | 8,700 | 1,521,746 | 1,461,934 |
| Food | 719,668 | 23,052 | 19,277 | 6,585 | - | 1,084 | 12,052 | 2,094 | 783,812 | 14,598 | 1,493 | 799,903 | 758,677 |
| Transportation and training | 48,091 | 7,397 | 29,544 | 586 | 307 | 107 | 1,201 | 2,591 | 89,824 | 20,440 | 936 | 111,200 | 97,790 |
| Interest expense | 572,954 | 113,841 | - | 49,937 | 5,647 | - | - | - | 742,379 | 175,309 | - | 917,688 | 1,006,446 |
| Provision for uncollectible accounts | 2,206 | - | - | - | - | - | - | - | 2,206 | 10,292 | - | 12,498 | 5,200 |
| Depreciation | 1,121,667 | 184,633 | 51,015 | 440,317 | 13,838 | 3,706 | 45,468 | 1,821 | 1,862,465 | 302,087 | 1,691 | 2,166,243 | 2,091,598 |
| Fundraising fees | - | - | - | - | - | - | - | - | - | - | 206,081 | 206,081 | 101,883 |
| Total Functional Expenses | <u>\$ 33,303,262</u> | <u>\$ 4,174,882</u> | <u>\$ 4,247,020</u> | <u>\$ 2,408,077</u> | <u>\$ 1,387,644</u> | <u>\$ 398,136</u> | <u>\$ 624,199</u> | <u>\$ 225,699</u> | <u>\$ 46,768,919</u> | <u>\$ 7,046,261</u> | <u>\$ 512,183</u> | <u>\$ 54,327,363</u> | <u>\$ 48,280,936</u> |
| % of Program Services | 71% | 9% | 9% | 5% | 3% | 1% | 1% | 1% | 100% | | | | |

The accompanying notes are an integral part of the consolidated financial statements.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of significant accounting policies followed by Bridgewell, Inc. and Affiliates (the Agency) are described below to enhance the usefulness of the consolidated financial statements to the reader.

(a) Basis of Presentation

The consolidated financial statements present the consolidated financial position and results of operations of Bridgewell, Inc. (Bridgewell), Bridgewell Danvers Housing Corporation (DHC), Bridgewell Lynn Housing Corporation (LHC), Bridgewell Merrimac Housing Corporation (MHC), Community Program Innovations, Inc., d/b/a Center for Professional Innovation (CPI), Forthill Avenue, Inc. (Forthill), Middlesex North Resource Center, Inc. (MNRC) and Project Cope, Inc. (PC). The entities are related through a common board of directors and shared resources. All significant intercompany balances and transactions have been eliminated in consolidation.

DHC, LHC, MHC, Forthill and MNRC were founded to foster the creation of additional affordable housing opportunities. Programs of Bridgewell occupy the property owned by DHC, LHC, MHC, Forthill and MNRC.

CPI was founded to provide continuing education for mental health and healthcare professionals and educators.

Effective January 1, 2014, PC merged into the Agency (See Note 14). PC provides drug and alcohol counseling, residential drug and alcohol counseling and rehabilitation, vocational skills training and related human services.

The consolidated statement of activities reports all changes in consolidated net assets, including changes in consolidated unrestricted net assets from operating and non-operating activities. Consolidated operating and non-operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts.

The consolidated financial statements are presented in a format prescribed by the Commonwealth of Massachusetts, Operational Services Division.

(b) Nature of Activities

The Agency is a Massachusetts based human service organization providing a full range of residential, day habilitation, clinical, rehabilitation, vocational and educational services to residents of the Commonwealth of Massachusetts.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(b) Nature of Activities - continued

The majority of the Agency's services are provided to Massachusetts residents. The following program divisions are listed in order of relative importance based upon total program expenditures:

Developmental Disabilities Residential Services - The Developmental Disabilities Residential Services division provides support to individuals with developmental and physical disabilities. The core purpose is assisting people to lead and direct their own lives. The Developmental Disabilities Residential Services division accounted for 71% of total program expenditures for the year ended June 30, 2014.

Developmental Disabilities Day Services - The Developmental Disabilities Day Services division provides education, training and expressive therapy for individuals with developmental and physical disabilities in order to teach coping, communication and life skills. The Developmental Disabilities Day Services division accounted for 9% of total program expenditures for the year ended June 30, 2014.

Outpatient Services - The Outpatient Services division provides outpatient diagnostic assessments, individual, family and group psychotherapy; alcohol and substance abuse counseling, medication management; psychiatric day treatment; and psychiatric emergency coordination for Bridgewell and community residents. The Outpatient Services division accounted for 9% of total program expenditures for the year ended June 30, 2014.

Affordable Housing - The Affordable Housing division provides safe and affordable housing in Lowell and Lynn for individuals with disabilities, the homeless and individuals with a dual diagnosis and individuals in recovery from alcohol and substance abuse. The Affordable Housing division accounted for 5% of total program expenditures for the year ended June 30, 2014.

Community Services - The Community Services division provides transportation and recreation services. The Community Services division accounted for 3% of total program expenditures for the year ended June 30, 2014.

Mental Health Day Services - The Mental Health Day Services division provides education, training and expressive therapy for individuals with psychiatric disabilities in order to teach coping, communication and life skills. The Mental Health Day Services division accounted for 1% of total program expenditures for the year ended June 30, 2014.

Mental Health Residential Services - The Mental Health Residential Services division provides support to individuals with psychiatric disabilities. The core purpose is assisting people to lead and direct their own lives. The Mental Health Residential Services division accounted for 1% of total program expenditures for the year ended June 30, 2014.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(b) Nature of Activities - continued

Center for Professional Innovation - The Center for Professional Innovation division provides continuing education for mental health and healthcare professionals and educators. The Center for Professional Innovation division accounted for 1% of total program expenditures for the year ended June 30, 2014.

(c) Revenue Recognition

The Agency earns revenue as follows:

Program Service Fees - Program service fee revenue is earned and recognized by the Agency when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, with the exception of Medicaid, Medicare and private fees, consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency. Medicaid, Medicare, and other third party revenue is generated through billing units of service delivered to pre-approved covered individuals.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

Contributions - Contributions are recorded upon receipt or pledge 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.

Rental - Rental revenue is derived from commercial and residential rent. Rental revenue is recognized as occupancy is provided and is included with program service fees on the consolidated statement of activities.

Commercial Products and Services - Workshop fees are recognized as services are rendered at rates established by parties under contractual arrangements.

Deferred revenue represents program service fees received prior to year-end for the following fiscal period. These amounts are recognized as income during the subsequent fiscal period.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2014, the Agency derived approximately 71% of its total revenue from governmental agencies, 17% from foundations and individual donors and 12% from Medicare and Medicaid. All revenue is recorded at estimated net realizable amounts.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(d) Accounts Receivable

The Agency carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. Accounts receivable from tenants outstanding for thirty days or more are deemed delinquent. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2014, the allowance for doubtful accounts was \$22,644.

The Agency does not have a policy to accrue interest on account receivables. Contracts and grant accounts are written off upon notification by the governmental or other applicable entity that amounts are uncollectible. Private fees are written off after collection efforts have failed.

The Agency has no policies requiring collateral or other security to secure the accounts receivable. During the year ended June 30, 2014, the Agency's trade receivables were due as follows: approximately 72% from governmental agencies, 21% from Medicaid and Medicare and 7% from individuals for rents and service fees.

(e) Standards of Accounting and Reporting

The Agency's consolidated net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) and the consolidated statement of activities displays the amounts of change in each of those classes of net assets.

The two classes of net assets applicable to the Agency are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions, grants and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(f) Income Taxes

Bridgewell, DHC, LHC, MHC, CPI, Forthill, MNRC and PC qualify as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore are not subject to income tax. Bridgewell, DHC, LHC, MHC, CPI, Forthill, MNRC and PC are not private foundations under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the year ended June 30, 2014, there was no liability for tax on unrelated business income.

GAAP prescribes a recognition threshold and measurement attribute for consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2014, the Agency has determined that it has not taken any tax positions which would result in an uncertainty requiring recognition in the accompanying consolidated financial statements. The Agency recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were no interest or penalties for the year ended June 30, 2014.

Generally, the Agency's information returns remain open for possible federal income tax examination for three years after the filing date. The Agency is not currently under examination by any taxing jurisdiction.

(g) Fundraising

Fundraising relates to the activities of individuals in raising general and specific contributions to the Agency and promoting special events.

Fundraising expenses as a percentage of total contribution and grant revenue was 41% for the year ended June 30, 2014. The Agency has included immaterial direct costs of benefit to the donors of its special events in fundraising expenses. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(h) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based upon time studies and actual charges. Occupancy costs are allocated based upon associated full time equivalents.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(i) *Advertising Costs*

The Agency expenses advertising costs when they are incurred. Advertising expense amounted to \$97,074 for the year ended June 30, 2014.

(j) *Use of Estimates*

In preparing the Agency's consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) *Cash, Cash Equivalents and Deposit Balances*

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Agency maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Agency has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2014.

(l) *Investments*

The Agency carries investments in marketable securities with readily determinable values at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities.

(m) *Fair Value Measurements*

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(m) Fair Value Measurements - continued

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Agency's assets that are adjusted to fair value on a recurring basis are investments in equity and debt securities classified as trading. The Agency currently has no liabilities that are adjusted to fair value on a recurring basis.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2014:

Fair Value Measurements on a Recurring Basis

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|-------------------|----------------|----------------|-------------------|
| Investments - restricted | \$ 256,966 | \$ - | \$ - | \$ 256,966 |
| Investments | <u>93,101</u> | <u>-</u> | <u>-</u> | <u>93,101</u> |
| | <u>\$ 350,067</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 350,067</u> |

The fair values of investments using quoted market prices from daily exchange traded markets were based on the closing price as of the consolidated statement of financial position date and were classified as Level 1. Based on the analysis of the nature and risks of its investments, the Agency has determined that presenting them as a single class is appropriate (See Note 3).

The Agency's policy is to recognize transfers into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2014.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(m) *Fair Value Measurements - continued*

Nonrecurring Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Agency records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Agency had no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2014.

(n) *Land, Building and Equipment*

Land, building and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities.

The Agency computes depreciation using the straight-line method over the following estimated lives:

| | |
|--------------------------------|-------------|
| Buildings | 27-40 years |
| Building improvements | 5-20 years |
| Motor vehicles | 3-5 years |
| Equipment and software | 3-10 years |
| Furniture and office equipment | 3-5 years |

The Agency reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized during the year ended June 30, 2014.

(o) *Work in Process*

Work in process cost includes pre-acquisition, acquisition and construction costs related to properties the Agency intends on using in its programs. Real estate project development costs are recorded at cost. Management believes these costs could take anywhere from 1-2 years to completely develop and rent. All properties are located in Massachusetts.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies - continued

(p) Intangible Assets

Deferred financing costs are recorded at cost and those assets that have a finite useful life are amortized using the straight-line method, which approximates the effective interest method, over the term of the related loan. Intangible assets that have an indefinite useful life are not amortized, but rather are assessed for impairment when events or changes in circumstances indicate the carrying amount may be recoverable.

During the year ended June 30, 2014, no impairment losses were recognized.

(q) Reclassifications

Certain amounts in the prior year have been reclassified to conform with the current year presentation.

(r) Summarized Consolidated Financial Information for 2013

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, there is no presentation of consolidated statement of functional expenses for the year ended June 30, 2013. In addition, the consolidated financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended June 30, 2013, from which the summarized information is derived. See Note 17.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(2) Restricted Deposits and Funded Reserves

(a) *Citizens Bank Escrow*

During 2014, the Agency deposited \$730,000 into a non-interest bearing account with Citizens Bank as collateral for one of its buildings. The escrow funds are held by Citizens Bank and can only be drawn upon with permission from Citizens Bank. As of June 30, 2014, the account balance amounted to \$730,000.

(b) *Other Reserves*

In accordance with various mortgage and capital advance agreements, the Agency is required to maintain reserves for significant repairs and replacements and residual receipts. The reserve funds are held by Citizens Bank and can only be drawn upon with permission of the U.S. Department of Housing and Urban Development (HUD). Deposits and disbursements were made in accordance with the agreements. As of June 30, 2014, the total balance of these reserves amounted to \$230,660.

(3) Investments

Investments are comprised of the following as of June 30, 2014:

| | <u>Fair Value</u> |
|--|-------------------|
| Marketable equity securities | \$ 93,101 |
| Marketable equity securities - restricted (See Note 9 (b)) | <u>256,966</u> |
| Total | \$ <u>350,067</u> |

Investment return consisted of the following for the year ended June 30, 2014:

| | |
|---------------------------------------|------------------|
| Interest on cash and cash equivalents | \$ 1,351 |
| Net realized and unrealized gains | 31,122 |
| Dividends | <u>3,424</u> |
| Total | \$ <u>35,897</u> |

The marketable equity securities primarily consist of common stock and mutual funds traded on the New York Stock Exchange.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(4) Property and Equipment

Property and equipment consists of the following as of June 30, 2014:

| | <u>Agency Owned</u> | <u>Purchased with State Funds</u> | <u>Total</u> |
|--------------------------------|-------------------------|---|----------------------|
| Land | \$ 2,608,016 | \$ - | \$ 2,608,016 |
| Buildings | 33,971,852 | - | 33,971,852 |
| Building improvements | 11,515,454 | - | 11,515,454 |
| Work in process | 169,031 | - | 169,031 |
| Motor vehicles | 203,717 | 171,156 | 374,873 |
| Equipment and software | 562,551 | 395,564 | 958,115 |
| Furniture and office equipment | <u>3,433,870</u> | <u>7,963</u> | <u>3,441,833</u> |
| | <u>\$ 52,464,491</u> | <u>\$ 574,683</u> | <u>\$ 53,039,174</u> |

Property and equipment purchased with state funds, for which title is held by the Agency and is used in Agency programs, consist of motor vehicles, equipment and furniture and office equipment. Depreciation amounted to \$2,166,243 for the year ended June 30, 2014.

(5) Intangible Assets

Intangible assets that are subject to amortization consist of the following as of June 30, 2014:

| | |
|------------------------------------|-------------------|
| Deferred financing costs | \$ 607,384 |
| Licenses, certifications and other | <u>65,475</u> |
| | 672,859 |
| Less: accumulated amortization | <u>(171,944)</u> |
| | <u>\$ 500,915</u> |

Licenses, certifications and other are included with intangible assets on the accompanying consolidated statement of financial position.

Amortization expense amounted to \$146,157 for the year ended June 30, 2014 and is included in program and general administrative expense on the accompanying consolidated statement of activities. Estimated future amortization expense is as follows:

| | |
|------|------------|
| 2015 | \$ 125,945 |
| 2016 | 120,257 |
| 2017 | 120,257 |
| 2018 | 120,257 |
| 2019 | 14,199 |

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(6) Debt

(a) Lines of Credit

The Agency has available a \$1,500,000 demand line of credit, with RBS Citizens, N.A., with interest at the LIBOR rate plus 3%. As of June 30, 2014 the interest rate was 3.15%. This line is secured by the Agency's real property. As of June 30, 2014, the balance was \$463,146.

The Agency has available a \$1,100,000 demand line of credit, with RBS Citizens, N.A., with interest at the LIBOR rate plus 3%. As of June 30, 2014 the interest rate was 3.15%. This line is secured by the Agency's real property. As of June 30, 2014, the balance was \$400,000.

(b) Long-term Debt

The following is a summary of long-term debt payable as of June 30, 2014:

| | Interest | | | |
|---|--------------------|--------------------|-----------------------------|-----------------------|
| | <u>Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Balance</u> |
| Massachusetts Development Finance Agency (MDFA), Series 2013 Bond | ** | ** | ** | \$ 20,085,600 |
| RBS Citizens, N.A. | ** | ** | ** | 4,067,011 |
| RBS Citizens, N.A. | 4.00% | 5 years | April, 2019 | 1,908,534 |
| Community Economic Development Assistance Corporation (CEDAC) | 0.00% | 30 years | January, 2037 | 455,355 |
| CEDAC | 0.00% | 30 years | July, 2040 | 230,610 |
| Massachusetts Housing Partnership Fund Board | 0.00% | 50 years | December, 2059 | 395,352 |
| CEDAC | 0.00% | 30 years | April, 2044 | 477,000 |
| CEDAC | 0.00% | 30 years | March, 2043 | 441,415 |
| CEDAC | 0.00% | 30 years | December, 2039 | 470,171 |
| CEDAC | 0.00% | 30 years | December, 2039 | 550,000 |
| CEDAC | 0.00% | 30 years | October, 2038 | 392,571 |
| CEDAC | 0.00% | 30 years | September, 2042 | 536,637 |
| CEDAC | 0.00% | 30 years | August, 2030 | 200,250 |
| CEDAC | 0.00% | 30 years | July, 2032 | 200,376 |
| CEDAC | 0.00% | 30 years | March, 2039 | 364,177 |
| City of Lowell | 0.00% | 20 years | October, 2028 | 320,000 |
| Lynn Housing Authority | 0.00% | 30 years | October, 2041 | 50,000 |
| North Shore HOME Consortium | 0.00% | 30 years | July, 2040 | 15,000 |
| North Shore HOME Consortium | 0.00% | 5 years | April, 2019 | 10,000 |
| North Shore HOME Consortium | 0.00% | 15 years | December, 2018 | 30,000 |
| North Shore HOME Consortium | 0.00% | 20 years | July, 2024 | 50,000 |
| Lynn Housing Authority | 0.00% | 10 years | July, 2020 | 100,000 |
| Baldwin Realty | 0.00% | 5 years | July, 2015 | 6,500 |
| Westford Housing Authority | 0.00% | 40 years | May, 2029 | <u>45,000</u> |

\$ 31,401,559

** - See Note 6(c) for details.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(6) Debt - continued

(b) Long-term Debt - continued

Long-term debt is secured by mortgages on certain real property of the Agency as well as deposit accounts and accounts receivable.

(c) Series 2013 Bond Payable

During the year ended June 30, 2014, the Agency entered into a loan and security agreement with MDFA as issuer and RBS Citizens Bank, N.A., as bond owner to issue a \$20,359,600 Revenue Bond, Bridgewell, Incorporated Issue, Series 2013 (Series 2013). The Series 2013 bond was issued to retire the Agency's Series 2010 bond payable and related obligations of the Agency and to refinance the related capital projects.

The Series 2013 bond matures in August 2043 and bears interest at 3% until August 2018, at which point the rate is equal to 68% of the LIBOR Advantage Rate plus 4.5%, until all principal and interest has been paid on the bonds. Interest only payments are due until August 2018 and thereafter monthly principal and interest payments are due. On August 27, 2018 (the purchase date), the Series 2013 Bonds, including accrued interest, are required to be purchased from the bond owner, unless 180 days prior to the purchase date, the bond owner issues a written irrevocable waiver of the mandatory purchase.

During 2014, in conjunction with the retirement of the Series 2010 bonds, the Agency entered into a \$4,371,400 term note agreement with RBS Citizens, N.A. The note bears interest at 4% and monthly principal and interests payments of \$48,374 are due until the maturity date, September 2018. Simultaneous with the retirement of the Series 2010 bonds, unamortized deferred financing costs totaling \$204,182 were written off and are included in losses on the consolidated statement of activities.

(d) Debt Maturities and Interest

Maturities of bonds and mortgage notes payable are as follows:

| | |
|------------|------------|
| 2015 | \$ 477,570 |
| 2016 | 491,284 |
| 2017 | 510,779 |
| 2018 | 531,588 |
| 2019 | 4,075,824 |
| Thereafter | 25,314,514 |

Interest expense on all debt amounted to \$917,688 for year ended June 30, 2014.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(7) Noncash Investing and Financing Activities

As of June 30, 2014, fixed assets included in accounts payable amounted to \$74,849. During the year ended June 30, 2014, work in process of \$27,735 was reclassified to land, building and equipment. During the year ended June 30, 2014, the Agency used loan proceeds of \$26,940,349 for the following: \$26,321,717 for repayment of loans, \$512,636 for payment of deferred financing costs, \$95,566 for repayment of interest and \$10,430 for payment of expenses. For noncash activity related to the PC acquisition (See Note 14).

(8) Operating Lease Commitments

The Agency occupies office and program related space under non-cancelable, operating lease agreements with various expiration dates through 2020. The Agency is also liable for certain real estate tax increases and operating cost adjustments under the lease terms. The Agency also leases vehicles for program use under non-cancelable operating lease agreements with various expiration dates through 2033. The minimum annual operating non-cancelable lease commitments for the Agency are as follows:

| | <u>Office and Program</u> | <u>Vehicle</u> | <u>Total</u> |
|------------|-------------------------------|----------------|--------------|
| 2015 | \$ 1,854,381 | \$ 218,459 | \$ 2,072,840 |
| 2016 | 1,790,814 | 132,476 | 1,923,290 |
| 2017 | 1,664,331 | 38,296 | 1,702,627 |
| 2018 | 1,547,632 | 692 | 1,548,324 |
| 2019 | 1,368,957 | - | 1,368,957 |
| Thereafter | 3,851,968 | - | 3,851,968 |

Rent and vehicle expense for the year ended June 30, 2014 was \$3,036,306 and \$492,088, respectively.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(9) Employee Benefits

(a) 403(b) Plan

The Agency has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. All employees are eligible upon hire. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Agency made contributions under the plan equal to 30% of employee contributions and totaling \$147,597 for the year ended June 30, 2014. The \$147,597 is included in accrued expenses on the consolidated statement of financial position as of June 30, 2014.

(b) Supplemental Executive Retirement Agreement (SERP)

The Agency has a non-qualified deferred compensation program as allowed under Section 457(f) of the IRC to reward a key employee. In connection with the SERP, the Agency is the trustee of an irrevocable grantor trust created to hold the assets of the unfunded investment account. The assets of the trust are subject to claims, if any, made by the Agency's creditors. Contributions to the SERP are discretionary and can only be made by the Agency.

During the year ended June 30, 2014, the Agency made contributions of \$70,000 to the SERP which are included in salary expense on the consolidated statement of activities. Net earnings for the year ended June 30, 2014, amounted to \$15,039. As of June 30, 2014, the investment account balance was \$256,966 and is included in long-term investments on the consolidated statement of financial position. As of June 30, 2014 the related liability amounted to \$256,966 and is included in other liabilities on the consolidated statement of financial position.

(10) Union Employees

The Agency has entered into a collective bargaining agreement with Local 509, Services Employees International Union (SEIU) that was first ratified in April 2012. This agreement covers all full-time and regular part-time direct care employees, with the exception of those employees holding management positions or designated non-collective bargaining positions. The collective bargaining agreement covers approximately 73% of the labor force. The agreement has an end date of June 30, 2014 and as of the report date, negotiations between the Agency and SEIU were in process.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(11) Commitments and Contingencies

(a) *Funding Sources*

The Agency receives a portion of its funding from government agencies under cost reimbursement programs. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Agency's operations are concentrated in the social service provider field. As such, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

Massachusetts Department of Mental Health
Massachusetts Department of Public Health
Massachusetts Department of Developmental Services
Massachusetts Rehabilitation Commission
Massachusetts Board of Registration of Medicine
Massachusetts Operational Services Division
Massachusetts Commission for the Blind
U.S. Department of Housing and Urban Development (HUD)
Medicaid

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by HUD or the Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

(b) *Non-Reimbursable Costs*

As of June 30, 2014, the Agency owes the Commonwealth of Massachusetts \$92,551 for non-reimbursable costs billed under contract with purchasing agencies in a prior year. This liability is included in other current liabilities. As of June 30, 2014, \$30,018 of the liability will be offset against future services (Note 17).

(c) *Other*

As of June 30, 2014, complaints were filed against the Agency by various former employees, some of which were made through the Massachusetts Commission Against Discrimination, the Equal Employment Opportunity Commission, the National Labor Relations Board or other regulatory agencies. These complaints are in various stages and the ultimate liability of the cases is presently uncertain. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the cases result in an unfavorable outcome.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(11) Commitments and Contingencies - continued

(d) City of Lowell SHP Grant

The Agency has a supportive housing grant agreement with the City of Lowell (the City) whereby in a prior year it received \$400,000 in assistance payments used to pay for the construction costs of apartments for the homeless in the City. The grant was recorded as income when received. Under the terms of the agreement, the Agency must operate the property and provide supportive services for 20 years commencing from the date of the initial occupancy, March 2010. Failure to meet this requirement will result in a liability to the City. As of June 30, 2014, the Agency believes the remaining restriction will be met.

(e) HUD Capital Advances

DHC, LHC and MHC have each entered into a Capital Advance Program Regulatory Agreement with HUD. The capital advances bear no interest and are not required to be repaid so long as the housing remains available to eligible very low income households for a period of 40 years and that DHC, LHC and MHC operate the program in accordance with Section 811 of the Cranston-Gonzalez National Affordable Housing Act. The advances are secured by a first mortgage on the property, which constitutes a valid lien. Failure to meet these requirements will result in an actual liability owed to HUD for the entire capital advance outstanding, plus interest. As of June 30, 2014, the Agency believes the remaining restriction will be met.

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2014, temporarily restricted net assets are restricted for the following purposes:

| <u>Nature of Restriction</u> | <u>Amount</u> |
|--------------------------------|---------------------|
| HUD 811 Capital Advances | \$ 3,115,400 |
| Support for the Autism Program | <u>82,453</u> |
| Total | \$ <u>3,197,853</u> |

(13) Schedule of Federal Awards

Determination of the federal major program was made using a risk based approach. For the fiscal year ended June 30, 2014, the Agency qualified as a low-risk auditee. The major program tested is disclosed as such in the schedule of findings and questioned costs.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(14) Merger

On January 1, 2014, the Agency merged with Project Cope, Inc., a Massachusetts nonprofit organization and the transaction was accounted for under the acquisition method. The Agency assumed all of Project Cope, Inc.'s assets, liabilities and contingencies on January 1, 2014. The fair value of the net identifiable assets acquired and the liabilities assumed was \$3,064,495 and \$2,229,908, respectively. The Agency recorded a contribution received of \$834,587 during the year ended June 30, 2014, which represents the excess of the fair value of the identifiable assets acquired over the fair value of the liabilities assumed and is included in contributions.

(15) Gain on Involuntary Conversion

During the year ended June 30, 2014, the Agency had a building fire and filed a claim with its insurance carrier. The carrying amount of the destroyed assets was \$188,776. The Agency has entered into an agreement with its insurance carrier to receive \$1,518,290 to settle its claim. For the year ended June 30, 2014, a \$1,329,414 gain was recognized as a result of the involuntary conversion and is included in other increases in net assets. As of June 30, 2014, \$1,518,290 is receivable and is included in other accounts receivable.

(16) Subsequent Events

The Agency has performed an evaluation of subsequent events through November 12, 2014, which is the date the Agency's consolidated financial statements were available to be issued. No material subsequent events, other than the items disclosed below, have occurred since June 30, 2014 that required recognition or disclosure in these consolidated financial statements.

Subsequent to year end, the Agency purchased a property in Peabody, Massachusetts for \$480,000.

BRIDGEWELL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014

(17) Prior Period Adjustment

The net asset balance for June 30, 2013 has been restated to properly report amounts previously reflected in the consolidated financial statements. The correction of error had no impact on the 2014 profit and loss. The adjustment reduced the June 30, 2013 net assets and the June 30, 2013 consolidated financial statements have not been re-issued.

Net asset balances have been restated as follows:

| | |
|--|---------------------|
| Net assets, June 30, 2013 | \$ 5,723,063 |
| Overbilling | (80,663) |
| Net assets, June 30, 2013, as restated | \$ <u>5,642,400</u> |

During 2014, the Commonwealth of Massachusetts notified the Agency that it improperly paid \$80,663 to the Agency during the year ended June 30, 2013. As of and for the year ended June 30, 2013, revenue and net assets were overstated by \$80,663. The Agency voluntarily reimbursed \$50,645 to the Commonwealth of Massachusetts and as of June 30, 2014, \$30,018 will be offset against future services.

BRIDGEWELL, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs

June 30, 2014

(1) Summary of Auditor's Results

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control over Financial Reporting:

Material Weakness(es) Identified? _____ yes X no

Significant Deficiency(ies) Identified? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards:

Internal Control over Major Programs:

Material Weakness(es) Identified? _____ yes X no

Significant Deficiency(ies) Identified? _____ yes X none reported

Type of Auditor's Report Issued on Compliance:
for Major Programs: Unqualified

Any Audit Findings Disclosed that are Required
to be Reported in Accordance with
Circular A-133, Section .510(a)? _____ yes X no

Identification of Major Program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------|--|
| 14.181 | Supportive Housing for Persons with Disabilities (Section 811) |

Dollar Threshold Used to Distinguish
Between Type A and Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? X yes _____ no

BRIDGEWELL, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs - continued

June 30, 2014

(2) Financial Statement Findings

No significant deficiencies or material weaknesses reported.

(3) Federal Award Findings and Questioned Costs

No significant deficiencies or material weaknesses reported.

(4) Status of Prior Year Findings

No significant deficiencies or material weaknesses reported.



Kevin P. Martin & Associates, P.C.

ASSURANCE | TAX | RISK MANAGEMENT | IT ADVISORY

Independent Auditors' Report on Schedule of Expenditures of Federal Awards

To the Board of Directors of
Bridgewell, Inc. and Affiliates

We have audited the consolidated financial statements of Bridgewell, Inc. (a nonprofit organization) and Affiliates, (the Agency), as of and for the year ended June 30, 2014, and have issued our report thereon dated November 12, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Kevin P. Martin & Associates, P.C.

November 12, 2014

BRIDGEWELL, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|------------------------------------|---|---------------------------------|
| U.S. Department of Housing and Urban Development | | | |
| <i>Supportive Housing for Persons with Disabilities (Section 811)</i> | 14.181 | N/A | \$ 390,125 |
| <i>Section 8 Housing Choice Vouchers (MA880)</i> | | N/A | 1,129,726 |
| <i>Section 8 Housing Choice Vouchers (MA881)</i> | | N/A | <u>658,967</u> |
| | | | <u><u>2,178,818</u></u> |
| U.S. Department of Housing and Urban Development | | | |
| <i>Community Development Block Grants</i> | 14.218 | | |
| <i>Passed through the City of Lynn Office of Economic and Community Development</i> | | N/A | 3,723 |
| <i>Pathfinder Permanent Supportive Housing Services for Homeless Population</i> | 14.235 | N/A | 420,499 |
| <i>Permanent Support Housing</i> | | N/A | 400,523 |
| <i>Supportive Housing Program</i> | | N/A | 67,584 |
| <i>Passed through the City of Lynn Housing Authority</i> | | N/A | <u>109,447</u> |
| | | | <u>1,001,776</u> |
| U.S. Department of Health and Human Services | | | |
| <i>Block Grants for Prevention & Treatment of Substance Abuse</i> | 93.959 | N/A | <u>54,704</u> |
| Total Expenditures of Federal Awards | | | \$ <u><u>3,235,298</u></u> |

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Agency and is presented on the accrual basis. 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'. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

The accompanying of schedule of expenditures of federal awards does not include the federal grant activity of DHC, LHC and BMH. DHC, LHC and BMH each present its federal grant activity on its schedule of expenditures of federal awards.

Supplemental Information

BRIDGEWELL, INC. AND AFFILIATES

Consolidating Schedule of Assets, Liabilities and Net Assets

As of June 30, 2014

| | Bridgewell, Inc. | Bridgewell Danvers Housing Corporation | Bridgewell Lynn Housing Corporation | Bridgewell Merrimac Housing Corporation | Center for Professional Innovation | Forthill Avenue, Inc. | Middlesex North Resource Center, Inc. | Project Cope, Inc. | Elimination | Consolidated |
|--|----------------------|---|--|--|--|--------------------------|--|-----------------------|---------------------|----------------------|
| Current Assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,222,756 | \$ 38,419 | \$ 65,002 | \$ 79,096 | \$ 52,067 | \$ 3,335 | \$ - | \$ 81,835 | \$ - | \$ 1,542,510 |
| Accounts receivable, net of allowance | 5,505,092 | 1,358 | 2,462 | 1,563 | - | 6,090 | - | 334,200 | - | 5,850,765 |
| Prepaid expenses and other current assets | 603,611 | - | - | - | - | - | - | - | - | 603,611 |
| Other accounts receivable | 1,518,290 | - | - | - | - | - | - | - | - | 1,518,290 |
| Deposits | 16,684 | - | - | - | - | - | - | - | - | 16,684 |
| Investments | <u>93,101</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>93,101</u> |
| Total current assets | <u>8,959,534</u> | <u>39,777</u> | <u>67,464</u> | <u>80,659</u> | <u>52,067</u> | <u>9,425</u> | <u>-</u> | <u>416,035</u> | <u>-</u> | <u>9,624,961</u> |
| Restricted Deposits and Funded Reserves | | | | | | | | | | |
| Reserve for satisfaction of long term debt | 730,000 | - | - | - | - | - | - | - | - | 730,000 |
| Other reserves | <u>-</u> | <u>13,148</u> | <u>10,308</u> | <u>14,204</u> | <u>-</u> | <u>193,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>230,660</u> |
| Total restricted deposits and funded reserves | <u>730,000</u> | <u>13,148</u> | <u>10,308</u> | <u>14,204</u> | <u>-</u> | <u>193,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>960,660</u> |
| Fixed Assets | | | | | | | | | | |
| Property and equipment | 43,011,905 | 885,499 | 2,210,196 | 920,999 | 13,951 | 481,629 | 3,073,287 | 2,699,013 | (257,305) | 53,039,174 |
| Less: accumulated depreciation | <u>(18,805,058)</u> | <u>(72,367)</u> | <u>(73,486)</u> | <u>(105,585)</u> | <u>(8,322)</u> | <u>(328,150)</u> | <u>(888,978)</u> | <u>(45,951)</u> | <u>11,978</u> | <u>(20,315,919)</u> |
| Total net fixed assets | <u>24,206,847</u> | <u>813,132</u> | <u>2,136,710</u> | <u>815,414</u> | <u>5,629</u> | <u>153,479</u> | <u>2,184,309</u> | <u>2,653,062</u> | <u>(245,327)</u> | <u>32,723,255</u> |
| Other Assets | | | | | | | | | | |
| Deferred financing costs, net of amortization | 435,093 | - | - | - | - | - | - | 61,153 | - | 496,246 |
| Investments - restricted | 256,966 | - | - | - | - | - | - | - | - | 256,966 |
| Intangible assets, net of amortization | 8,976 | - | - | - | (3,288) | - | - | (1,019) | - | 4,669 |
| Due (to) from affiliates | 971,264 | (44,045) | (99,778) | (120,785) | (556,032) | (6,006) | (540,255) | 395,655 | (18) | - |
| Security deposits and other assets | <u>111,471</u> | <u>-</u> | <u>3,695</u> | <u>-</u> | <u>-</u> | <u>619</u> | <u>-</u> | <u>194</u> | <u>-</u> | <u>115,979</u> |
| Total other assets | <u>1,783,770</u> | <u>(44,045)</u> | <u>(96,083)</u> | <u>(120,785)</u> | <u>(559,320)</u> | <u>(5,387)</u> | <u>(540,255)</u> | <u>455,983</u> | <u>(18)</u> | <u>873,860</u> |
| Total Assets | <u>\$ 35,680,151</u> | <u>\$ 822,012</u> | <u>\$ 2,118,399</u> | <u>\$ 789,492</u> | <u>\$ (501,624)</u> | <u>\$ 350,517</u> | <u>\$ 1,644,054</u> | <u>\$ 3,525,080</u> | <u>\$ (245,345)</u> | <u>\$ 44,182,736</u> |

See independent auditors' report.

BRIDGEWELL, INC. AND AFFILIATES

Consolidating Schedule of Assets, Liabilities and Net Assets - continued

As of June 30, 2014

| | Bridgewell, Inc. | Bridgewell Danvers Housing Corporation | Bridgewell Lynn Housing Corporation | Bridgewell Merrimac Housing Corporation | Center for Professional Innovation | Forthill Avenue, Inc. | Middlesex North Resource Center, Inc. | Project Cope, Inc. | Elimination | Consolidated |
|---|----------------------|---|--|--|--|--------------------------|--|-----------------------|---------------------|----------------------|
| Current Liabilities | | | | | | | | | | |
| Accounts payable | \$ 1,723,297 | \$ 20,376 | \$ 27,568 | \$ 11,378 | \$ 2,348 | \$ 2,309 | \$ - | \$ 19,647 | \$ - | \$ 1,806,923 |
| Accrued expenses | 2,433,626 | - | - | - | - | - | - | 36,229 | - | 2,469,855 |
| Line of credit | 863,146 | - | - | - | - | - | - | - | - | 863,146 |
| Long term debt, current | 425,717 | - | - | - | - | - | - | 51,853 | - | 477,570 |
| Deferred revenue | 219,804 | - | 908 | - | 13,342 | 413 | - | - | - | 234,467 |
| Due to Commonwealth of Massachusetts | <u>92,551</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>92,551</u> |
| Total current liabilities | <u>5,758,141</u> | <u>20,376</u> | <u>28,476</u> | <u>11,378</u> | <u>15,690</u> | <u>2,722</u> | <u>-</u> | <u>107,729</u> | <u>-</u> | <u>5,944,512</u> |
| Long Term Liabilities | | | | | | | | | | |
| Deferred compensation | 256,966 | - | - | - | - | - | - | - | - | 256,966 |
| Long term debt | <u>25,573,235</u> | <u>245,610</u> | <u>586,637</u> | <u>374,177</u> | <u>-</u> | <u>200,376</u> | <u>1,935,773</u> | <u>2,008,181</u> | <u>-</u> | <u>30,923,989</u> |
| Total long term liabilities | <u>25,830,201</u> | <u>245,610</u> | <u>586,637</u> | <u>374,177</u> | <u>-</u> | <u>200,376</u> | <u>1,935,773</u> | <u>2,008,181</u> | <u>-</u> | <u>31,180,955</u> |
| Total liabilities | <u>31,588,342</u> | <u>265,986</u> | <u>615,113</u> | <u>385,555</u> | <u>15,690</u> | <u>203,098</u> | <u>1,935,773</u> | <u>2,115,910</u> | <u>-</u> | <u>37,125,467</u> |
| Net Assets | | | | | | | | | | |
| Unrestricted | 4,009,356 | (58,374) | (72,214) | (145,263) | (517,314) | (228,881) | (291,719) | 1,409,170 | (245,345) | 3,859,416 |
| Temporarily restricted | <u>82,453</u> | <u>614,400</u> | <u>1,575,500</u> | <u>549,200</u> | <u>-</u> | <u>376,300</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,197,853</u> |
| Total net assets | <u>4,091,809</u> | <u>556,026</u> | <u>1,503,286</u> | <u>403,937</u> | <u>(517,314)</u> | <u>147,419</u> | <u>(291,719)</u> | <u>1,409,170</u> | <u>(245,345)</u> | <u>7,057,269</u> |
| Total Liabilities and Net Assets | <u>\$ 35,680,151</u> | <u>\$ 822,012</u> | <u>\$ 2,118,399</u> | <u>\$ 789,492</u> | <u>\$ (501,624)</u> | <u>\$ 350,517</u> | <u>\$ 1,644,054</u> | <u>\$ 3,525,080</u> | <u>\$ (245,345)</u> | <u>\$ 44,182,736</u> |

See independent auditors' report.

BRIDGEWELL, INC. AND AFFILIATES

Consolidating Schedule of Revenues and Expenses

For the Year Ended June 30, 2014

| | Bridgewell, Inc. | Bridgewell Danvers Housing Corporation | Bridgewell Lynn Housing Corporation | Bridgewell Merrimac Housing Corporation | Center for Professional Innovation | Forthill Avenue, Inc. | Middlesex North Resource Center, Inc. | Project Cope, Inc. | Elimination | Consolidated |
|---|---------------------|---|--|--|--|--------------------------|--|-----------------------|---------------------|---------------------|
| Revenue and Support | | | | | | | | | | |
| Contributions, grants and special events | \$ 423,847 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,796 | \$ - | \$ 427,643 |
| Program service fees | 47,063,287 | 22,299 | 46,022 | 13,989 | 249,381 | 13,825 | 575,985 | 764,382 | - | 48,749,170 |
| Rental revenue | 3,525,579 | 18,516 | 33,286 | 20,387 | - | 27,996 | - | 326,361 | - | 3,952,125 |
| Investment revenue (expense) | 35,424 | 10 | 17 | 23 | - | 423 | - | - | - | 35,897 |
| Revenue from commercial products and services | 41,821 | - | - | - | - | - | - | - | - | 41,821 |
| Gain on sale of property and equipment | 24,527 | - | - | - | - | - | - | - | - | 24,527 |
| Other | 328,689 | 31,383 | - | - | - | - | - | 2,300 | (18) | 362,354 |
| Total revenue and support | 51,443,174 | 72,208 | 79,325 | 34,399 | 249,381 | 42,244 | 575,985 | 1,096,839 | (18) | 53,593,537 |
| Expenses | | | | | | | | | | |
| Management and general | 7,052,694 | - | - | - | - | - | - | - | (6,433) | 7,046,261 |
| Fundraising | 512,183 | - | - | - | - | - | - | - | - | 512,183 |
| Program services | 45,018,523 | 66,736 | 140,492 | 62,676 | 226,726 | 51,959 | 679,551 | 522,256 | - | 46,768,919 |
| Total expenses | 52,583,400 | 66,736 | 140,492 | 62,676 | 226,726 | 51,959 | 679,551 | 522,256 | (6,433) | 54,327,363 |
| Change in Net Assets from Operations | (1,140,226) | 5,472 | (61,167) | (28,277) | 22,655 | (9,715) | (103,566) | 574,583 | 6,415 | (733,826) |
| Other Changes | | | | | | | | | | |
| Gain on involuntary conversion | 1,518,290 | - | - | - | - | - | - | - | - | 1,518,290 |
| Excess of net assets acquired | - | - | - | - | - | - | - | 834,587 | - | 834,587 |
| Loss on refinancing | (204,182) | - | - | - | - | - | - | - | - | (204,182) |
| Total other changes | 1,314,108 | - | - | - | - | - | - | 834,587 | - | 2,148,695 |
| Change in Net Assets | 173,882 | 5,472 | (61,167) | (28,277) | 22,655 | (9,715) | (103,566) | 1,409,170 | 6,415 | 1,414,869 |
| Net Assets at Beginning of Year, as Restated | 3,917,927 | 550,554 | 1,564,453 | 432,214 | (539,969) | 157,134 | (188,153) | - | (251,760) | 5,642,400 |
| Net Assets at End of Year | \$ 4,091,809 | \$ 556,026 | \$ 1,503,286 | \$ 403,937 | \$ (517,314) | \$ 147,419 | \$ (291,719) | \$ 1,409,170 | \$ (245,345) | \$ 7,057,269 |

See independent auditors' report.