



Greater Waltham Arc, Inc.

Financial Statements

June 30, 2016



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Kevin P. Martin & Associates, P.C.

**GREATER WALTHAM ARC, INC.**

Index

June 30, 2016

(with comparative financial information for June 30, 2015)

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## **Independent Auditors' Report**

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

### **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, 2016, and the related statements of activities, cash flows and functional expenses 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, 2016, and the changes in its net assets and its cash flows for the year 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2016. 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, 2015, 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 October 24, 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.

 Nimir P. Martini & Associates, P.C.

October 24, 2016

# GREATER WALTHAM ARC, INC.

## Statement of Financial Position

As of June 30, 2016  
With Comparative Totals as of June 30, 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 332,475	\$ 162,682
Accounts receivable	297,276	316,538
Prepaid expenses	<u>56,066</u>	<u>55,787</u>
Total Current Assets	<u>685,817</u>	<u>535,007</u>
<b>Fixed Assets</b>		
Land, buildings and equipment	1,986,003	1,949,351
Less: accumulated depreciation	<u>(1,326,728)</u>	<u>(1,261,715)</u>
Total Net Fixed Assets	<u>659,275</u>	<u>687,636</u>
<b>Other Assets</b>		
Investments	<u>2,007,075</u>	<u>1,997,033</u>
Total Other Assets	<u>2,007,075</u>	<u>1,997,033</u>
<b>Total Assets</b>	<u>\$ 3,352,167</u>	<u>\$ 3,219,676</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 74,049	\$ 52,605
Accrued expenses	127,867	44,359
Capital lease obligations - current	<u>5,578</u>	<u>8,066</u>
Total Current Liabilities	<u>207,494</u>	<u>105,030</u>
<b>Long-Term Liabilities</b>		
Capital lease obligations - net of current portion	<u>-</u>	<u>5,958</u>
Total Long-Term Liabilities	<u>-</u>	<u>5,958</u>
<b>Total Liabilities</b>	<u>207,494</u>	<u>110,988</u>
<b>Net Assets</b>		
Unrestricted	3,117,423	3,010,882
Temporarily restricted	<u>27,250</u>	<u>97,806</u>
<b>Total Net Assets</b>	<u>3,144,673</u>	<u>3,108,688</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,352,167</u>	<u>\$ 3,219,676</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, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
<b>Revenue and Support</b>				
<b>Program Service Revenue</b>				
Government contracts	\$ 2,899,906	\$ -	\$ 2,899,906	\$ 2,819,109
Commercial contracts	416,253	-	416,253	331,639
Private fees	13,706	-	13,706	14,094
	3,329,865	-	3,329,865	3,164,842
<b>Total Program Service Revenue</b>				
	3,329,865	-	3,329,865	3,164,842
<b>Other Revenue and Support</b>				
In-kind contributions	109,662	-	109,662	111,212
Special events	71,845	-	71,845	66,922
Contributions and grants	72,229	55,000	127,229	85,612
Investment revenue	35,607	-	35,607	23,228
Other revenue	9,425	-	9,425	20,835
	298,768	55,000	353,768	307,809
<b>Total Other Revenue and Support</b>				
	298,768	55,000	353,768	307,809
Net assets released from restrictions	125,556	(125,556)	-	-
	3,754,189	(70,556)	3,683,633	3,472,651
<b>Total Revenue and Support</b>				
	3,754,189	(70,556)	3,683,633	3,472,651
<b>Functional Expenses</b>				
Program services	2,936,601	-	2,936,601	2,698,473
General and administrative	563,976	-	563,976	578,571
Fundraising	147,071	-	147,071	139,721
	3,647,648	-	3,647,648	3,416,765
<b>Total Functional Expenses</b>				
	3,647,648	-	3,647,648	3,416,765
<b>Change in Net Assets</b>	106,541	(70,556)	35,985	55,886
<b>Net Assets at Beginning of Year</b>	3,010,882	97,806	3,108,688	3,052,802
<b>Net Assets at End of Year</b>	\$ 3,117,423	\$ 27,250	\$ 3,144,673	\$ 3,108,688

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, 2016**  
**With Comparative Totals for the Year Ended June 30, 2015**

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 35,985	\$ 55,886
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	65,013	61,957
Net gain on investments	33,789	53,727
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	19,262	(81,718)
Prepaid expenses	(279)	9,163
Increase (decrease) in:		
Accounts payable	21,444	(35,241)
Accrued expenses	83,508	(19,035)
Net Cash Provided by Operating Activities	258,722	44,739
<b>Cash Flows from Investing Activities</b>		
Purchase of land, buildings and equipment	(36,652)	(45,555)
Purchase of investments	(159,264)	(1,443,109)
Proceeds from sale of investments	115,433	1,352,861
Net Cash Used in Investing Activities	(80,483)	(135,803)
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	(8,446)	(8,445)
Net Cash Used in Financing Activities	(8,446)	(8,445)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	169,793	(99,509)
<b>Cash and Cash Equivalents, Beginning of Year</b>	162,682	262,191
<b>Cash and Cash Equivalents, End of Year</b>	\$ 332,475	\$ 162,682
<b>Noncash Investing and Financing Activities</b>		
Disposal of fully depreciated fixed assets	\$ -	\$ 3,026

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, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	Program Services					General and Administrative	Fundraising	Total 2016	Total 2015
	BIS/ Employment	Day Education	Support Services	Adult Family Care	Total Program Services				
<b>Personnel Expenses</b>									
Salaries	\$ 330,247	\$ 586,085	\$ 74,773	\$ 171,087	\$ 1,162,192	\$ 285,924	\$ 89,231	\$ 1,537,347	\$ 1,443,007
Fringe benefits	31,272	54,418	4,990	13,753	104,433	40,536	6,634	151,603	237,101
Payroll taxes	66,122	91,347	13,981	20,807	192,257	55,400	3,493	251,150	137,485
Total Personnel Expenses	<u>427,641</u>	<u>731,850</u>	<u>93,744</u>	<u>205,647</u>	<u>1,458,882</u>	<u>381,860</u>	<u>99,358</u>	<u>1,940,100</u>	<u>1,817,593</u>
<b>Other Operating Expenses</b>									
Caregiver expenses	-	-	-	457,315	457,315	-	-	457,315	447,611
Occupancy expenses	42,948	226,287	2,414	3,566	275,215	18,778	1,881	295,874	292,635
Direct client wages	287,784	-	-	-	287,784	-	-	287,784	223,555
Professional fees	-	140,644	-	-	140,644	66,442	67	207,153	162,711
Transportation/mileage	110,810	5,455	2,844	7,501	126,610	2,095	458	129,163	124,420
Office supplies/expenses	10,066	18,181	3,821	1,505	33,573	24,671	4,789	63,033	71,254
Temporary help	-	24,876	-	-	24,876	12,878	-	37,754	54,883
Donated items for special events	-	-	-	-	-	-	25,000	25,000	26,550
Data processing	1,200	-	-	4,894	6,094	16,527	-	22,621	17,399
Miscellaneous	5,369	2,543	3,043	-	10,955	2,836	6,716	20,507	18,077
Recreation	-	306	17,030	-	17,336	-	-	17,336	23,294
Telephone	6,380	1,162	321	173	8,036	8,186	75	16,297	13,408
Dues and subscriptions	-	253	-	125	378	12,934	1,431	14,743	24,420
Insurance	-	2,900	2,900	-	5,800	7,114	-	12,914	12,233
Public relations	81	104	196	2,180	2,561	740	6,996	10,297	11,311
Minor equipment	201	8,783	-	-	8,984	231	-	9,215	3,006
Medicine/pharmacy	79	6,674	11	6	6,770	-	-	6,770	4,540
Staff training	1,058	2,707	40	755	4,560	132	99	4,791	3,074
Employment ads	700	2,934	-	-	3,634	75	-	3,709	2,575
Interest	-	-	-	-	-	259	-	259	259
Total Other Operating Expenses	<u>466,676</u>	<u>443,809</u>	<u>32,620</u>	<u>478,020</u>	<u>1,421,125</u>	<u>173,898</u>	<u>47,512</u>	<u>1,642,535</u>	<u>1,537,215</u>
Total Operating Expenses	894,317	1,175,659	126,364	683,667	2,880,007	555,758	146,870	3,582,635	3,354,808
<b>Depreciation</b>	<u>15,334</u>	<u>40,825</u>	<u>167</u>	<u>268</u>	<u>56,594</u>	<u>8,218</u>	<u>201</u>	<u>65,013</u>	<u>61,957</u>
<b>Total Functional Expenses</b>	<u>\$ 909,651</u>	<u>\$ 1,216,484</u>	<u>\$ 126,531</u>	<u>\$ 683,935</u>	<u>\$ 2,936,601</u>	<u>\$ 563,976</u>	<u>\$ 147,071</u>	<u>\$ 3,647,648</u>	<u>\$ 3,416,765</u>

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

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

### **(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, 2016 and 2015, the Day Education program accounted for approximately 42% and 47%, 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, 2016 and 2015, the BIS/Employment program accounted for approximately 31% and 28%, 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, 2016 and 2015, the Adult Family Care division accounted for 23% and 21%, 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, 2016 and 2015, the Support Services program accounted for approximately 4% of total programmatic expenditures.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

### (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 activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts.

#### *(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 events revenue is recognized when earned. Special events are incidental to the Agency's operations and the related direct expenses have been reported with fundraising expense in the accompanying statement of activities. Special event revenue was \$71,845 and \$66,922, respectively, for the years ended June 30, 2016 and 2015.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

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

#### ***(c) Revenue Recognition - continued***

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Agency. Volunteers also assist the Agency with specific assistance programs, campaign solicitations and various committee assignments throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. During the years ended June 30, 2016 and 2015, the Agency received approximately 1,180 and 1,940, respectively, volunteer hours (unaudited).

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2016, the Agency derived approximately 53% of its total revenue from Medicaid, 22% from the Commonwealth of Massachusetts, 11% from commercial contracts, 8% from foundations and individual donors, 1% from investment revenue and 5% from other sources. 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. All revenue is recorded at the estimated net realizable amounts.

#### ***(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, 2016 and 2015, 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, 2016, the Agency's trade receivables were due as follows: approximately 56% due from Medicaid, 26% due from the Commonwealth of Massachusetts, 9% due from commercial contracts and 9% due from other sources. 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.

#### ***(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.

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

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

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

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.

#### ***(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 is generally not subject to income tax. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency is not a private foundation under Section 509(a)(1).

#### ***(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% for the years ended June 30, 2016 and 2015. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

#### ***(h) Reclassifications***

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

# GREATER WALTHAM ARC, INC.

## Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

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

#### ***(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.

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) 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, 2016 and 2015.

#### ***(l) Investments***

The Agency carries investments in marketable securities at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

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

*(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.

**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:** Significant inputs to the valuation model are unobservable.

**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, 2016 and 2015.

	Fair Value Measurements on a Recurring Basis				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2016</u>	<u>Total 2015</u>
Mutual funds	\$ <u>1,847,881</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,847,881</u>	\$ <u>1,838,230</u>
	\$ <u>1,847,881</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,847,881</u>	\$ <u>1,838,230</u>

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

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

*(m) Fair Value Measurements - continued*

*Recurring Measurements - continued*

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

*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, 2016 and 2015.

*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, 2016 and 2015.

*(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 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, 2016

(with comparative financial information for June 30, 2015)

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

#### (n) 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 2016 or 2015.

#### (o) Summarized Financial Information for 2015

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 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, 2015, from which the summarized information was derived.

### (2) Investments

Investments are valued at fair value using level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 1,847,881	\$ 1,838,230
U.S. bank certificates of deposit	<u>159,194</u>	<u>158,803</u>
Total	<u>\$ 2,007,075</u>	<u>\$ 1,997,033</u>

Investment return consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends, net of management fees	\$ 59,429	\$ 68,131
Net realized and unrealized (losses) gains	<u>( 33,789)</u>	<u>( 53,727)</u>
Total gain on investments	<u>\$ 25,640</u>	<u>\$ 14,404</u>

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

**(2) Investments - continued**

Mutual funds consist primarily of a diversified portfolio of established domestic mutual funds investing in relatively conservative debt and equity securities consisting primarily of common stock traded on the New York Stock Exchange, U.S. bank certificates of deposits are held at several local financial institutions. Investment brokerage fees were \$9,967 and \$8,824, respectively, for the years ended June 30, 2016 and 2015 and are included with administration expenses on the accompanying statement of activities.

Management intends to retain investments for future uses. As of June 30, 2016 and 2015, all investments are classified as long-term on the accompanying statement of financial position.

**(3) Property and Equipment**

Property and equipment consists of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 104,559	\$ 104,559
Building	272,512	272,512
Building improvements	331,105	319,230
Furniture and equipment	379,194	356,966
Leasehold improvements	719,435	716,886
Land improvements	118,043	118,043
Motor vehicles	<u>61,155</u>	<u>61,155</u>
	<u>\$ 1,986,003</u>	<u>\$ 1,949,351</u>

Depreciation amounted to \$65,013 and \$61,957, respectively, for the years ended June 30, 2016 and 2015.

**(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 (4.50% as of June 30, 2016 and 2015). The line of credit is secured by a first lien on all corporate assets. There was no balance outstanding as of June 30, 2016.

During the year ended June 30, 2016, the Agency entered into an arrangement with a bank to provide for working capital when needed. A secured, revolving, demand line of credit in the amount of \$250,000 is available. Interest is payable monthly at the national prime rate plus 1% per annum (4.50% as of June 30, 2016). The line of credit is secured by a first lien on all corporate assets. There was no balance outstanding as of June 30, 2016.

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

**(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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land, building and equipment	\$ 23,855	\$ 23,855
Accumulated depreciation	<u>(17,650)</u>	<u>(10,813)</u>
	<u>\$ 6,205</u>	<u>\$ 13,042</u>

Depreciation expense on capital lease assets amounted to \$6,837 for the years ended June 30, 2016 and 2015.

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

2017	\$ 6,554
Total minimum obligations	\$ 6,554
Less: interest amount	<u>( 976)</u>
Present value of obligations	5,578
Less: current portion	<u>( 5,578)</u>
Long-term obligation	\$ <u>      -</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:

2017	\$ 5,578
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Interest expense on all capital lease obligations amounted to \$259 for the years ended June 30, 2016 and 2015.

**GREATER WALTHAM ARC, INC.**

Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

**(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, 2016 and 2015, temporarily restricted net assets are restricted for the following purposes:

Nature of Restriction	Amount	
	2016	2015
Adult recreation	\$ 25,000	\$ 93,756
Other recreation	1,000	1,000
Staff training	1,250	3,050
Total	\$ 27,250	\$ 97,806

**(7) Donated Property, Equipment and Services**

Donated property, equipment and services for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Facilities (see Note 11)	\$ 84,662	\$ 84,662
Donated items for special events	25,000	26,550
Total	\$ 109,662	\$ 111,212

**(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, 2016 and 2015, and reserves the right to terminate or amend the plan at any time.

## **GREATER WALTHAM ARC, INC.**

### Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

#### **(8) Employee Benefits - continued**

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 \$47,643 and \$45,986, respectively, (included in employee compensation and related expenses in the statement of functional expenses) during the years ended June 30, 2016 and 2015, 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 governmental agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the governmental agencies. 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:

- 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, 2016 and 2015, the Agency had two certificate of deposit accounts at two separate financial institutions where board members are officers.

# **GREATER WALTHAM ARC, INC.**

## Notes to Financial Statements

June 30, 2016

(with comparative financial information for June 30, 2015)

### **(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, 2016 and 2015.

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

The Agency has performed an evaluation of subsequent events through October 24, 2016, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in these financial statements.

**GREATER WALTHAM ARC, INC.**

Schedule of Findings and Responses

June 30, 2016

**(1) Current Year Findings**

No significant deficiencies or material weaknesses reported.

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

No significant deficiencies or material weaknesses reported.