

The Arc New London County, Inc.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2016 and 2015

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

The Arc New London County, Inc.

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Independent Auditor's Report

To the Board of Directors
The Arc New London County, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of The Arc New London County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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 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 Arc New London County, Inc. as of June 30, 2016 and 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying schedules on pages 18 and 19 is presented for purposes of additional analysis of the financial statements and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of The Arc New London County, Inc.'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 Arc New London County, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Hartford, Connecticut
December 15, 2016

The Arc New London County, Inc.

Statements of Financial Position
June 30, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash	\$ 1,298,594	\$ 1,223,984
Grants receivable	658,495	574,551
Accounts receivable, net	208,192	214,036
Prepaid expenses	113,676	136,373
Investments	<u>27,568</u>	<u>1,601</u>
Total current assets	<u>2,306,525</u>	<u>2,150,545</u>
Property, equipment and improvements, net	<u>3,900,458</u>	<u>3,587,224</u>
Other assets		
Investment held by third party	12,726	13,005
Other assets	467	652
Security deposits	<u>8,675</u>	<u>8,675</u>
Total other assets	<u>21,868</u>	<u>22,332</u>
Total assets	<u>\$ 6,228,851</u>	<u>\$ 5,760,101</u>

The Arc New London County, Inc.

Statements of Financial Position
June 30, 2016 and 2015

	<u>Liabilities and Net Assets</u>	
	<u>2016</u>	<u>2015</u>
Current liabilities		
Accounts payable	\$ 145,898	\$ 157,728
Accrued expenses	794,559	633,090
Deferred revenue	149,512	157,791
Mortgage notes payable, current portion	118,304	109,238
Deferred capital improvements, current portion	34,017	9,217
Capital lease obligations, current portion	13,616	12,451
	<u>1,255,906</u>	<u>1,079,515</u>
Total current liabilities		
Long-term liabilities		
DDS operational advances	132,057	132,057
Mortgage notes payable, less current portion	1,559,890	1,663,496
Deferred capital improvements, less current portion	230,999	19,969
Capital lease obligations, less current portion	578,439	592,434
	<u>2,501,385</u>	<u>2,407,956</u>
Total long-term liabilities		
Total liabilities	<u>3,757,291</u>	<u>3,487,471</u>
Commitment and contingencies		
Net assets		
Unrestricted net assets	2,447,283	2,245,026
Temporarily restricted	23,277	26,604
Permanently restricted	1,000	1,000
	<u>2,471,560</u>	<u>2,272,630</u>
Total net assets		
Total liabilities and net assets	<u>\$ 6,228,851</u>	<u>\$ 5,760,101</u>

See Notes to Financial Statements.

The Arc New London County, Inc.
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Changes in unrestricted net assets		
Revenues		
Residential and day programs	\$ 9,864,476	\$ 9,405,926
Fee for service	1,261,499	1,267,723
Grants and contributions	153,820	157,961
Other	135,530	82,452
Rental and interest income	59,141	67,494
Net assets released from restrictions	28,589	16,879
Total revenues	11,503,055	10,998,435
Expenses		
Program expenses	10,024,440	9,561,235
Fundraising expenses	38,362	38,645
Administrative expenses	1,419,835	1,353,138
Total expenses	11,482,637	10,953,018
Change in unrestricted net assets before other income	20,418	45,417
Insurance reimbursement	181,839	-
Change in unrestricted net assets	202,257	45,417
Changes in temporarily restricted net assets		
Grants and contributions	25,262	22,125
Net assets released from restrictions	(28,589)	(16,879)
Change in temporarily restricted net assets	(3,327)	5,246
Change in net assets	198,930	50,663
Net assets, beginning	2,272,630	2,221,967
Net assets, end	\$ 2,471,560	\$ 2,272,630

See Notes to Financial Statements.

The Arc New London County, Inc.

**Statements of Cash Flows
Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 198,930	\$ 50,663
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Gain on sale of property and equipment	(16,002)	-
Net unrealized gain on investments	(1,176)	-
Net unrealized loss (gain) on investment held by third party	279	(1,564)
Depreciation and amortization	178,891	167,042
Deferred capital improvements amortization	(12,178)	(9,216)
Changes in operating assets and liabilities		
Grants receivable	(83,944)	(195,415)
Accounts receivable	5,844	(44,022)
Prepaid expenses	22,697	169
Other assets	185	(1,076)
Accounts payable	(11,830)	50,940
Accrued expenses	161,469	(9,924)
Deferred revenue	(8,279)	(9,773)
Net cash provided by (used in) operating activities	434,886	(2,176)
Cash flows from investing activities		
Purchases of investments	(24,791)	-
Proceeds from sale of property and equipment	16,002	-
Purchase of property, equipment and improvements	(492,125)	(59,686)
Net cash used in investing activities	(500,914)	(59,686)
Cash flows from financing activities		
Proceeds from long-term debt	16,200	-
Repayments of long-term debt	(110,740)	(103,792)
Repayments of capital lease obligations	(12,830)	(12,467)
Deferred capital improvements revenue- bond funds	248,008	-
Net cash provided by (used in) financing activities	140,638	(116,259)
Net change in cash	74,610	(178,121)
Cash, beginning	1,223,984	1,402,105
Cash, end	\$ 1,298,594	\$ 1,223,984
Supplemental disclosures of cash flow data		
Interest paid	\$ 121,656	\$ 127,231

See Notes to Financial Statements.

The Arc New London County, Inc.

Notes to Financial Statements June 30, 2016 and 2015

Note 1 - Organization and summary of significant accounting policies

Organization

The Arc New London County, Inc. (the "Arc") is a nonprofit organization which provides placement opportunities and services for people in New London County, Connecticut with developmental disabilities.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Arc is subject to explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of Arc or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Arc and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operations of law.

Tax exempt status

The Arc is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state corporate income taxes.

Arc has no unrecognized tax benefits at June 30, 2016 and 2015. Arc's federal information returns prior to fiscal year 2013 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If Arc has unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid short-term investments with an original maturity of three months or less when acquired. There were no cash equivalents as of June 30, 2016 and 2015.

Grants and accounts receivable

Accounts receivable principally represent monies due from Department of Development Services ("DDS") and Department of Social Services ("DSS"). Accounts receivable arising from regular operations are stated net of an allowance for doubtful accounts when applicable. Allowances for accounts receivable are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party when considering the need for an allowance. Receivables are written off when management

The Arc New London County, Inc.

**Notes to Financial Statements
June 30, 2016 and 2015**

determines amounts will not be collected. Receivables are considered past due based on invoice date. There is an allowance for accounts receivable at both June 30, 2016 and 2015 of \$6,200.

Investments

The Arc reports investments at their current fair value and reflects any gain or loss in the statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Property, equipment and improvements

Arc capitalizes all expenditures for property and equipment exceeding \$2,500, with a useful life greater than three years. Purchased property and equipment is carried at cost less accumulated depreciation. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation and amortization is computed using the straight-line method over their estimated useful lives or life of lease where applicable. Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated lives</u>
Buildings and improvements	5 - 39.5 years
Vehicles	3 - 5 years
Furniture and equipment	5 - 10 years
Leasehold improvements	Shorter of lease life or useful life

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in change in net assets for the period.

Investment held by third party

Arc's has investment held by the Community Foundation of Southeastern Connecticut (the "Foundation"). Arc established the fund in 2003. With each \$10,000 contributed, the Foundation matches \$1,000. The \$1,000 match is permanently restricted.

Gifts of long-lived assets

Arc reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Arc reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expense allocation

The cost of providing various programs and activities has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain administrative costs have been allocated among programs.

Revenue recognition

Program and contract revenue

Arc manages residential facilities, in home support and day programs for individuals with special needs. Revenue is recognized when the services are performed. The residential facilities are reimbursed according to regulations governing Community Living Arrangements. Food and

The Arc New London County, Inc.

Notes to Financial Statements June 30, 2016 and 2015

lodging costs are reimbursed by DSS and other covered expenses are reimbursed by DDS. Services provided by Arc related to day programs and in home and community residential programs are reimbursed through a direct contract with DDS and/or billed through a fiscal intermediary. Reimbursement of certain expenses is subject to maximum per diem rate limitations and annual cost settlement regulations.

Fundraising and contributions

Arc conducts various fundraising activities during the year including special events and appeals for donations. Revenues generated by these activities were \$92,344 and \$110,867 and the total costs of fundraising activities were \$38,362 and \$38,645 for the years ended June 30, 2016 and 2015, respectively.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Deferred revenue

Program and contract revenue received in advance is recorded as deferred revenue and recorded in the period to which it relates.

Use of estimates

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

Subsequent events

Arc has evaluated subsequent events through December 15, 2016, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year financial information has been reclassified to conform to the current year presentation.

Note 2 - Concentrations

Funding source

Arc's program revenue is primarily derived from contracts with DDS. Total revenue received from DDS in 2016 and 2015 was \$9,308,380 and \$8,835,531, respectively. Amounts due from DDS at June 30, 2016 and 2015 were \$658,495 and \$574,551, respectively.

Concentrations of credit risk

Financial instruments which potentially subject Arc to concentrations of credit risks consist primarily of cash and accounts receivable. Arc maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. At June 30, 2016, the cash balance exceeded the federally insured limit by approximately \$781,000.

The Arc New London County, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

Note 3 - Investments

The following summarizes Arc's investments at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money funds	\$ 25,001	\$ -
Common stock	2,567	1,601
Community Foundation of Southeastern Connecticut	<u>12,726</u>	<u>13,005</u>
Total	<u>\$ 40,294</u>	<u>\$ 14,606</u>

All investments are financial instruments whose fair value can be readily determined. Investments are reported at fair value, which includes adjustments for unrealized gains and losses. Unrealized gains and losses arise from changes in the fair value of investments exclusive of dividend and interest income recognized but not yet received and exclusive of any write-down of the carrying amount of investments because of impairment. Unrealized gains and losses are reported as increases or decreases in unrestricted net assets. Arc's investments are not encumbered by any restrictions from donors or creditors. The fair value is subject to the risks of market and economic conditions.

Arc values its financial assets and liabilities based on 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 order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.
- Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, Arc utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Money funds and common stock are valued at level 1. Common stocks that are listed on a national securities exchange or reported on the NASDAQ national market are valued at their last sales price or valuation date.

The Arc New London County, Inc.

**Notes to Financial Statements
June 30, 2016 and 2015**

Investments held by the Foundation are classified as level 3 using allocations provided by the third party. Details regarding investments held for long-term purposes measured at fair value on a recurring basis using significant unobservable inputs (level 3) are as follows:

Monday, June 30, 2014	\$ 11,441
Change in value	<u>1,564</u>
Tuesday, June 30, 2015	13,005
Change in value	<u>(279)</u>
June 30, 2016	<u><u>\$ 12,726</u></u>

There have been no changes in valuation techniques and related inputs used at June 30, 2016 and 2015.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 fair value measurement at the reporting date.

Note 4 - Property and equipment

Components of property and equipment are as follows:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 3,409,885	\$ 3,409,885
Capital and leasehold improvements	1,446,751	973,141
Furniture, fixtures and equipment	274,583	256,067
Vehicles	<u>122,031</u>	<u>216,239</u>
	5,253,250	4,855,332
Less accumulated depreciation	(2,524,565)	(2,439,881)
Land	<u>1,171,773</u>	<u>1,171,773</u>
	<u><u>\$ 3,900,458</u></u>	<u><u>\$ 3,587,224</u></u>

Depreciation expense was \$178,891 and \$167,042 for the years ended June 30, 2016 and 2015, respectively.

The Arc New London County, Inc.

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 5 - Long-term debt

Long-term debt consists of the following at June 30, 2016 and 2015:

	2016	2015
6.00% seven mortgage loan payables to DDS, collateralized by real estate. Monthly principal and interest payments ranging from \$84 - \$2,153 are payable through September 2030.	\$ 813,823	\$ 865,842
3.40% two mortgage loan payables to Connecticut Housing and Financing Authority ("CHFA"), collateralized by real estate. Monthly principal and interest payments ranging from \$1,547 - \$2,353 are payable through December 2041.	654,303	671,137
4.5% - \$4.88% two notes payable to Chelsea Groton Bank, collateralized by real estate. Monthly principal and interest payments of \$2,001 to \$2,224 are payable through April 2022.	195,389	235,755
2.7% notes payable to Saving Institute Bank and Trust, collateralized by equipment. Monthly principal and interest payments of \$288 are payable through December 2020.	14,679	-
	1,678,194	1,772,734
Less current portion	(118,304)	(109,238)
Total	\$ 1,559,890	\$ 1,663,496

Future maturities of long-term debt for each of the five years subsequent to 2016 and thereafter are as follows:

2017	\$	118,304
2018		124,897
2019		119,096
2020		112,428
2021		114,227
Thereafter		1,089,242
Total	\$	1,678,194

Related interest expense for the years ended June 30, 2016 and 2015 was \$83,644 and \$88,478, respectively.

Note 6 - Line of credit

Arc had a \$350,000 line of credit with Chelsea Groton Bank which will expire on July 2017. The line of credit has a stated interest rate of 5% and is collateralized by the assets of Arc. The line of credit was limited to 75% of eligible accounts receivable balances. There was no outstanding balance as of June 30, 2016 or 2015.

The Arc New London County, Inc.

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 7 - Capital lease obligations

Arc leased two properties with CIL Realty, Inc. ("CIL") through November 2039. The property will transfer ownership at the end of the lease term. The assets and related liability under the capital leases are recorded at the fair value of the asset. The assets are amortized over the shorter of their related lease terms or their estimated productive lives. Amortization of the assets under the capital leases is included in depreciation and amortization expense.

Accordingly, the assets were capitalized and have the following book values at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Building	\$ 532,069	\$ 532,069
Less accumulated amortization	(151,233)	(133,497)
Land	<u>160,174</u>	<u>160,174</u>
Total	<u>\$ 541,010</u>	<u>\$ 558,746</u>

Related interest expense for the years ended June 30, 2016 and 2015 was \$38,012 and \$38,753, respectively. Amortization expense relating to the capital lease obligations for both the years ended June 30, 2016 and 2015 was \$17,736.

At June 30, 2016, future minimum lease payments due under capital leases are as follows:

2017	\$ 50,841
2018	50,841
2019	50,841
2020	50,841
2021	50,841
Thereafter	<u>825,816</u>
Total future minimum lease payments	1,080,021
Less amount representing interest	<u>(487,966)</u>
Present value of net minimum lease payments	592,055
Less current portion	<u>(13,616)</u>
Long-term portion	<u>\$ 578,439</u>

Note 8 - Commitments

Real estate

Arc leases three facilities and is responsible for utilities, maintenance and insurance. Related rent expense for the years ended June 30, 2016 and 2015 was \$99,012 and \$97,636, respectively. Monthly rental payments range between \$1,450 - \$5,000 expiring at various times through May 2018.

The Arc New London County, Inc.

**Notes to Financial Statements
June 30, 2016 and 2015**

Vehicle and equipment

Arc also leases vehicles and copiers for amounts ranging \$247 - \$1,704 per month through April 2021. Related rent expense for the years ended June 30, 2016 and 2015 was \$180,836 and \$146,649, respectively.

Future minimum lease payments due under all non-cancelable operating leases are as follows:

2017	\$	221,203
2018		153,840
2019		85,891
2020		57,513
2021		<u>15,845</u>
Total	\$	<u>534,292</u>

Note 9 - DDS operational advances

When a facility commences operations, Arc may receive an operational advance from DDS equal to one month service revenue based on full capacity. These operational advances are applied against the final reimbursement when a facility ceases its agency relationship with DDS. Total operational advances received by Arc amounted to \$132,057 as of both June 30, 2016 and 2015.

Note 10 - Deferred capital improvements

During the fiscal year ended June 30, 2009, Arc received funding from DDS for Grant-In-Aid bonding funds of \$92,165, which provided funding for replacement of the roof at Arc's headquarters facility in Norwich, Connecticut. A ten year lien has been filed in favor of the State of Connecticut for the amount of the bond funding, of which a declining percentage of the award will be required to be returned to the State should Arc cease their operations as a DDS funded day program site during this period. Accordingly, the deferred bond revenue is being amortized over the ten year lien period. The balance of the bond funds at June 30, 2016 and 2015 was \$19,970 and \$29,186, respectively, and is included under current and long-term liabilities on the statements of financial position.

During the fiscal year ended June 30, 2016, Arc received bond funds of \$248,008 from Office of Policy Management for building improvements. The improvements were placed in service during this fiscal year, the grants are being amortized and recognized over the life of the improvements. The deferred balance for these grants were \$245,046.

Note 11 - Pension plan

Arc maintains a 403(b) retirement plan covering all eligible employees. The matching percentage is governed by the plan document. Arc contributed \$37,981 and \$40,099 to the plan for the years ended June 30, 2016 and 2015, respectively.

The Arc New London County, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

Note 12 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program restrictions	\$ 11,352	\$ 9,239
Capital restrictions	<u>11,925</u>	<u>17,365</u>
Total	<u>\$ 23,277</u>	<u>\$ 26,604</u>

Temporarily restricted net assets released from restrictions for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Program restrictions	\$ 23,149	\$ 16,879
Capital restrictions	<u>5,440</u>	<u>-</u>
Total	<u>\$ 28,589</u>	<u>\$ 16,879</u>

Note 13 - National and state affiliations

The Arc New London County, Inc. is affiliated with The Arc Connecticut and The Arc United States. In exchange for dues to these two organizations, the Arc gets assistance in promoting the joint causes of the organizations with state and federal governments.

Supplementary Information

The Arc New London County, Inc.

Program Expenses
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 6,420,141	5,975,893
Benefits and payroll tax	1,402,274	1,351,925
Transportation expenses	616,840	637,747
Program supplies	418,607	391,837
Utilities	221,341	243,273
Consulting	246,739	221,155
Repairs and maintenance	154,777	172,609
Depreciation and amortization	168,964	158,147
Interest	119,513	124,883
Rent	99,012	97,636
Professional services	84,365	77,868
Insurance	44,925	43,580
Activities	26,119	25,120
Temporary help	-	17,542
Miscellaneous	423	12,159
Training	-	9,861
	<u> </u>	<u> </u>
Total	<u>\$ 10,024,440</u>	<u>\$ 9,561,235</u>

See Independent Auditor's Report.

The Arc New London County, Inc.

Administrative Expenses
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 839,426	\$ 802,192
Benefits and payroll tax	135,720	150,813
Program supplies	131,915	104,371
Professional services	95,581	87,347
Training	45,817	60,484
Utilities	36,751	31,639
Association membership	29,611	23,908
Recruitment and hiring	23,391	23,019
Temporary help	35,494	21,310
Consulting	7,636	15,446
Insurance	20,008	12,786
Depreciation and amortization	9,927	8,895
Transportation expenses	6,415	8,580
Interest	2,143	2,348
Total	<u>\$ 1,419,835</u>	<u>\$ 1,353,138</u>

See Independent Auditor's Report.

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