

Douglas A. Thom Clinic, Inc.

Financial Statements

Years Ended June 30, 2015 and 2014

Douglas A. Thom Clinic, Inc.

FINANCIAL STATEMENTS Years Ended June 30, 2015 and 2014

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities.....	3
Statements of Functional Expenses.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-15



Independent Auditor's Report

To the Board of Directors
Douglas A. Thom Clinic, Inc.
Natick, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Douglas A. Thom Clinic, Inc. (the "Clinic") which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Clinic as of June 30, 2015 and 2014, 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.

McGladrey LLP

Boston, Massachusetts
October 16, 2015

Douglas A. Thom Clinic, Inc.

Statements of Financial Position

June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,170,456	\$ 1,929,753
Cash and cash equivalents - restricted for use	118,390	118,923
Accounts receivable, net of allowance for doubtful accounts	7,524,904	7,395,240
Unbilled accounts receivable	651,508	341,950
Pledges receivable - current	33,334	33,333
Investments	39,312	-
Prepaid expenses	120,989	139,973
Total current assets	<u>11,658,893</u>	<u>9,959,172</u>
Property and equipment, net of accumulated depreciation	<u>1,030,383</u>	<u>1,133,127</u>
Other assets:		
Pledges receivable, net of current portion	-	33,334
Investments	387,675	375,719
Cash surrender value of life insurance	50,067	46,664
Deposits	53,068	50,416
Total other assets	<u>490,810</u>	<u>506,133</u>
Total assets	<u>\$ 13,180,086</u>	<u>\$ 11,598,432</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,240,216	\$ 976,380
Accrued expenses	2,320,661	1,706,260
Deferred revenue	74,093	69,155
Current portion of long-term debt	42,114	40,054
Total current liabilities	<u>3,677,084</u>	<u>2,791,849</u>
Long term liabilities:		
Deferred compensation	387,675	338,679
Long-term debt, net of current portion	79,016	121,112
Total long term liabilities	<u>466,691</u>	<u>459,791</u>
Net assets:		
Unrestricted	8,884,587	8,161,202
Temporarily restricted	151,724	185,590
Total net assets	<u>9,036,311</u>	<u>8,346,792</u>
Total liabilities and net assets	<u>\$ 13,180,086</u>	<u>\$ 11,598,432</u>

See notes to financial statements.

Douglas A. Thom Clinic, Inc.

Statements of Activities

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Revenues and other support:		
Program service fees and reimbursements	\$ 45,841,549	\$ 41,265,070
Billing and support services	201,607	190,671
Grants and contributions	111,267	161,145
Interest income	10,716	22,169
Net assets released from restriction	34,163	645
Total revenues and other support	<u>46,199,302</u>	<u>41,639,700</u>
Expenses:		
Program services	42,634,834	38,295,398
Management and general	2,765,563	2,678,796
Fundraising	76,656	70,232
Total expenses	<u>45,477,053</u>	<u>41,044,426</u>
Increase in unrestricted net assets before net unrealized gain on investments	722,249	595,274
Net unrealized gain on investments	<u>1,136</u>	<u>46,637</u>
Increase in unrestricted net assets	<u>723,385</u>	<u>641,911</u>
Changes in temporarily restricted net assets:		
Interest income	297	298
Contributions	-	66,667
Net assets released from restriction	(34,163)	(645)
(Decrease) increase in temporarily restricted net assets	<u>(33,866)</u>	<u>66,320</u>
Increase in net assets	689,519	708,231
Net assets, beginning of year	<u>8,346,792</u>	<u>7,638,561</u>
Net assets, end of year	<u>\$ 9,036,311</u>	<u>\$ 8,346,792</u>

See notes to financial statements.

Douglas A. Thom Clinic, Inc.

Statements of Functional Expenses

Years Ended June 30, 2015 and 2014

	2015			
	Program Services	Management and General	Fundraising	Total
Salaries, wages, payroll taxes and fringe benefits	\$ 34,602,152	\$ 1,914,237	\$ 69,556	\$ 36,585,945
Occupancy	1,165,742	266,763	4,899	1,437,404
Office supplies and purchased services	822,334	357,120	2,157	1,181,611
Travel reimbursement	983,905	2,374	44	986,323
Contracted professional fees	4,890,247	-	-	4,890,247
Staff training	117,375	-	-	117,375
Professional fees	-	99,340	-	99,340
Depreciation	29,812	118,458	-	148,270
Interest expense	962	7,271	-	8,233
Meals	22,305	-	-	22,305
	\$ 42,634,834	\$ 2,765,563	\$ 76,656	\$ 45,477,053
	2014			
	Program Services	Management and General	Fundraising	Total
Salaries, wages, payroll taxes and fringe benefits	\$ 31,057,974	\$ 1,836,981	\$ 63,200	\$ 32,958,155
Occupancy	1,045,549	280,375	4,773	1,330,697
Office supplies and purchased services	810,447	340,037	2,183	1,152,667
Travel reimbursement	951,016	4,430	76	955,522
Contracted professional fees	4,264,300	-	-	4,264,300
Staff training	123,655	-	-	123,655
Professional fees	-	84,935	-	84,935
Depreciation	24,920	121,538	-	146,458
Interest expense	1,185	9,759	-	10,944
Meals	16,352	741	-	17,093
	\$ 38,295,398	\$ 2,678,796	\$ 70,232	\$ 41,044,426

See notes to financial statements.

Douglas A. Thom Clinic, Inc.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 689,519	\$ 708,231
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	148,270	146,458
Net unrealized gain on investments	(1,136)	(46,637)
Reinvested interest and dividends on investments	(4,632)	(4,742)
Net cash provided by operating activities before changes in assets and liabilities	832,021	803,310
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(129,664)	144,459
Unbilled accounts receivable	(309,558)	145,945
Pledges receivable	33,333	(66,667)
Prepaid expenses	18,984	(33,996)
Deposits	(2,652)	3,084
Increase in:		
Accounts payable	263,836	289,433
Accrued expenses	614,401	831,600
Deferred revenue	4,938	6,055
Deferred compensation	48,996	87,395
Net cash provided by operating activities	<u>1,374,635</u>	<u>2,210,618</u>
Cash flows from investing activities:		
Increase in cash surrender value of life insurance	(3,403)	(3,404)
Purchase of investments	(45,500)	(37,500)
Purchase of property and equipment	(45,526)	(140,758)
Net cash used in investing activities	<u>(94,429)</u>	<u>(181,662)</u>
Cash flows from financing activities:		
Decrease in restricted cash	533	347
Net payments on line of credit	-	(400,000)
Proceeds from long-term debt	-	36,254
Payments on long-term debt	(40,036)	(25,596)
Net cash used in financing activities	<u>(39,503)</u>	<u>(388,995)</u>
Net increase in cash and cash equivalents	1,240,703	1,639,961
Cash and cash equivalents, beginning of year	<u>1,929,753</u>	289,792
Cash and cash equivalents, end of year	<u>\$ 3,170,456</u>	<u>\$ 1,929,753</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ 8,233</u>	<u>\$ 10,944</u>

See notes to financial statements.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Douglas A. Thom Clinic, Inc. (the "Clinic") (d/b/a Thom Child and Family Services) is a not-for-profit corporation organized under Massachusetts law. The Clinic operates early intervention programs in Boston, Marlboro, Springfield, Lowell, Norwood, Worcester, Westfield, Waltham, Woburn, and West Newbury, Massachusetts.

Early intervention services are a combination of educational and therapeutic developmental services provided to children from birth to three years of age and their families. The Clinic's administrative offices are located in Natick, Massachusetts.

The financial statements of the Clinic have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Clinic follows to ensure its statements of financial position, statements of activities, statements of functional expenses and statements of cash flows are consistently reported. References to GAAP issued by the FASB in these notes to the financial statements are to the FASB Accounting Standards Codification ("ASC").

The financial statements are presented in accordance with ASC 958 – *Financial Statements of Not for Profit Organizations*. Under ASC 958, the Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent the portion of net assets of the Clinic that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Clinic is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Clinic pursuant to those stipulations. Temporarily restricted net assets as of June 30, 2015 and 2014 consist of funds donated for educational activities as well as a pledge receivable restricted by time which will be paid out over the next year.

Permanently restricted net assets represent the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from investments thereof be expended for other general purposes or a purpose specified by the donor. As of June 30, 2015 and 2014, the Clinic had no permanently restricted net assets.

Program Service Fees and Reimbursements

The Clinic recognizes revenue when there is persuasive evidence of an arrangement, services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Program Service Fees and Reimbursements...continued

The programs of the Clinic are supported principally by contracts negotiated with various agencies of the Commonwealth of Massachusetts. Therefore, the Clinic is subject to the regulations of the Massachusetts Operational Services Division. Revenue is being recorded by the individual programs either at the rates approved under negotiated contracts or the rate of reimbursement as certified by the Massachusetts Operational Services Division when the related services have been performed.

Excess of revenue over expenses from the Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Clinic for expenditures in accordance with its exempt purpose, provided such expenditures are reimbursable under the Massachusetts Operational Services Division's ("MA OSD") regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and are reported as liabilities. For the years ended June 30, 2015 and 2014, the Clinic did not have an excess of revenues over the stated limits. As such, no liability has been recorded for the years ended June 30, 2015 and 2014.

The Clinic has agreements with third-party payors that provide for payments to the Clinic based on predetermined rates. These rates are not subject to retroactive adjustments. For payments denied by third-party payors, the Clinic seeks reimbursement by the Department of Public Health of the Commonwealth of Massachusetts.

Grants

The Clinic recognizes grant income as it is earned in accordance with the terms of the underlying grant agreement. All earned grant income is unrestricted and has been recognized as an increase in unrestricted net assets. Receivables related to grants have been included in accounts receivable as of June 30, 2015 and 2014. Grants received from foundations which are unconditional promises to give are recorded as temporarily restricted contributions.

Contributions

Contributions, including unconditional promises to give, are initially recognized as revenues at fair value in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. If restricted contribution restrictions were met and released in the same year as received, the contribution would be reported as unrestricted revenue.

Concentration of Support

During both of the years ended June 30, 2015 and 2014, the Clinic received approximately 20 percent of its total revenues from Medicaid reimbursements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Clinic considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Cash and Cash Equivalents...continued

The Clinic maintains its cash in bank deposit accounts, which at times may exceed insured limits. The Clinic has not experienced any losses in such accounts. The Clinic believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable at the end of the year. Bad debts are written off against the allowance when identified as uncollectible once all collection efforts have been exhausted. A trade receivable is generally considered past due if any portion is outstanding for more than sixty days; however, accounts involving third party insurance companies and public agencies are often normally collectible beyond that normal limit.

Unbilled Accounts Receivable

Revenues recognized in advance of billings are classified as unbilled accounts receivable on the accompanying statement of financial position.

Concentration of Credit Risk

The Clinic operates exclusively in the Commonwealth of Massachusetts. The Clinic grants credit without collateral to its patients and is reimbursed by third-party payors and the Commonwealth of Massachusetts.

Investments

In accordance with ASC 958 – *Financial Statements of Not for Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statements of financial position. Unrealized gains and losses are included in the change in unrestricted net assets on the accompanying statements of activities.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, ranging from three to forty years. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of activities. The costs of maintenance and repairs are charged to expense as incurred, significant renewals and betterments are capitalized.

Income Taxes

The Clinic was incorporated in 1933 under Massachusetts General Laws Chapter 180, and is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. The Clinic is exempt from federal and state income taxes on its related business income pursuant to Section 501(a) of the Code.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Income Taxes...continued

The Clinic recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management evaluated the Clinic's tax positions and concluded that the Clinic had no material uncertainties in income taxes as of June 30, 2015 and June 30, 2014. The Clinic is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2012. The Clinic will account for interest and penalties related to uncertain tax positions, if any, as a part of tax expense.

Functional Allocation of Expenses

The costs of providing the Clinic's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among program and supporting services benefited. Expenses are allocated on a percentage basis between program services, management and general, and fundraising expenses. Management reviews the allocation on a yearly basis to ensure an accurate allocation of expenses.

Advertising

The Clinic's policy is to expense advertising costs as incurred.

Fair Value Measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Clinic uses the market approach. The Clinic is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Fair Value Measurements...continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Clinic has various processes and controls in place to ensure that fair value is reasonably estimated.

While the Clinic believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. During the years ended June 30, 2015 and June 30, 2014, there were no changes to the Clinic's valuation techniques that had, or are expected to have, a material impact on its financial position or change in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity Securities and Mutual Funds

The fair value of equity securities and mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The Clinic follows the guidance in FASB ASC 820 for nonfinancial assets or nonfinancial liabilities that are recorded or disclosed at fair value on a non-recurring basis. As of June 30, 2015 and 2014, the Clinic does not have any non-financial assets or liabilities which are required to be at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018 and interim periods with annual periods beginning after December 15, 2019. The Clinic has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

2. ACCOUNTS RECEIVABLE

The mix of billed receivables was as follows as of June 30:

	<u>2015</u>	<u>2014</u>
Third-party payors	\$ 3,881,800	\$ 3,842,412
Massachusetts Department of Public Health	2,704,380	2,885,036
Medicaid	1,343,031	1,072,100
Other	<u>16,948</u>	<u>10,897</u>
	7,946,159	7,810,445
Allowance for doubtful accounts	<u>(421,255)</u>	<u>(415,205)</u>
Accounts receivable, net	<u>\$ 7,524,904</u>	<u>\$ 7,395,240</u>

The mix of unbilled receivables was as follows as of June 30:

	<u>2015</u>	<u>2014</u>
Third-party payors	\$ 425,208	\$ 223,582
Massachusetts Department of Public Health	44,546	12,334
Medicaid	<u>181,754</u>	<u>106,034</u>
Unbilled accounts receivable	<u>\$ 651,508</u>	<u>\$ 341,950</u>

3. PLEDGES RECEIVABLE

Pledges receivable include unconditional promises to be collected in:

	<u>2015</u>	<u>2014</u>
One year or less	\$ 33,334	\$ 33,333
One to two years	<u>-</u>	<u>33,334</u>
	<u>\$ 33,334</u>	<u>\$ 66,667</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 600,372	\$ 564,294
Computer software	18,499	18,499
Building	820,597	820,597
Leasehold improvements	<u>455,376</u>	<u>445,928</u>
	1,894,844	1,849,318
Less - accumulated depreciation	<u>864,461</u>	<u>716,191</u>
Net property and equipment	<u>\$ 1,030,383</u>	<u>\$ 1,133,127</u>

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

5. INVESTMENTS

Investments are stated at fair value and consist of the following at June 30:

	2015			2014		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 312,668	\$ 392,908	\$ 80,240	\$ 262,535	\$ 343,757	\$ 81,222
Certificate of deposit	12,477	15,205	2,728	12,477	15,122	2,645
Domestic equities	<u>23,011</u>	<u>18,874</u>	<u>(4,137)</u>	<u>23,011</u>	<u>16,840</u>	<u>(6,171)</u>
	<u>\$ 348,156</u>	<u>\$ 426,987</u>	<u>\$ 78,831</u>	<u>\$ 298,023</u>	<u>\$ 375,719</u>	<u>\$ 77,696</u>

The following schedule summarizes the investment return in the statements of activities for the years ended June 30:

	2015	2014
Net unrealized gain on investments	\$ 1,136	\$ 46,637
Investment income	<u>4,633</u>	<u>4,742</u>
Total investment return	<u>\$ 5,769</u>	<u>\$ 51,379</u>

Investment income is included in unrestricted interest income in the accompanying statements of activities.

6. FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis, by level, within the fair value hierarchy are as follows at June 30:

2015	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds:				
World stock	\$ 242,302	\$ 242,302	\$ -	\$ -
Bond funds	65,502	65,502	-	-
Value funds	<u>85,104</u>	<u>85,104</u>	-	-
Total mutual funds	392,908	392,908	-	-
Domestic equities	<u>18,874</u>	<u>18,874</u>	-	-
	<u>\$ 411,782</u>	<u>\$ 411,782</u>	<u>\$ -</u>	<u>\$ -</u>
2014				
Investments:				
Mutual funds:				
World stock	\$ 206,799	\$ 206,799	\$ -	\$ -
Bond funds	59,500	59,500	-	-
Value funds	<u>77,458</u>	<u>77,458</u>	-	-
Total mutual funds	343,757	343,757	-	-
Domestic equities	<u>16,840</u>	<u>16,840</u>	-	-
	<u>\$ 360,597</u>	<u>\$ 360,597</u>	<u>\$ -</u>	<u>\$ -</u>

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

7. LINE OF CREDIT

The Clinic has a line of credit agreement with a financial institution. Borrowings against the line of credit are limited to the lesser of \$1,800,000 or 50% of 0 - 60 day accounts receivable. As of June 30, 2015 and 2014 all borrowings are due on demand and bear interest at prime plus 1% (4.25%). The line is collateralized by substantially all assets of the Clinic. The line expired on May 1, 2015, but remained in effect per the verbal agreement of the financial institution. The official letter of renewal was received by the Clinic on August 4, 2015. There were no borrowings outstanding as of June 30, 2015 and 2014.

8. LONG-TERM DEBT

During the year ended June 30, 2013, the Clinic secured a term loan with the same financial institution as the line of credit with a maximum obligation of \$300,000 in connection with leasehold improvements. The Clinic received advances for the loan through November 2013, with the final obligation amounting to \$186,762. The loan matures in May 2018 and accrues interest at a rate of 5%. The loan required interest only payments through November 2013. For the months of December 2013 through May 2018, principle and interest will be amortized on the outstanding balance. The outstanding balance on the term loan as of June 30, 2015 and June 30, 2014 was \$121,130 and \$161,166, respectively.

Aggregate maturities of long-term debt under the loan for the years ending June 30 are as follows:

2016	\$	42,114
2017		44,306
2018		<u>34,710</u>
	\$	<u>121,130</u>

9. RETIREMENT PLAN

The Clinic has a tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code, which covers all eligible employees. All participating employees have salary reduction contributions made on their behalf. In addition, the Clinic contributes an amount equal to 25% of the employee's salary reduction contributions, not to exceed 1% of the employee's annual compensation. Retirement plan expense for the years ended June 30, 2015 and 2014 was \$163,532 and \$144,338, respectively.

The Clinic has a deferred compensation plan under Section 457(b) of the Internal Revenue Code, which covers selected key members of management. Participants are at all times fully vested. The participants of this plan are unsecured creditors of the Clinic for the amount of their deferred compensation balances. As of June 30, 2015 and 2014, the related deferred compensation asset and liability were \$387,675 and \$338,679, respectively, and are included in the statements of financial position.

10. COMMITMENTS

The Clinic leases facilities for certain locations under operating leases expiring on various dates through June 2020. The Clinic also leases certain office equipment under operating leases expiring through June 2021. Rent expense under the aggregate leases was \$1,029,264 and \$948,468 for the years ended June 30, 2015 and 2014, respectively.

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

10. COMMITMENTS...continued

Future minimum annual rentals under the facility and equipment leases are as follows for the years ending June 30:

2016	\$ 1,031,000
2017	852,000
2018	772,000
2019	523,000
2020	100,000
Thereafter	<u>5,000</u>
	<u>\$ 3,283,000</u>

11. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is an insurance broker who provided products and services to the Clinic during the years ended June 30, 2015 and 2014.

12. SIGNIFICANT SOURCE OF REVENUE

The Clinic earns a significant portion of program service fees from the Commonwealth of Massachusetts Department of Public Health. For the years ended June 30, 2015 and 2014, program service fees earned from this program were approximately \$6,900,000 and \$7,200,000, respectively, representing approximately 15% and 17%, respectively, of total program service fees and reimbursements.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
<u>Purpose</u>		
Continuing education and training	\$ 118,390	\$ 118,923
<u>Time</u>		
Pledges receivable	<u>33,334</u>	<u>66,667</u>
	<u>\$ 151,724</u>	<u>\$ 185,590</u>

Douglas A. Thom Clinic, Inc.

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

14. NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets released from restriction consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
<u>Purpose</u>		
Continuing education and training	\$ 830	\$ 645
<u>Time</u>		
Pledges receivable	<u>33,333</u>	<u>-</u>
	<u>\$ 34,163</u>	<u>\$ 645</u>

15. SUBSEQUENT EVENTS

The Clinic evaluated subsequent events through October 16, 2015, when the financial statements were available to be issued.