

**THE ARC OF THE CENTRAL
CHESAPEAKE REGION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

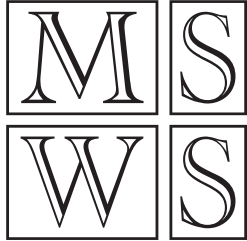


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Arc of the Central Chesapeake Region, Inc.
Annapolis, Maryland

We have audited the accompanying consolidated financial statements of The Arc of the Central Chesapeake Region, Inc. (a non-profit Organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

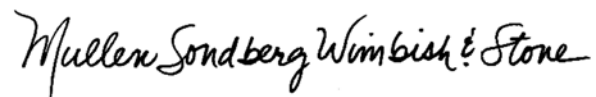
The Arc of the Central Chesapeake Region, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of the Central Chesapeake Region, Inc., as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Arc of the Central Chesapeake Region, Inc.'s 2016 consolidated financial statements, and our report dated December 8, 2016, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
December 19, 2017

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,595,708	\$ 5,837,777
Investments	2,113,345	2,105,297
Due from State of Maryland	22,915	490,911
Accounts receivable, other	93,729	121,695
Accounts receivable, clients, net of allowance for doubtful accounts	2,380	9,869
Unconditional promises to give	34,350	28,050
Prepaid expenses	305,597	163,787
Total current assets	12,168,024	8,757,386
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	9,043,548	8,603,134
OTHER ASSETS		
Unconditional promises to give, net of discount	27,825	13,983
Security deposits and escrows	211,982	174,438
Total other assets	239,807	188,421
Total assets	\$ 21,451,379	\$ 17,548,941

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont.)
June 30, 2017

	2017	2016
CURRENT LIABILITIES		
Accounts payable, trade	\$ 920,036	\$ 712,425
Due to State of Maryland	6,235,711	4,347,346
Accrued vacation	213,607	209,141
Accrued salaries and related taxes	1,086,622	878,340
Client funds	93,116	87,875
Deferred revenue	85,280	75,211
Capital lease obligations	88,171	89,615
Mortgages and notes payable	209,723	192,334
Total current liabilities	8,932,266	6,592,287
LONG-TERM LIABILITIES		
Capital lease obligations	252,206	187,842
Mortgages and notes payable, net of debt issuance cost	6,336,503	5,498,228
Participation liability	114,607	99,338
Total long-term liabilities	6,703,316	5,785,408
Total liabilities	15,635,582	12,377,695
NET ASSETS		
Unrestricted	2,853,729	95,906
Unrestricted - Board designated	500,000	2,140,000
Unrestricted - investment in plant	2,042,338	2,535,777
Temporarily restricted	419,730	399,563
Total net assets	5,815,797	5,171,246
Total liabilities and net assets	\$ 21,451,379	\$ 17,548,941

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

With Summarized Financial Information for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
REVENUES, GAINS AND OTHER SUPPORT				
New Directions Waiver revenue	\$ 23,527,198	\$ -	\$ 23,527,198	\$ 17,748,139
Less: New Directions Waiver expenses	(22,571,962)	-	(22,571,962)	(16,942,225)
Net New Directions Waiver	955,236	-	955,236	805,914
State of Maryland - DHMH fees and DHR grants	13,961,697	-	13,961,697	14,434,243
Program fees	525,853	-	525,853	553,283
Donated goods, services and rent	437,154	60,000	497,154	316,424
Rental subsidy	367,627	-	367,627	337,647
Other grants	219,334	-	219,334	308,771
Contributions	131,827	-	131,827	74,768
Gain(Loss) on disposal of equipment	38,028	-	38,028	(34,886)
Special events - net of direct expenses	23,295	-	23,295	40,989
Investment income	17,493	-	17,493	12,377
United Way funding	9,752	25	9,777	12,918
Insurance proceeds	-	-	-	61,455
	<u>16,687,296</u>	<u>60,025</u>	<u>16,747,321</u>	<u>16,923,903</u>
Net assets released from restrictions	39,858	(39,858)	-	-
Total revenues, gains and other support	<u>16,727,154</u>	<u>20,167</u>	<u>16,747,321</u>	<u>16,923,903</u>
EXPENSES				
Program services				
Residential	7,448,237	-	7,448,237	7,464,692
CSLA/ Personal Support	2,619,524	-	2,619,524	2,708,800
Individual Support Services	1,592,244	-	1,592,244	1,782,714
Day/ Supported Employment	1,652,692	-	1,652,692	1,690,193
Other programs	404,805	-	404,805	376,011
Family Support Services	143,805	-	143,805	208,499
Total program services	<u>13,861,307</u>	<u>-</u>	<u>13,861,307</u>	<u>14,230,909</u>
Supporting services				
Management and general	2,109,954	-	2,109,954	1,830,023
Fundraising	131,509	-	131,509	87,380
Total supporting services	<u>2,241,463</u>	<u>-</u>	<u>2,241,463</u>	<u>1,917,403</u>
Total expenses	<u>16,102,770</u>	<u>-</u>	<u>16,102,770</u>	<u>16,148,312</u>
Change in net assets	624,384	20,167	644,551	775,591
NET ASSETS AT BEGINNING OF YEAR	<u>4,771,683</u>	<u>399,563</u>	<u>5,171,246</u>	<u>4,395,655</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,396,067</u>	<u>\$ 419,730</u>	<u>\$ 5,815,797</u>	<u>\$ 5,171,246</u>

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

	Program Services						Supporting Services		Total		
	Residential	Personal Support	Individual Support Services	Day/ Supported Employment	Family Support Services	Other Programs	Total Program Services	Management and General	Fundraising	2017	2016
Salaries	\$ 4,398,383	\$ 1,529,817	\$ 1,171,705	\$ 1,242,862	\$ 107,409	\$ 145,225	\$ 8,595,401	\$ 1,033,786	\$ 107,622	\$ 9,736,809	\$ 10,121,155
Fringe benefits	599,632	144,365	93,573	113,851	13,355	24,552	989,328	150,121	4,016	1,143,465	1,274,916
Payroll taxes	355,250	103,512	75,507	71,278	5,534	2,449	613,530	82,715	3,108	699,353	753,599
Total salaries and related expenses	5,353,265	1,777,694	1,340,785	1,427,991	126,298	172,226	10,198,259	1,266,622	114,746	11,579,627	12,149,670
Depreciation	442,430	42,626	16,347	18,366	1,416	-	521,185	52,161	-	573,346	539,078
Donated services	298,292	198,862	-	-	-	-	497,154	-	-	497,154	316,424
Contract services	173,248	255,491	1,866	30,245	82	4,385	465,317	21,259	1,209	487,785	278,483
Repairs and maintenance	242,434	39,618	24,896	1,809	1,733	2,991	313,481	124,667	-	438,148	397,033
Rent	158,563	131,338	57,453	-	-	-	347,354	34,179	-	381,533	466,348
Travel and lodging	47,447	29,432	25,408	146,131	749	2,065	251,232	19,632	208	271,072	272,210
Interest	175,090	-	-	-	-	51,672	226,762	26,622	-	253,384	246,720
Food and housekeeping	195,405	38,018	10,077	10	-	-	243,510	-	-	243,510	240,359
Utilities	183,432	20,052	8,114	194	195	-	211,987	14,975	-	226,962	236,465
Supplies	29,345	13,126	6,806	1,182	973	-	51,432	168,033	3,105	222,570	183,395
Insurance	51,220	24,768	12,843	1,834	1,835	-	92,500	108,734	-	201,234	174,250
Reimbursements	1,600	17,133	47,449	250	7,102	77,376	150,910	-	-	150,910	151,390
Legal and accounting	6,312	3,099	1,607	230	230	-	11,478	93,216	-	104,694	74,644
Telephone	29,782	8,164	4,246	604	605	-	43,401	40,131	-	83,532	79,559
Dues and subscriptions	9,626	3,676	1,906	272	272	-	15,752	58,464	7,539	81,755	73,523
Staff development	7,591	3,697	1,917	4,746	274	35,670	53,895	20,742	821	75,458	62,410
Family care	-	-	18,820	-	-	56,281	75,101	-	-	75,101	89,700
Miscellaneous	9,055	4,328	3,238	13,500	1,558	978	32,657	27,074	-	59,731	47,297
Advertising	5,952	2,922	1,515	374	216	-	10,979	16,908	3,182	31,069	9,995
Conventions	6,442	3,163	1,640	4,922	234	-	16,401	12,314	699	29,414	27,470
Taxes and assessments	13,218	384	332	-	-	-	13,934	368	-	14,302	10,959
Small equipment and furniture	6,411	872	983	32	32	1,161	9,491	2,342	-	11,833	12,082
Condo fees	2,016	-	3,378	-	-	-	5,394	-	-	5,394	5,213
Medical and dental	61	1,061	618	-	1	-	1,741	108	-	1,849	959
Capital Campaign	-	-	-	-	-	-	-	1,403	-	1,403	2,676
Total expenses	\$ 7,448,237	\$ 2,619,524	\$ 1,592,244	\$ 1,652,692	\$ 143,805	\$ 404,805	\$ 13,861,307	\$ 2,109,954	\$ 131,509	\$ 16,102,770	\$ 16,148,312

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 644,551	\$ 775,591
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	573,346	539,078
Amortization of debt issuance costs	16,763	3,885
Amortization of loan discount	(1,700)	-
Unrealized (gain)/ loss on investments	507	(3,709)
(Gain)/loss on disposal of equipment	(38,028)	34,886
Donated investments	-	(2,865)
Capital grants	-	(85,857)
(Increase) decrease in operating assets:		
Accounts receivable	503,451	(396,568)
Unconditional promises to give	(20,142)	37,304
Prepaid expenses	(141,810)	309
Security deposits and escrows	(37,544)	(4,616)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	2,095,976	2,067,417
Accrued salaries, vacation, and related taxes	212,748	427,383
Client funds	5,241	(15,718)
Deferred revenue	10,069	4,562
Net cash provided by operating activities	3,823,428	3,381,082
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested earnings	(2,404,597)	(2,393,786)
Proceeds from sale of investments	2,396,042	2,386,048
Purchase of property and equipment	(236,972)	(778,338)
Proceeds from sale of property and equipment	209,162	11,188
Net cash used by investing activities	(36,365)	(774,888)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease pn;ogatopms	(91,004)	(80,676)
Payments of debt issuance costs	(28,611)	-
Proceeds from mortgages	1,433,250	-
Principal payments on mortgages and notes payable	(1,342,767)	(189,136)
Net cash used by financing activities	(29,132)	(269,812)
Net change in cash and cash equivalents	3,757,931	2,336,382
Cash and cash equivalents at beginning of year	5,837,777	3,501,395
Cash and cash equivalents at end of year	\$ 9,595,708	\$ 5,837,777
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 236,621	\$ 236,474
Noncash investing and financing activities:		
Acquisition of property and equipment	\$ 1,184,896	\$ 1,160,395
Less amount financed	(947,924)	(296,200)
Less capital grants	-	(85,857)
Cash paid for property and equipment	\$ 236,972	\$ 778,338

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

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

Nature and Association

The Arc of the Central Chesapeake Region, Inc. (The Association) is a non-profit association formed in 1961 whose purpose is to promote the general welfare of developmentally disabled individuals. The Association identifies critical needs and gaps in services and initiates programs to fill these needs. It stimulates other agencies to develop needed services and programs, and provides information and community education regarding developmental disabilities. On July 1, 1998 The Arc of the Central Chesapeake Region, Inc., a Maryland non-stock corporation, merged with Alternative Living, Inc. The Arc of the Central Chesapeake Region, Inc. is the surviving corporation.

Consolidation of Related Entity

The Arc of the Central Chesapeake Region, Inc. has adopted the provisions of the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) 958-810, *Consolidations*. The Arc of the Central Chesapeake Region, Inc. has included its related entity, Chesapeake Neighbors, LLC, in its financial statements for the years ended June 30, 2017 and 2016. FASB ASC 958-810 states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the Board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

Chesapeake Neighbors, LLC was formed in 2008 and obtained tax-exempt status during fiscal year 2010 to provide housing to developmentally disabled citizens. Chesapeake Neighbors, LLC is a wholly owned, limited liability company subsidiary and qualifies as a related entity of The Arc of the Central Chesapeake Region, Inc. under FASB ASC 958-810 and, accordingly, the accompanying financial statements present the financial information of both entities.

The Association is also required to comply with FASB ASC 850 *Related Party Disclosures*. Under this standard, all material related party transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

Basis of Accounting

The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Basis of Presentation

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. 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 a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered conditional promises to give.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts and certificates of deposit with maturities of ninety days or less, except those that are part of an investment portfolio.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position.

Accounts Receivable

Accounts receivable consist of amounts due from the State of Maryland, amounts due from clients for rent and medical supplies, and amounts due from customers for goods and services mainly provided by program activities. The allowance for doubtful accounts is determined by management based on their periodic review of individual account balances. Accounts receivable balances are charged against the reserve in the period management determines them to be uncollectible. As of June 30, 2017 and 2016, the balance in the allowance for doubtful accounts was \$4,710 and is netted against amounts due from clients.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

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 the reported amounts and disclosures. Actual results could differ from those estimates.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all voluntary health and welfare organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries.

Income Tax Status

The Arc of the Central Chesapeake Region, Inc. and its wholly owned one member subsidiary, Chesapeake Neighbors, LLC are exempt under Section 501(c)(3) of the Internal Revenue Code and are classified as other than a private foundation. The Associations are exempt from both federal and State income taxes but would be subject to taxes on any "unrelated business income". There is no provision for income taxes at June 30, 2017 and 2016 as the Associations have not incurred any unrelated business income during these periods.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Income Tax Position

The Association follows the guidance of ASC 740-10, “*Accounting for Uncertainty in Income Taxes*” which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Association’s consolidated financial statements

The Association analyzes tax positions taken, including those related to the requirements set forth in IRS Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Association does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Association’s financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2014 remain subject to examination by federal and State authorities.

Advertising

The Association's policy is to expense advertising costs when incurred. Total advertising costs incurred for employee recruitment for the years ended June 30, 2017 and 2016 were \$31,069 and \$9,995, respectively.

Donated Services, Materials and Rent

Donated services and materials are included in the accompanying consolidated statements at their estimated fair market values at the date of receipt. Donated professional services, materials and rent for the years ended June 30, 2017 and 2016 were \$497,154 and \$316,424, respectively.

Reclassifications

Certain reclassifications of prior year balances have been made to conform to current year presentation.

Note 2 - Concentration of Cash Balances

At June 30, 2017 and 2016, and at various times during the year, the Association maintained cash-in-bank balances in excess of the federally insured limit of \$250,000, per financial institution. Amounts in excess of insured limits at June 30, 2017 and 2016 were \$5,748,193 and \$5,683,976, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 3 - Investments

Investments are stated at fair market value. A summary of the investments are as follows for years ending June 30:

	2017		
	Cost Basis	FMV	Unrealized Gain/(Loss)
Investments - brokerage account			
Cash	\$ 306,041	\$ 306,041	\$ -
Money market funds	117,849	117,849	-
Equities	27,047	50,690	23,643
Certificates of deposit	900,024	899,183	(841)
Total investments - brokerage account	1,350,961	1,373,763	22,802
Investments - financial institution			
Certificates of deposit	739,582	739,582	-
Total investments	<u>\$ 2,090,543</u>	<u>\$ 2,113,345</u>	<u>\$ 22,802</u>
	2016		
	Cost Basis	FMV	Unrealized Gain/(Loss)
Investments - brokerage account			
Cash	\$ 2,456	\$ 2,456	\$ -
Money market funds	116,995	116,995	-
Equities	27,047	51,384	24,337
Certificates of deposit	1,196,257	1,196,387	130
Total investments - brokerage account	1,342,755	1,367,222	24,467
Investments - financial institution			
Certificates of deposit	738,075	738,075	-
Total investments	<u>\$ 2,080,830</u>	<u>\$ 2,105,297</u>	<u>\$ 24,467</u>

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 3 - Investments (Cont.)

Investment income presented on the consolidated statement of activities was composed of the following for the years ended June 30:

	2017	2016
Interest and dividends	\$ 18,000	\$ 8,668
Unrealized gain (loss) on investments	(507)	3,709
	\$ 17,493	\$ 12,377

Note 4 - Fair Value Measurement

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, includes cash and money market funds held in brokerage accounts, equity securities, and certificates of deposit held in a brokerage account.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 4 - Fair Value Measurement (Cont.)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of:

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 306,041	\$ -	\$ -	\$ 306,041
Money market funds	117,849	-	-	117,849
Equity securities	50,690	-	-	50,690
Certificates of deposit	<u>1,638,765</u>	<u>-</u>	<u>-</u>	<u>1,638,765</u>
Total	<u>\$ 2,113,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,113,345</u>
<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 2,456	\$ -	\$ -	\$ 2,456
Money market funds	116,995	-	-	116,995
Equity securities	51,384	-	-	51,384
Certificates of deposit	<u>1,934,462</u>	<u>-</u>	<u>-</u>	<u>1,934,462</u>
Total	<u>\$ 2,105,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,105,297</u>

Note 5 - Unconditional Promises to Give

The Association has a lease agreement with the State of Maryland Department of Health and Mental Hygiene for a residential home. The lease commenced on December 25, 2007 and has a term of five years with annual rent of \$1. This lease was renewed April 15, 2013 for five years with a discount rate of .95%. The Association also has a lease with the Anne Arundel County Department of Education for their administrative office building. The lease commenced on January 1, 1997 and has a term of twenty years with annual rent of \$1 and a discount rate of 8%. These leases provide the Association with the free use of facilities and are recognized as unconditional promises to give. Unconditional promises to give are reflected at present value of estimated future cash flows, based on the date of the original promise to give.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 5 - Unconditional Promises to Give (Cont.)

Unconditional promises to give are as follows for years ending June 30:

	2017	2016
Receivable in less than one year	\$ 34,350	\$ 28,050
Receivable in one to five years	35,175	14,250
Total unconditional promises to give	69,525	42,300
Less discount to net present value	(7,350)	(267)
Less current portion	(34,350)	(28,050)
Unconditional promises to give, long-term	\$ 27,825	\$ 13,983

Note 6 - Property and Equipment

A summary of property and equipment by major classification are as follows at June 30:

	Estimated Useful Lives	2017	2016
Land	-	\$ 2,334,437	\$ 2,164,603
Building and improvements	5-31 years	8,789,215	8,407,340
Leasehold improvements	1-10 years	614,291	581,106
Furniture, fixtures and equipment	5-20 years	712,350	623,495
Vehicles	2-5 years	1,039,581	921,740
		13,489,874	12,698,284
Less accumulated depreciation		(4,446,326)	(4,095,150)
		\$ 9,043,548	\$ 8,603,134

Depreciation was \$573,346 and \$539,078 for the years ended June 30, 2017 and 2016, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 6 - Property and Equipment (Cont.)

Building improvements funded by Anne Arundel County grants possess liens of thirty years. The amount of building improvements covered by these liens at June 30, 2017 and 2016 were \$332,422 and are included in temporarily restricted net assets.

Note 7 - Mortgages and Notes Payable

The Maryland Department of Housing and Community Development (DHCD) has provided financing under the Maryland Group Home Acquisition Program (GHAP) enabling the Association to purchase residences, which it utilizes as group homes or alternative living units for its clients. All GHAP mortgages contain provisions which specify that if a GHAP mortgage is prepaid, defaulted on, refinanced, or if the property is sold, the State of Maryland is entitled to receive 50% of the net appreciation on the property securing that particular GHAP mortgage. At June 30, 2017 and 2016, the Association has recorded a participation liability of \$114,607 and \$99,338, respectively and a related mortgage loan discount of \$52,623 and \$35,654, respectively, in connection with these agreements.

DHCD has also provided financing with proceeds of tax-exempt revenue bonds for residences under the Special Housing Opportunities Program (SHOP). SHOP loans may be prepaid or assumed with prior permission from DHCD. SHOP loans are required to be used to fund a group home and residents who occupy the homes must meet the certain income restrictions, if the residents no longer meet the income restrictions, then DHCD may increase the agreed upon interest rate. Any increase in the interest rate may not exceed the prevailing conventional interest rate determined in the sole discretion of DHCD. Loans are subject to a prepayment penalty equal to the unamortized cost of issuing the bonds.

The Association entered into a thirty year loan with Arundel Community Development Services, Inc. (ACDS). The loan was used to purchase a residential home. If during the term of the loan, the property is sold, transferred, exchanged or otherwise disposed, the ACDS is entitled to receive 50% of the net proceeds in accordance with the Equity Participation Agreement. The associated participation liability is included above.

During fiscal year 2014, two properties were purchased from The Arc of the Central Chesapeake Region, Inc. by its related entity Chesapeake Neighbors, LLC. The related loans with banks were paid off by The Arc of the Central Chesapeake Region, Inc. and Chesapeake Neighbors, LLC obtained a SHOP and GHAP loan for each property. Additional details on these loans are on the following page.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 7 - Mortgages and Notes Payable (Cont.)

Mortgages and notes payable consisted of the following at June 30:

	2017	2016
<u>The Arc of the Central Chesapeake Region, Inc.</u>		
Mortgages and notes payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$4,572 include principal and interest ranging between 1.50% - 5.00%. The mortgages are for 30 years and mature between May 2021 and July 2047. The mortgages are secured by residential properties.	\$ 414,445	\$ 187,990
Mortgages and notes payable to various financial institutions. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$15,877 include principal and interest ranging between 0.00% - 6.25%. The mortgages are for 30 years and mature between November 2021 and October 2037. The mortgages are secured by residential properties.	2,120,941	2,026,803
<u>Chesapeake Neighbors, LLC</u>		
Mortgages and notes payable for all Chesapeake Neighbors, LLC properties. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$25,170 include principal and interest ranging between 0.00% - 6.96%. The mortgages are for 30 years and mature between April 2018 and July 2047. The mortgages are secured by residential properties.	4,121,942	3,558,054
Total Mortgages and notes payable	6,657,328	5,772,847
Less debt issuance cost, net of amortization	(58,479)	(46,631)
Less discount	(52,623)	(35,654)
Less current maturities	(209,723)	(192,334)
Long-term portion of Mortgages and notes payables	\$ 6,336,503	\$ 5,498,228

In prior years the Association had reported debt issuance costs as a deferred charge in the statement of financial position and amortization of such costs in the statement of activities as depreciation and amortization expense. To comply with ASU 2015-3, during the year ended June 30, 2017 the Association began reporting such costs as a direct deduction from the face amount of the related debt. Mortgage and notes payable at June 30, 2017 and 2016 is shown net of unamortized debt issuance cost of \$58,479 and \$46,631, respectively. Amortization expense on debt issuance costs was \$16,763 and \$3,885, for years ended June 30, 2017 and 2016, respectively

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 7 - Mortgages and Notes Payable (Cont.)

Scheduled maturities of the above mortgages and notes payable are as follows:

<u>Year Ending June 30</u>	
2018	\$ 209,723
2019	226,698
2020	235,323
2021	243,446
2022	1,352,016
Thereafter	<u>4,390,122</u>
	<u><u>\$ 6,657,328</u></u>

Interest expense for the years ended June 30, 2017 and 2016 was \$236,621 and \$236,474, respectively.

Note 8 - Line of Credit

In March 2016, the Association obtained a line of credit, secured by the Association's accounts receivables, with a bank with a maximum borrowing potential of \$800,000. The line bears interest at the bank's prime lending rate and expires in March 2018. There was no amount outstanding as of June 30, 2017 and 2016.

Note 9 - Compensated Absences

Employees of the Association are entitled to paid vacation depending on their length of service and job classification. As of June 30, 2017 and 2016, there were \$213,607 and \$209,141, respectively, of vacation benefits due to employees.

Note 10 - Capital Lease Obligations

The Association entered into capital lease agreements for three copiers and six vehicles. The term of the copier and vehicle lease agreements are for 60 months. At June 30, 2017 and 2016 the aggregate monthly payments for the copiers were \$2,014. At June 30, 2017 and 2016 the aggregate monthly payments for the vehicles were \$7,130 and \$6,224, respectively. Depreciation attributable to capital expenses for the years ended June 30, 2017 and 2016 amounted to \$78,958.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 10 - Capital Lease Obligations (Cont.)

Future minimum lease payments are as follows:

	Year Ending June 30	
	2018	\$ 108,690
	2019	109,350
	2020	103,277
	2021	53,114
	2022	12,722
		387,153
Less amounts representing interest		(46,776)
Present value of future minimum lease payments (including current portion of \$88,171)		\$ 340,377

Note 11 - Operating Leases

The Association leases residential homes that are utilized as alternative living units and group homes for its clients. Some of the homes are leased on a month-to-month basis, and some homes have leases, with rent of \$1. Leases matured on February 2020.

The following is a schedule of future minimum lease payments due on operating leases:

	Year Ending June 30	
	2018	\$ 1
	2019	1
	2020	1
Future minimum lease payment		\$ 3

Rent expense for the years ended June 30, 2017 and 2016 was \$684,533 and \$756,748, respectively.

Note 12 - Retirement Plan

The Association maintains a tax deferred 403(b) retirement plan which. All employees are eligible to participate in the plan after being employed for one year. The Association contributes up to 1% of eligible employee's compensation to this plan and contributed \$36,117 and \$42,680 for the years ended June 30, 2017 and 2016, respectively.

The Arc of the Central Chesapeake Region, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
 June 30, 2017

Note 13 - Special Events Revenue

The direct costs of special events have been netted with special events revenue. Special events revenue and direct costs consisted of the following for years ending June 30:

	2017	2016
Revenues	\$ 58,060	\$ 71,929
Direct expenses	(34,765)	(30,940)
Total net revenues	\$ 23,295	\$ 40,989

Note 14 - Anne Arundel County Grants

The Association received grants from Anne Arundel County for leasehold improvements to six properties in the form of loans with Anne Arundel Community Development Services, Inc. The grant agreements specify that the Association must repay the grants without interest or penalty if the properties are sold, transferred or conveyed prior to their maturity which ranges from March 9, 2030 to November 1, 2031. Upon maturity of the loans, the Association is released from their principal obligation.

During 1991, the Association received a grant of \$15,864 from Anne Arundel County for the purpose of removing architectural barriers at the Linthicum Home to improve handicap access. In 1993, the Association received a grant of \$3,491 from Anne Arundel County to finance repairs and improvements at the Linthicum Home which provided for the addition of a cement patio. These grant agreements specify that the Association must repay the grants without interest or penalty if the Linthicum Home is sold or transferred within thirty years according to the following schedule:

Sale or Transfer Occurs Within:	Repay:
26 years of grant date	100% of grant
27 years of grant date	80% of grant
28 years of grant date	60% of grant
29 years of grant date	40% of grant
30 years of grant date	20% of grant

The Arc of the Central Chesapeake Region, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
 June 30, 2017

Note 15 - Unrestricted Net Assets – Board Designated

The Governing Board has designated funds to be used for the following purposes for the years ending June 30:

	2017	2016
Mortgage / payroll reserves	\$ -	\$ 1,640,000
Renovation of headquarters	500,000	500,000
	\$ 500,000	\$ 2,140,000

Note 16 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for years ending June 30:

	2017	2016
Leasehold improvements (Note 6 & 14)	\$ 332,422	\$ 332,422
Donated long-term leases (Note 5)	62,175	42,033
Memorial fund	25,133	25,108
	\$ 419,730	\$ 399,563

The Lola M. Bell Memorial Fund was established for direct aid to persons with developmental disabilities. Interest earned on the fund may be expended as direct aid in the year the interest is earned. If the interest is not expended in the year earned, it is added to the principal of the fund. The donated long-term leases are described in detail in Note 5 of the financial statements. Temporarily restricted leasehold improvement grants from Anne Arundel County are described in detail in Note 6 and 145 of the financial statements.

Note 17 - Contingent Liabilities

The Association receives a substantial portion of its revenue from government grants, which are subject to audits by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Association is of the opinion that no significant liability will result from audit adjustments, if any.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 18 - Significant Funding Source

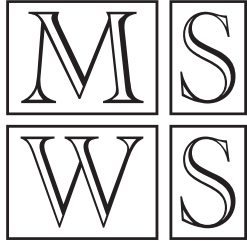
The Association receives a majority of its total revenue from the State of Maryland. The Association is highly dependent upon government funding to continue its operations.

Note 19 - Subsequent Events

The Association has evaluated the impact of significant subsequent events through December 19, 2017, the date the financial statements were available to be issued.

On November 13, 2017 the Association sold residential property at 7119 Saint Lauren Court, Baltimore MD 21226 for \$259,000.

SUPPLEMENTARY INFORMATION



MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
The Arc of the Central Chesapeake Region, Inc.
Annapolis, Maryland

We have audited the consolidated financial statements of The Arc of the Central Chesapeake Region, Inc. as of and for the year ended June 30, 2017, and have issued our report thereon dated December 19, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in pages 24-29 is presented for the purposes of additional analysis and is not a required part of consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
December 19, 2017

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS				
	The Arc of the Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 9,587,164	\$ 8,544	\$ -	\$ 9,595,708
Investments	2,113,345	-	-	2,113,345
Due from State of Maryland	22,915	-	-	22,915
Accounts receivable, other	93,729	-	-	93,729
Accounts receivable, clients, net of allowance for doubtful accounts	2,380	-	-	2,380
Due from Chesapeake Neighbors	1,583,214	-	(1,583,214)	-
Unconditional promises to give	34,350	-	-	34,350
Prepaid expenses	305,597	-	-	305,597
Total current assets	13,742,694	8,544	(1,583,214)	12,168,024
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	3,715,502	5,328,046	-	9,043,548
OTHER ASSETS				
Unconditional promises to give, net of discount	27,825	-	-	27,825
Security deposits and escrows	43,696	168,286	-	211,982
Total other assets	71,521	168,286	-	239,807
Total assets	\$ 17,529,717	\$ 5,504,876	\$ (1,583,214)	\$ 21,451,379

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Cont.)
June 30, 2017

	<u>Region, Inc.</u>	<u>Neighbors, LLC</u>	<u>Elimination</u>	<u>Consolidated</u>
CURRENT LIABILITIES				
Accounts payable, trade	\$ 920,036	\$ -	\$ -	\$ 920,036
Due to State of Maryland	6,235,711	-	-	6,235,711
Due to the Arc of Central Chesapeake	-	1,583,214	(1,583,214)	-
Accrued vacation	213,607	-	-	213,607
Accrued salaries and related taxes	1,086,622	-	-	1,086,622
Client funds	93,116	-	-	93,116
Deferred revenue	85,280	-	-	85,280
Capital lease obligations	88,171	-	-	88,171
Mortgages and notes payable	99,554	110,169	-	209,723
	<u>8,822,097</u>	<u>1,693,383</u>	<u>(1,583,214)</u>	<u>8,932,266</u>
LONG-TERM LIABILITIES				
Capital lease obligations	252,206	-	-	252,206
Mortgages and notes payable, net of debt issuance cost	2,368,609	3,967,894	-	6,336,503
Participation liability	74,351	40,256	-	114,607
	<u>2,695,166</u>	<u>4,008,150</u>	<u>-</u>	<u>6,703,316</u>
Total liabilities	<u>11,517,263</u>	<u>5,701,533</u>	<u>(1,583,214)</u>	<u>15,635,582</u>
NET ASSETS				
Unrestricted	4,260,113	(1,406,384)	-	2,853,729
Unrestricted - Board designated	500,000	-	-	500,000
Unrestricted - investment in plant	832,611	1,209,727	-	2,042,338
Temporarily restricted	419,730	-	-	419,730
	<u>6,012,454</u>	<u>(196,657)</u>	<u>-</u>	<u>5,815,797</u>
Total liabilities and net assets	<u>\$ 17,529,717</u>	<u>\$ 5,504,876</u>	<u>\$ (1,583,214)</u>	<u>\$ 21,451,379</u>

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF ACTIVITIES
June 30, 2017

	The Arc of the Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
REVENUES, GAINS AND OTHER SUPPORT				
New Directions Waiver revenue	\$ 23,527,198	\$ -	\$ -	\$ 23,527,198
Less: New Directions Waiver expenses	(22,571,962)	-	-	(22,571,962)
Net New Directions Waiver	955,236	-	-	955,236
State of Maryland - DHMH fees and DHR grants	13,961,697	-	-	13,961,697
Program fees	525,853	-	-	525,853
Donated goods, services and rent	497,154	-	-	497,154
Rental subsidy	367,627	303,000	(303,000)	367,627
Other grants	205,234	14,100	-	219,334
Contributions	92,931	38,896	-	131,827
Gain on disposal of equipment	38,028	-	-	38,028
Special events - net of direct expenses	23,295	-	-	23,295
Investment income	17,125	368	-	17,493
United Way funding	9,777	-	-	9,777
Total revenues, gains and other support	16,693,957	356,364	(303,000)	16,747,321
EXPENSES				
Program services				
Residential	7,301,450	449,787	(303,000)	7,448,237
CSLA/ Personal Support	2,619,524	-	-	2,619,524
Individual Support Services	1,592,244	-	-	1,592,244
Day/ Supported Employment	1,652,692	-	-	1,652,692
Other programs	404,805	-	-	404,805
Family Support Services	143,805	-	-	143,805
Total program services	13,714,520	449,787	(303,000)	13,861,307
Supporting services				
Management and general	2,109,954	-	-	2,109,954
Fundraising	131,509	-	-	131,509
Total supporting services	2,241,463	-	-	2,241,463
Total expenses	15,955,983	449,787	(303,000)	16,102,770
Change in net assets	737,974	(93,423)	-	644,551
NET ASSETS AT BEGINNING OF YEAR	5,274,480	(103,234)	-	5,171,246
NET ASSETS AT END OF YEAR	\$ 6,012,454	\$ (196,657)	\$ -	\$ 5,815,797

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

	The Arc of the Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,831,736	\$ 6,041	\$ -	\$ 5,837,777
Investments	2,105,297	-	-	2,105,297
Due from State of Maryland	490,911	-	-	490,911
Accounts receivable, other	102,195	19,500	-	121,695
Accounts receivable, clients, net of allowance for doubtful accounts	9,869	-	-	9,869
Due from Chesapeake Neighbors	1,381,572	-	(1,381,572)	-
Unconditional promises to give	28,050	-	-	28,050
Prepaid expenses	163,787	-	-	163,787
Total current assets	<u>10,113,417</u>	<u>25,541</u>	<u>(1,381,572)</u>	<u>8,757,386</u>
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	<u>3,915,896</u>	<u>4,687,238</u>	<u>-</u>	<u>8,603,134</u>
OTHER ASSETS				
Unconditional promises to give, net of discount	13,983	-	-	13,983
Security deposits and escrows	42,857	131,581	-	174,438
Total other assets	<u>56,840</u>	<u>131,581</u>	<u>-</u>	<u>188,421</u>
Total assets	<u>\$ 14,086,153</u>	<u>\$ 4,844,360</u>	<u>\$(1,381,572)</u>	<u>\$ 17,548,941</u>

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Cont.)
June 30, 2016

	Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
CURRENT LIABILITIES				
Accounts payable, trade	\$ 712,425	\$ -	\$ -	\$ 712,425
Due to State of Maryland	4,347,346	-	-	4,347,346
Due to the Arc of Central Chesapeake	-	1,381,572	(1,381,572)	-
Accrued vacation	209,141	-	-	209,141
Accrued salaries and related taxes	878,340	-	-	878,340
Client funds	87,875	-	-	87,875
Deferred revenue	48,287	26,924	-	75,211
Capital lease obligations	89,615	-	-	89,615
Mortgages and notes payable	91,768	100,566	-	192,334
Total current liabilities	<u>6,464,797</u>	<u>1,509,062</u>	<u>(1,381,572)</u>	<u>6,592,287</u>
LONG-TERM LIABILITIES				
Capital lease obligations	187,842	-	-	187,842
Mortgages and notes payable net of debt issuance cost	2,093,798	3,404,430	-	5,498,228
Participation liability	65,236	34,102	-	99,338
Total long-term liabilities	<u>2,346,876</u>	<u>3,438,532</u>	<u>-</u>	<u>5,785,408</u>
Total liabilities	<u>8,811,673</u>	<u>4,947,594</u>	<u>(1,381,572)</u>	<u>12,377,695</u>
NET ASSETS				
Unrestricted	1,347,280	(1,251,374)	-	95,906
Unrestricted - Board designated	2,140,000	-	-	2,140,000
Unrestricted - investment in plant	1,387,637	1,148,140	-	2,535,777
Temporarily restricted	399,563	-	-	399,563
Total net assets	<u>5,274,480</u>	<u>(103,234)</u>	<u>-</u>	<u>5,171,246</u>
Total liabilities and net assets	<u>\$ 14,086,153</u>	<u>\$ 4,844,360</u>	<u>\$(1,381,572)</u>	<u>\$ 17,548,941</u>

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF ACTIVITIES
June 30, 2016

	The Arc of the Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
REVENUES, GAINS AND OTHER SUPPORT				
New Directions Waiver revenue	\$ 17,748,139	\$ -	\$ -	\$ 17,748,139
Less: New Directions Waiver expenses	<u>(16,942,225)</u>	<u>-</u>	<u>-</u>	<u>(16,942,225)</u>
Net New Directions Waiver	805,914	-	-	805,914
State of Maryland - DHMH fees and DHR grants	14,434,243	-	-	14,434,243
Program fees	553,283	-	-	553,283
Rental subsidy	337,647	290,400	(290,400)	337,647
Other grants	224,035	84,736	-	308,771
Donated goods and services	316,424	-	-	316,424
Contributions	74,768	-	-	74,768
Insurance proceeds	61,455	-	-	61,455
Special events - net of direct expenses	40,989	-	-	40,989
United Way funding	12,918	-	-	12,918
Investment income	12,081	296	-	12,377
Gain on disposal of equipment	<u>(34,886)</u>	<u>-</u>	<u>-</u>	<u>(34,886)</u>
Total revenues, gains and other support	<u>16,838,871</u>	<u>375,432</u>	<u>(290,400)</u>	<u>16,923,903</u>
EXPENSES				
Program services				
Residential	7,377,372	377,720	(290,400)	7,464,692
CSLA/ Personal Support	2,708,800	-	-	2,708,800
Individual Support Services	1,782,714	-	-	1,782,714
Day/ Supported Employment	1,690,193	-	-	1,690,193
Other programs	376,011	-	-	376,011
Family Support Services	<u>208,499</u>	<u>-</u>	<u>-</u>	<u>208,499</u>
Total program services	<u>14,143,589</u>	<u>377,720</u>	<u>(290,400)</u>	<u>14,230,909</u>
Supporting services				
Management and general	1,830,023	-	-	1,830,023
Fundraising	<u>87,380</u>	<u>-</u>	<u>-</u>	<u>87,380</u>
Total supporting services	<u>1,917,403</u>	<u>-</u>	<u>-</u>	<u>1,917,403</u>
Total expenses	<u>16,060,992</u>	<u>377,720</u>	<u>(290,400)</u>	<u>16,148,312</u>
Change in net assets	777,879	(2,288)	-	775,591
NET ASSETS AT BEGINNING OF YEAR	<u>4,496,601</u>	<u>(100,946)</u>	<u>-</u>	<u>4,395,655</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,274,480</u>	<u>\$ (103,234)</u>	<u>\$ -</u>	<u>\$ 5,171,246</u>