

**GREATER WALTHAM ARC, INC.**

**Financial Statements**

**June 30, 2015**

**(with comparative financial information for June 30, 2014)**

**GREATER WALTHAM ARC, INC.**

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June 30, 2015

(with comparative financial information for June 30, 2014)

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## Independent Auditors' Report

To the Board of Directors of  
Greater Waltham Arc, Inc.  
Waltham, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of Greater Waltham Arc, Inc. (a nonprofit organization), (the Agency), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Agency's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2014. 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, 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.



January 7, 2016



**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  
Greater Waltham Arc, Inc.  
Waltham, Massachusetts

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 financial statements of Greater Waltham Arc, Inc. (a nonprofit organization), (the Agency), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the 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 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 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.

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 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 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.

A handwritten signature in black ink that reads "Nimir P. Martini & Associates, P.C." The signature is written in a cursive, flowing style.

January 7, 2016

# GREATER WALTHAM ARC, INC.

## Statement of Financial Position

As of June 30, 2015  
With Comparative Totals as of June 30, 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 162,682	\$ 262,191
Accounts receivable	316,538	234,820
Prepaid expenses	<u>55,787</u>	<u>64,950</u>
Total Current Assets	<u>535,007</u>	<u>561,961</u>
<b>Fixed Assets</b>		
Land, buildings, and equipment	1,949,351	1,906,822
Less: accumulated depreciation	<u>(1,261,715)</u>	<u>(1,202,784)</u>
Total Net Fixed Assets	<u>687,636</u>	<u>704,038</u>
<b>Other Assets</b>		
Investments	<u>1,997,033</u>	<u>1,960,512</u>
Total Other Assets	<u>1,997,033</u>	<u>1,960,512</u>
<b>Total Assets</b>	<u>\$ 3,219,676</u>	<u>\$ 3,226,511</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 52,605	\$ 87,846
Accrued expenses	44,359	63,394
Capital lease obligations - current	<u>8,066</u>	<u>7,580</u>
Total Current Liabilities	<u>105,030</u>	<u>158,820</u>
<b>Long-Term Liabilities</b>		
Capital lease obligations - net of current portion	<u>5,958</u>	<u>14,889</u>
Total Long-Term Liabilities	<u>5,958</u>	<u>14,889</u>
<b>Total Liabilities</b>	<u>110,988</u>	<u>173,709</u>
<b>Net Assets</b>		
Unrestricted	3,010,882	2,946,334
Temporarily restricted	<u>97,806</u>	<u>106,468</u>
<b>Total Net Assets</b>	<u>3,108,688</u>	<u>3,052,802</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,219,676</u>	<u>\$ 3,226,511</u>

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

# GREATER WALTHAM ARC, INC.

## Statement of Activities

**For the Year Ended June 30, 2015**  
**With Comparative Totals for the Year Ended June 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2015 Total</b>	<b>2014 Total</b>
<b>Revenue and Support</b>				
<b>Program Service Revenue</b>				
Government contracts	\$ 2,819,109	\$ -	\$ 2,819,109	\$ 2,789,115
Commercial contracts	352,295	-	352,295	339,435
Private fees	14,463	-	14,463	9,637
	3,185,867	-	3,185,867	3,138,187
<b>Total Program Service Revenue</b>				
	3,185,867	-	3,185,867	3,138,187
<b>Other Revenue and Support</b>				
In-kind contributions	111,212	-	111,212	109,087
Special events	66,732	-	66,732	69,530
Contributions and grants	63,012	22,600	85,612	57,155
Investment revenue	23,228	-	23,228	231,963
	264,184	22,600	286,784	467,735
<b>Total Other Revenue and Support</b>				
	264,184	22,600	286,784	467,735
Net assets released from restrictions	31,262	(31,262)	-	-
	3,481,313	(8,662)	3,472,651	3,605,922
<b>Total Revenue and Support</b>				
	3,481,313	(8,662)	3,472,651	3,605,922
<b>Functional Expenses</b>				
Program services	2,698,473	-	2,698,473	2,932,381
General and administrative	578,571	-	578,571	430,588
Fundraising	139,721	-	139,721	139,068
	3,416,765	-	3,416,765	3,502,037
<b>Total Functional Expenses</b>				
	3,416,765	-	3,416,765	3,502,037
<b>Change in Net Assets</b>	64,548	(8,662)	55,886	103,885
<b>Net Assets at Beginning of Year</b>	2,946,334	106,468	3,052,802	2,948,917
<b>Net Assets at End of Year</b>	\$ 3,010,882	\$ 97,806	\$ 3,108,688	\$ 3,052,802

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

# GREATER WALTHAM ARC, INC.

## Statement of Cash Flows

**For the Year Ended June 30, 2015  
With Comparative Totals for the Year Ended June 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 55,886	\$ 103,885
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	61,957	71,713
Net gain on investments	53,727	(200,822)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(81,718)	20,117
Prepaid expenses	9,163	(6,425)
Increase (decrease) in:		
Accounts payable	(35,241)	22,855
Accrued expenses	(19,035)	(26,150)
Net Cash Provided by (Used in) Operating Activities	<u>44,739</u>	<u>(14,827)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of land, buildings and equipment	(45,555)	(26,653)
Purchase of investments	(1,443,109)	(364,074)
Sale of investments	1,352,861	402,123
Net Cash (Used in) Provided by Investing Activities	<u>(135,803)</u>	<u>11,396</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	(8,445)	(7,363)
Net Cash Used in Financing Activities	<u>(8,445)</u>	<u>(7,363)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(99,509)	(10,794)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>262,191</u>	<u>272,985</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 162,682</u>	<u>\$ 262,191</u>
<b>Noncash Investing and Financing Activities</b>		
Disposal of fully depreciated fixed assets	\$ 3,026	\$ 48,172
Fixed asset additions financed through capital lease obligations	\$ -	\$ 23,855

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

**GREATER WALTHAM ARC, INC.**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2015  
With Comparative Totals for the Year Ended June 30, 2014**

	<u>Program Services</u>					<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total 2015</u>	<u>Total 2014</u>
	<u>BIS/ Employment</u>	<u>Day Education</u>	<u>Support Services</u>	<u>Adult Family Care</u>	<u>Total Program Services</u>				
<b>Personnel Expenses</b>									
Salaries	\$ 294,257	\$ 654,844	\$ 53,105	\$ 93,066	\$ 1,095,272	\$ 266,620	\$ 81,115	\$ 1,443,007	\$ 1,511,855
Fringe benefits	57,286	103,979	3,110	7,000	171,375	63,963	1,763	237,101	240,972
Payroll taxes	25,263	56,348	11,189	8,441	101,241	29,418	6,826	137,485	162,924
<b>Total Personnel Expenses</b>	<u>376,806</u>	<u>815,171</u>	<u>67,404</u>	<u>108,507</u>	<u>1,367,888</u>	<u>360,001</u>	<u>89,704</u>	<u>1,817,593</u>	<u>1,915,751</u>
<b>Other Operating Expenses</b>									
Caregiver expenses	-	-	-	447,611	447,611	-	-	447,611	369,769
Occupancy expenses	25,107	232,185	2,595	1,058	260,945	28,322	3,368	292,635	298,219
Direct client wages	223,432	123	-	-	223,555	-	-	223,555	228,499
Professional fees	-	105,716	-	570	106,286	56,425	-	162,711	198,090
Transportation/mileage	105,620	5,910	1,914	6,495	119,939	4,048	433	124,420	120,515
Temporary help	-	29,259	-	741	30,000	24,883	-	54,883	70,639
Office supplies/expenses	5,490	13,677	759	1,171	21,097	44,590	5,567	71,254	62,154
Dues and subscriptions	-	2,520	-	-	2,520	19,794	2,106	24,420	23,881
Donated items for special events	-	-	-	-	-	-	26,550	26,550	22,250
Miscellaneous	5,414	2,950	1,643	-	10,007	3,357	4,713	18,077	20,856
Telephone	4,990	1,447	380	513	7,330	5,778	300	13,408	19,286
Recreation	-	928	22,366	-	23,294	-	-	23,294	18,729
Data processing	1,816	-	-	4,105	5,921	11,478	-	17,399	16,561
Public relations	-	257	363	1,070	1,690	3,032	6,589	11,311	11,680
Insurance	-	1,522	3,079	-	4,601	7,632	-	12,233	10,850
Staff training	195	533	130	1,381	2,239	661	174	3,074	7,769
Minor equipment	-	3,006	-	-	3,006	-	-	3,006	7,622
Medicine/pharmacy	52	4,475	-	13	4,540	-	-	4,540	4,472
Employment ads	500	1,075	350	650	2,575	-	-	2,575	2,473
Interest	-	-	-	-	-	259	-	259	259
<b>Total Other Operating Expenses</b>	<u>372,616</u>	<u>405,583</u>	<u>33,579</u>	<u>465,378</u>	<u>1,277,156</u>	<u>210,259</u>	<u>49,800</u>	<u>1,537,215</u>	<u>1,514,573</u>
<b>Total Operating Expenses</b>	<u>749,422</u>	<u>1,220,754</u>	<u>100,983</u>	<u>573,885</u>	<u>2,645,044</u>	<u>570,260</u>	<u>139,504</u>	<u>3,354,808</u>	<u>3,430,324</u>
<b>Depreciation</b>	<u>11,736</u>	<u>41,368</u>	<u>144</u>	<u>181</u>	<u>53,429</u>	<u>8,311</u>	<u>217</u>	<u>61,957</u>	<u>71,713</u>
<b>Total Functional Expenses</b>	<u>\$ 761,158</u>	<u>\$ 1,262,122</u>	<u>\$ 101,127</u>	<u>\$ 574,066</u>	<u>\$ 2,698,473</u>	<u>\$ 578,571</u>	<u>\$ 139,721</u>	<u>\$ 3,416,765</u>	<u>\$ 3,502,037</u>

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

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

### (1) Summary of Significant Accounting Policies

The 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). The significant accounting policies followed by Greater Waltham ARC, Inc. (the Agency) are described below to enhance the usefulness of the financial statements to the reader.

#### *(a) Nature of Activities*

The Agency is a Massachusetts, non-profit organization established in 1956. The Agency provides educational and vocational training, employment and support services to assist the developmentally disabled to meet their whole life needs in the greater Waltham, Massachusetts area.

The following program divisions are listed in order of relative importance based upon total program expenditures:

Day Education - This program serves developmentally disabled men and women. The goal of the program is to further develop participant communication, mobility skills and gross and small motor skills through speech and language therapy, music therapy, sensory activities, arts, dance, crafts, cooking, pet therapy and socialization with peers in supportive settings. For the years ended June 30, 2015 and 2014, the Day Education program accounted for approximately 47% and 45%, respectively, of total programmatic expenditures.

BIS/Employment - This program offers individuals an innovative program that maximizes practical skills for independence. Employment services include independent community work with job coaching/support and group supported employment at local universities. For the years ended June 30, 2015 and 2014, the BIS/Employment program accounted for approximately 28% and 34%, respectively, of total programmatic expenditures.

Adult Family Care - This program provides Medicaid funded tax-free financial support to families caring for their adolescent/adult children with intellectual and developmental disabilities and/or the elderly in their homes. For the years ended June 30, 2015 and 2014, the Adult Family Care division accounted for 21% and 17%, respectively, of total program expenditures.

Support Services - This program organizes community-based and in-house activities for adults, adolescents and children in the community and for Agency participants. Agency participants and community members join together to learn to make and influence better choices in their lives. For the years ended June 30, 2015 and 2014, the Support Services program accounted for approximately 4% and 4%, respectively, of total programmatic expenditures.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

### (1) Summary of Significant Accounting Policies - continued

#### (b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts. Investment income, realized and unrealized gains and losses on investments, net of related management fees, are reported as non-operating revenue because such assets are managed for long-term stabilization of the Agency's activities.

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

#### (c) Revenue Recognition

The Agency earns revenue as follows:

Program Service Fees - Program service fees are earned and recognized by the Agency when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts are unit-rate 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. Billings on the contracts are subject to final approval by the governmental agency.

Contributions - Contributions are recorded as support at the date of donation, pledge or dates stated in award letters 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.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2015, the Agency derived approximately 56% of its total revenue from Medicaid, 21% from the Commonwealth of Massachusetts, 10% from commercial contracts, 7% from foundations and individual donors, 1% from investment revenue and 5% from other sources. During the year ended June 30, 2014, the Agency derived approximately 49% of its total revenue from Medicaid, 25% from the Commonwealth of Massachusetts, 9% from commercial contracts, 7% from foundations and individual donors, 6% from investment revenue and 4% from other sources. All revenue is recorded at the estimated net realizable amounts.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(d) Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2015 and 2014, management has determined any allowance would be immaterial.

The Agency does not have a policy to accrue interest on accounts receivables. The Agency has no policies requiring collateral or other security to secure the accounts receivable. Substantially all of the Agency's receivables are due from entities located in Massachusetts. As of June 30, 2015, the Agency's trade receivables were due as follows: approximately 63% due from Medicaid, 16% due from the Commonwealth of Massachusetts, 16% due from commercial contracts and 5% due from other sources. As of June 30, 2014, the Agency's trade receivables were due as follows: approximately 54% due from Medicaid, 31% due from the Commonwealth of Massachusetts, 11% due from commercial contracts and 4% due from other sources.

#### ***(e) Standards of Accounting and Reporting***

The Agency's 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 statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets.

The 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 statement of activities as net assets released from restrictions. Restricted contributions and investment income whose restrictions are met in the same reporting period are recorded as temporarily restricted income and as net assets released from restrictions.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(f) Income Taxes***

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore is not subject to income tax. The Agency is not a private foundation under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the years ended June 30, 2015 and 2014, there was no liability for tax on unrelated business income.

GAAP prescribes a recognition threshold and measurement attribute for 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 years ended June 30, 2015 and 2014, the Agency has determined that it has not taken any tax positions which would result in an uncertainty requiring recognition in the accompanying 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 years ended June 30, 2015 and 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 raising general and specific contributions to the Agency and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 48% and 59%, respectively, for the years ended June 30, 2015 and 2014. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

#### ***(h) Advertising Costs***

The Agency expenses advertising costs when they are incurred. Advertising expense was immaterial for the years ended June 30, 2015 and 2014.

#### ***(i) Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the 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.

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

**(1) Summary of Significant Accounting Policies - continued**

***(i) Functional Allocation of Expenses - continued***

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon square footage.

***(j) Use of Estimates***

In preparing the Agency's 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***(k) Special Events***

The Agency has determined that special events are incidental to its operations and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue.

***(l) Cash and Cash Equivalents***

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. Certain 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 or with respect to its bank balances not insured. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2015 and 2014.

***(m) Investments***

The Agency carries investments in marketable securities at fair value which is determined by quoted market prices. Changes in fair value are reflected in the statement of activities as gains or losses on investments. Investments are exposed to risks such as interest rate, credit and overall market volatility.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

### (1) Summary of Significant Accounting Policies - continued

#### (n) 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.

**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. 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, 2015 and 2014.

	Fair Value Measurements on a Recurring Basis				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2015</u>	<u>Total 2014</u>
Mutual funds	\$ 1,838,230	\$ -	\$ -	\$ 1,838,230	\$ 1,594,633
Marketable equity securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,652</u>
	<u>\$ 1,838,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,838,230</u>	<u>\$ 1,760,285</u>

Refer to Note 2 for additional information related to the composition of investments.

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

**(1) Summary of Significant Accounting Policies - continued**

***(n) Fair Value Measurements - continued***

**Recurring Measurements - continued**

*Investments in Trading Securities*

The fair values of investments using quoted market prices from daily exchange traded markets were based on the closing price as of the balance sheet date and were classified as Level 1.

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 years ended June 30, 2015 and 2014.

**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 and liabilities measured at fair value on a nonrecurring basis as of June 30, 2015 and 2014.

***(o) 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 statement of activities.

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

Building	40 years
Building improvements	5-40 years
Furniture and equipment	3-20 years
Leasehold improvements	5-20 years
Land improvements	7-10 years
Motor vehicles	7 years

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(o) Land, Building and Equipment - continued***

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 in 2015 or 2014.

#### ***(p) Contributed Services and Gifts In-Kind***

Donated materials and facilities are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Agency personnel.

Many individuals volunteer their time and perform a variety of tasks that assist the Agency with specific assistance programs, campaign solicitations and various committee assignments. The Agency would not have paid for these volunteered services if they had not been donated and therefore, they have not been reflected in the financial statements. During the years ended June 30, 2015 and 2014, the Agency received approximately 1,940 and 165, respectively, volunteer hours (unaudited).

#### ***(q) Summarized Financial Information for 2014***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. 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 financial statements for the year ended June 30, 2014, from which the summarized information was derived.

## GREATER WALTHAM ARC, INC.

### Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

#### (2) Investments

Investments are comprised of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Mutual funds	\$ 1,838,230	\$ 1,594,633
U.S. bank certificates of deposit	158,803	200,227
Marketable equity securities	<u>-</u>	<u>165,652</u>
Total	<u>\$ 1,997,033</u>	<u>\$ 1,960,512</u>

Investment return consisted of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends, net of management fees	\$ 68,131	\$ 20,652
Net realized and unrealized (losses) gains	<u>( 53,727)</u>	<u>200,822</u>
Total gain on investments	<u>\$ 14,404</u>	<u>\$ 221,474</u>

Mutual funds consist primarily of a diversified portfolio of established domestic mutual funds investing in relatively conservative debt and equity securities. U.S. bank certificates of deposits are held at several local financial institutions. The marketable equity securities consist primarily of common stock traded on the New York Stock Exchange. Investment brokerage fees were \$8,824 and \$10,489, respectively, for the years ended June 30, 2015 and 2014 and are included with administration expenses on the accompanying statement of activities.

Management intends to retain investments for future uses. As of June 30, 2015 and 2014, all investments are classified as long-term on the accompanying statement of financial position.

## GREATER WALTHAM ARC, INC.

### Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

#### (3) Property and Equipment

Property and equipment consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 104,559	\$ 104,559
Building	272,512	272,512
Building improvements	319,230	311,258
Furniture and equipment	356,966	350,185
Leasehold improvements	716,886	715,769
Land improvements	118,043	118,043
Motor vehicles	<u>61,155</u>	<u>34,496</u>
	<u>\$ 1,949,351</u>	<u>\$ 1,906,822</u>

Depreciation amounted to \$61,957 and \$71,713, respectively, for the years ended June 30, 2015 and 2014.

#### (4) Line of Credit

The Agency has an arrangement with a bank to provide for working capital when needed. A secured, revolving, demand line of credit in the amount of \$200,000 is available. Interest is payable monthly at the bank's prime rate plus 1% per annum (4.25% as of June 30, 2015 and 2014). The line of credit was renewed on April 20, 2015, and is secured by a first lien on all corporate assets. There was no balance outstanding as of June 30, 2015 and 2014.

#### (5) Capital Lease Obligations

The Agency leases certain assets under capital lease arrangements. The economic substance of the leases is that the Agency is financing the acquisition of assets through the leases and, accordingly, their value is recorded on the statement of financial position. Capital leases are recorded at the lower of fair market value or the present value of future lease payments using interest rates appropriate at the inception of each lease. The following is an analysis of the assets under capital leases included in land, building and equipment on the accompanying statement of financial position as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land, building and equipment	\$ 23,855	\$ 23,855
Accumulated depreciation	<u>(10,813)</u>	<u>(3,976)</u>
	<u>\$ 13,042</u>	<u>\$ 19,879</u>

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

**(5) Capital Lease Obligations - continued**

Depreciation expense on capital lease assets amounted to \$6,837 and \$8,475, respectively, for the years ended June 30, 2015 and 2014.

The minimum lease payments for assets under capital leases are as follows:

2016	\$	8,739
2017		6,554
Total minimum obligations		15,293
Less: interest amount		<u>(1,269)</u>
Present value of obligations		14,024
Less: current portion		<u>(8,066)</u>
Long-term obligation	\$	<u>5,958</u>

The Agency's monthly aggregate capital lease payments approximate \$730. Interest rates on these obligations are approximately 6%. Maturities of capital lease obligations are as follows:

2016	\$	8,066
2017		5,958

Interest expense on all capital lease obligations amounted to \$259 for the years ended June 30, 2015 and 2014.

**(6) 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, 2015 and 2014, temporarily restricted net assets are restricted for the following purposes:

Nature of Restriction	Amount	
	2015	2014
Adult recreation	\$ 93,756	\$ 104,218
Other recreation	1,000	1,000
Staff training	<u>3,050</u>	<u>1,250</u>
Total	\$ <u>97,806</u>	\$ <u>106,468</u>

## GREATER WALTHAM ARC, INC.

### Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

#### (7) Contributed Services, Facilities and Gifts In-Kind

Contributed services, facilities and gifts in-kind for the years ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Facilities (see Note 11)	\$ 84,662	\$ 84,662
Donated items for special events	26,550	22,250
Professional services	-	1,500
Miscellaneous	<u>-</u>	<u>675</u>
Total	<u>\$ 111,212</u>	<u>\$ 109,087</u>

#### (8) Employee Benefits

The Agency has a plan that qualifies as a “Cafeteria Plan” under Section 125 of the IRC. The plan allows the Agency’s employees to pay for medical and dental insurance and daycare on a pre-tax basis. A new employee is immediately eligible upon enrollment.

The Agency has a 403(b) retirement plan covering substantially all employees who meet certain eligibility requirements such as age, term of employment, etc. The Agency did not make matching or voluntary contributions during the years ended June 30, 2015 and 2014, and reserves the right to terminate or amend the plan at any time.

The Agency has a 401(a) profit-sharing plan covering substantially all employees who meet certain eligibility requirements such as age, term of employment, etc. The plan is an employer-only contributory plan with full vesting over a six year period and full vesting at the time of retirement. The Agency made contributions of \$45,986 and \$45,779, respectively, (included in employee compensation and related expenses in the statements of functional expenses) during the years ended June 30, 2015 and 2014, and reserves the right to terminate or amend the plan at any time.

#### (9) Commitments and Contingencies

The Agency receives a portion of its funding from government agencies. 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.

## GREATER WALTHAM ARC, INC.

### Notes to Financial Statements

June 30, 2015

(with comparative financial information for June 30, 2014)

#### **(9) Commitments and Contingencies - continued**

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:

- Executive Office of Health and Human Services
- Department of Developmental Services
- Massachusetts Commission for the Blind
- Massachusetts Rehabilitation Commission
- Operational Services Division

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 the above mentioned parties. 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.

#### **(10) Related Party Transactions**

During the years ended June 30, 2015 and 2014, the Agency had two certificate of deposit accounts at two separate financial institutions where board members are officers.

#### **(11) Operating Lease Commitments**

The Agency's facility located at 56 Chestnut Street, Waltham, Massachusetts was leased from the City of Waltham in 1977 for one dollar. The lease ends and the building reverts to the City when the Agency ceases to serve the needs of the developmentally disabled. Rent expense, included in occupancy expenses and recorded as an in-kind donation, amounted to \$84,662 for the years ended June 30, 2015 and 2014.

#### **(12) Subsequent Events**

The Agency has performed an evaluation of subsequent events through January 7, 2016, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in these financial statements.

**GREATER WALTHAM ARC, INC.**

Schedule of Findings and Responses

June 30, 2015

**(1) Current Year Findings**

No significant deficiencies or material weaknesses reported.

**(2) Status of Prior Year Findings**

No significant deficiencies or material weaknesses reported.