

**THE ARC OF THE CENTRAL
CHESAPEAKE REGION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

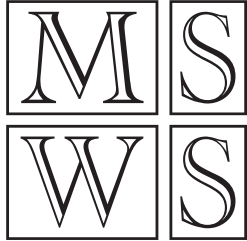


MULLEN SONDBERG WIMBISH & STONE, PA

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, 2018, 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, 2018, 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 2017 consolidated financial statements, and our report dated December 19, 2017, 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, 2017, 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
January 15, 2019

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS		2018	2017
CURRENT ASSETS			
Cash and cash equivalents	\$	10,174,167	\$ 9,595,708
Investments		2,695,462	2,113,345
Due from State of Maryland		196,515	22,915
Accounts receivable, other		58,458	93,729
Accounts receivable, clients, net of allowance for doubtful accounts		-	2,380
Unconditional promises to give		18,000	34,350
Prepaid expenses		74,826	305,597
Total current assets		13,217,428	12,168,024
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		13,538,333	9,043,548
OTHER ASSETS			
Unconditional promises to give, net of discount		13,659	27,825
Security deposits and escrows		248,152	211,982
Total other assets		261,811	239,807
Total assets	\$	27,017,572	\$ 21,451,379

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, 2018

	2018	2017
CURRENT LIABILITIES		
Accounts payable, trade	\$ 1,890,590	\$ 920,036
Due to State of Maryland	8,000,290	6,235,711
Accrued vacation	288,480	213,607
Accrued salaries and related taxes	1,420,861	1,086,622
Client funds	141,385	93,116
Deferred revenue	-	85,280
Capital lease obligations	156,720	88,171
Mortgages and notes payable	236,569	209,723
Total current liabilities	12,134,895	8,932,266
LONG-TERM LIABILITIES		
Capital lease obligations	435,708	252,206
Mortgages and notes payable, net of debt issuance cost	7,745,021	6,336,503
Participation liability	73,522	114,607
Total long-term liabilities	8,254,251	6,703,316
Total liabilities	20,389,146	15,635,582
NET ASSETS		
Unrestricted	1,348,394	2,853,729
Unrestricted - Board designated	-	500,000
Unrestricted - investment in plant	4,890,793	2,042,338
Temporarily restricted	389,239	419,730
Total net assets	6,628,426	5,815,797
Total liabilities and net assets	\$ 27,017,572	\$ 21,451,379

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, 2018

With Summarized Financial Information for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
REVENUES, GAINS AND OTHER SUPPORT				
New Directions Waiver revenue	\$ 31,230,391	\$ -	\$ 31,230,391	\$ 24,028,695
Less: New Directions Waiver expenses	(28,713,712)	-	(28,713,712)	(22,571,962)
Net New Directions Waiver	2,516,679	-	2,516,679	1,456,733
State of Maryland - DHMH fees and DHR grants	13,468,466	-	13,468,466	13,961,697
Contributions	667,350	25	667,375	141,604
Program fees	465,593	-	465,593	525,853
Rental subsidy	336,702	-	336,702	367,627
Other grants	306,304	-	306,304	219,334
Gain(Loss) on disposal of equipment	157,829	-	157,829	38,028
Investment income	80,011	-	80,011	17,493
Donated goods, services and rent	69,127	-	69,127	497,154
Miscellaneous Income	50,770	-	50,770	-
Special events - net of direct expenses	9,971	-	9,971	23,295
	18,128,802	25	18,128,827	17,248,818
Net assets released from restrictions	30,516	(30,516)	-	-
Total revenues, gains and other support	18,159,318	(30,491)	18,128,827	17,248,818
EXPENSES				
Program services				
Residential	8,138,819	-	8,138,819	7,674,776
Personal Support	1,606,993	-	1,606,993	2,698,318
Individual & Family Support Services	1,910,381	-	1,910,381	1,801,930
Day/ Supported Employment	1,593,333	-	1,593,333	1,716,706
Other programs	1,200,967	-	1,200,967	412,285
Total program services	14,450,494	-	14,450,494	14,304,015
Supporting services				
Management and general	2,450,396	-	2,450,396	2,163,199
Fundraising	415,308	-	415,308	137,053
Total supporting services	2,865,704	-	2,865,704	2,300,252
Total expenses	17,316,198	-	17,316,198	16,604,267
Change in net assets	843,120	(30,491)	812,629	644,551
NET ASSETS AT BEGINNING OF YEAR	5,396,067	419,730	5,815,797	5,171,246
NET ASSETS AT END OF YEAR	\$ 6,239,187	\$ 389,239	\$ 6,628,426	\$ 5,815,797

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, 2018

With Summarized Financial Information for the Year Ended June 30, 2017

	Program Services					Supporting Services		Total		
	Residential	Personal Support	Individual & Family Support Services	Day/ Supported Employment	Other Programs	Total Program Services	Management and General	Fundraising	2018	2017
Salaries	\$ 4,946,157	\$ 1,101,608	\$ 1,101,608	\$ 1,087,421	\$ 772,579	\$ 9,009,373	\$ 821,728	\$ 183,521	\$ 10,014,622	\$ 9,736,809
Fringe benefits	710,068	158,146	158,146	156,110	110,911	1,293,381	117,967	26,346	1,437,694	1,556,765
Payroll taxes	354,792	79,019	79,019	78,002	55,418	646,250	58,943	13,164	718,357	787,550
Total salaries and related expenses	6,011,017	1,338,773	1,338,773	1,321,533	938,908	10,949,004	998,638	223,031	12,170,673	12,081,124
Advertising	1,500	-	-	-	275	1,775	30,728	500	33,003	31,069
Capital Campaign	1,600	-	-	-	-	1,600	15,544	-	17,144	1,403
Condo fees	2,144	-	3,599	-	-	5,743	164	-	5,907	5,394
Contract services	189,938	23,306	129,669	4,068	108,836	455,817	487,336	91,366	1,034,519	487,785
Conventions	2,825	-	-	4,428	319	7,572	21,910	295	29,777	29,414
Depreciation	505,962	45,433	45,433	44,848	-	641,676	33,890	-	675,566	573,346
Donated services	38,100	-	-	-	-	38,100	62,647	-	100,747	497,154
Dues and subscriptions	6,482	100	55	275	1,500	8,412	55,950	12,887	77,249	81,755
Food and housekeeping	220,191	36,410	12,100	882	246	269,829	52,651	1,520	324,000	243,510
Insurance	103,388	35,067	35,067	34,615	24,593	232,731	26,158	5,842	264,730	201,234
Interest	229,856	979	2,681	3,644	-	237,160	47,315	-	284,475	253,384
Legal and accounting	360	-	-	-	11,614	11,974	156,816	-	168,790	104,694
Medical and dental	2,247	4,332	319	-	146	7,044	1	-	7,045	1,849
Miscellaneous	9,448	95	107	1,956	3,361	14,967	28,079	22,095	65,141	59,731
Program Expenses	142,080	-	211,523	8,116	-	361,719	4,224	-	365,943	75,101
Reimbursements	13,796	897	11,257	2,296	-	28,246	6,358	3,708	38,312	150,910
Rent	176,454	62,905	37,602	-	-	276,961	30,431	1,200	308,592	381,533
Repairs and maintenance	141,483	1,718	2,105	316	2,366	147,988	116,543	758	265,289	438,148
Small equipment and furniture	6,741	29	-	-	-	6,770	6,839	727	14,336	11,833
Staff development	36,685	7,196	8,555	12,972	5,197	70,605	5,273	1,398	77,276	75,458
Supplies	50,924	6,210	6,847	1,477	95,474	160,932	66,207	26,399	253,538	222,570
Taxes and assessments	7,285	288	312	-	15	7,900	40,855	22,689	71,444	14,302
Telephone	710	134	-	266	284	1,394	61,411	63	62,868	83,532
Travel and lodging	75,468	41,338	56,268	149,147	7,833	330,054	49,057	830	379,941	271,072
Utilities	162,135	1,783	8,109	2,494	-	174,521	45,371	-	219,892	226,962
Total expenses	\$ 8,138,819	\$ 1,606,993	\$ 1,910,381	\$ 1,593,333	\$ 1,200,967	\$ 14,450,494	\$ 2,450,396	\$ 415,308	\$ 17,316,198	\$ 16,604,267

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, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 812,629	\$ 644,551
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	675,566	573,346
Amortization of debt issuance costs	16,763	16,763
Amortization of loan discount	(1,700)	(1,700)
Unrealized (gain)/ loss on investments	(11,708)	507
(Gain)/loss on disposal of equipment	(157,829)	(38,028)
Donated investments	-	-
Capital grants	-	-
(Increase) decrease in operating assets:		
Accounts receivable	(135,949)	503,451
Unconditional promises to give	30,516	(20,142)
Prepaid expenses	230,771	(141,810)
Security deposits and escrows	(36,170)	(37,544)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	2,735,133	2,095,976
Accrued salaries, vacation, and related taxes	409,112	212,748
Client funds	48,269	5,241
Deferred revenue	(85,280)	10,069
Net cash provided by operating activities	<u>4,530,123</u>	<u>3,823,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested earnings	(1,877,332)	(2,404,597)
Proceeds from sale of investments	1,306,923	2,396,042
Purchase of property and equipment	(2,982,830)	(236,972)
Proceeds from sale of property and equipment	204,725	209,162
Net cash used by investing activities	<u>(3,348,514)</u>	<u>(36,365)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease pn;ogatopms	(91,004)	(91,004)
Payments of debt issuance costs	(28,611)	(28,611)
Proceeds from mortgages	-	1,433,250
Principal payments on mortgages and notes payable	(483,535)	(1,342,767)
Net cash used by financing activities	<u>(603,150)</u>	<u>(29,132)</u>
Net change in cash and cash equivalents	578,459	3,757,931
Cash and cash equivalents at beginning of year	<u>9,595,708</u>	<u>5,837,777</u>
Cash and cash equivalents at end of year	<u>\$ 10,174,167</u>	<u>\$ 9,595,708</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 83,984</u>	<u>\$ 64,992</u>
Noncash investing and financing activities:		
Acquisition of property and equipment	\$ 5,217,247	\$ 1,160,395
Less amount financed	(2,234,417)	(296,200)
Less capital grants	-	(85,857)
Cash paid for property and equipment	<u>\$ 2,982,830</u>	<u>\$ 778,338</u>

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, 2018

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 respect, create opportunity, facilitate services and advocate for the rights of all people with intellectual and developmental disabilities. 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. The Association serves Anne Arundel County and Maryland's Eastern Shore.

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, 2018 and 2017. 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 people of low income and those with developmental disabilities. 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, 2018

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, 2017, 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, 2018 and 2017, the balance in the allowance for doubtful accounts was \$- and is netted against amounts due from clients.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2018

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, 2018 and 2017 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, 2018

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, 2015 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, 2018 and 2017 were \$33,004 and \$31,069, 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, 2018 and 2017 were \$- and \$497,154, 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, 2018 and 2017, 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, 2018 and 2017 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, 2018

Note 3 - Investments

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

	2018		
	Cost Basis	FMV	Unrealized Gain/(Loss)
Investments - brokerage account			
Money market funds	1,448,331	1,448,331	-
Equities	27,047	62,146	35,099
Certificates of deposit	735,537	735,537	-
Total investments - brokerage account	2,210,915	2,246,014	35,099
Investments - financial institution			
Certificates of deposit	450,002	449,448	(554)
Total investments	<u>\$ 2,660,917</u>	<u>\$ 2,695,462</u>	<u>\$ 34,545</u>
	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	1,482,141	1,481,300	(841)
Total investments - brokerage account	1,933,078	1,955,880	22,802
Investments - financial institution			
Certificates of deposit	739,582	739,582	-
Total investments	<u>\$ 2,672,660</u>	<u>\$ 2,695,462</u>	<u>\$ 22,802</u>

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2018

Note 3 - Investments (Cont.)

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

	2018	2017
Interest and dividends	\$ 68,303	\$ 18,000
Unrealized gain (loss) on investments	11,708	(507)
	\$ 80,011	\$ 17,493

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, 2018

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, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,448,331	\$ -	\$ -	\$ 1,448,331
Equity securities	62,146	-	-	62,146
Certificates of deposit	1,184,985	-	-	1,184,985
Total	\$ 2,695,462	\$ -	\$ -	\$ 2,695,462
<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	1,638,765	-	-	1,638,765
Total	\$ 2,113,345	\$ -	\$ -	\$ 2,113,345

Note 5 - Unconditional Promises to Give

The Association has a lease agreement with the State of Maryland Department of Health 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, 2018 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, 2018

Note 5 - Unconditional Promises to Give (Cont.)

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

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 18,000	\$ 34,350
Receivable in one to five years	<u>17,175</u>	<u>35,175</u>
Total unconditional promises to give	35,175	69,525
Less discount to net present value	(3,516)	(7,350)
Less current portion	<u>(18,000)</u>	<u>(34,350)</u>
Unconditional promises to give, long-term	<u>\$ 13,659</u>	<u>\$ 27,825</u>

Note 6 - Property and Equipment

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

	Estimated Useful Lives	<u>2018</u>	<u>2017</u>
Land	-	\$ 3,049,155	\$ 2,334,437
Building and improvements	5-31 years	12,480,846	8,789,215
Leasehold improvements	1-10 years	628,907	614,291
Furniture, fixtures and equipment	5-20 years	999,079	712,350
Vehicles	2-5 years	<u>1,433,011</u>	<u>1,039,581</u>
		18,590,998	13,489,874
Less accumulated depreciation		<u>(5,052,665)</u>	<u>(4,446,326)</u>
		<u>\$ 13,538,333</u>	<u>\$ 9,043,548</u>

Depreciation was \$675,566 and \$573,346 for the years ended June 30, 2018 and 2017, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2018

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, 2018 and 2017 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, 2018 and 2017, the Association has recorded a participation liability of \$73,522 and \$114,607, respectively and a related mortgage loan discount of \$41,953 and \$52,623, 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, 2018

Note 7 - Mortgages and Notes Payable (Cont.)

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

	2018	2017
<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.	\$ 388,538	\$ 414,445
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.	1,986,753	2,120,941
<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.	5,713,917	4,121,942
Total Mortgages and notes payable	8,089,208	6,657,328
Less debt issuance cost, net of amortization	(65,665)	(58,479)
Less discount	(41,953)	(52,623)
Less current maturities	(236,569)	(209,723)
Long-term portion of Mortgages and notes paybles	\$ 7,745,021	\$ 6,336,503

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, 2018 and 2017 is shown net of unamortized debt issuance cost of \$65,665 and \$58,479, respectively. Amortization expense on debt issuance costs was \$6,655 and \$16,763, for years ended June 30, 2018 and 2017, respectively

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2018

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>	
2019	\$ 236,569
2020	880,406
2021	263,981
2022	1,734,301
2023	199,749
Thereafter	<u>4,774,202</u>
	<u>\$ 8,089,208</u>

Interest expense for the years ended June 30, 2018 and 2017 was \$261,307 and \$236,474, respectively.

Note 8 - Line of Credit

In March 2018, the Association obtained a line of credit, secured by the Association's accounts receivables, with a bank with a maximum borrowing potential of \$1,000,000. 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, 2018 and 2017.

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, 2018 and 2017, there were \$288,480 and \$213,607, respectively, of vacation benefits due to employees.

Note 10 - Capital Lease Obligations

The Association entered into capital lease agreements for three copiers and 24 vehicles. The term of the copier and vehicle lease agreements are for 60 months. At June 30, 2018 and 2017 the aggregate monthly payments for the copiers were \$2,014. At June 30, 2018 and 2017 the aggregate monthly payments for the vehicles were \$14,077 and \$7,124, respectively. Depreciation attributable to capital expenses for the years ended June 30, 2018 and 2017 amounted to \$97,450 and \$78,958, respectively.

The Arc of the Central Chesapeake Region, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
 June 30, 2018

Note 10 - Capital Lease Obligations (Cont.)

Future minimum lease payments are as follows:

	<u>Year Ending June 30</u>
	2019 \$ 225,151
	2020 200,624
	2021 148,809
	2022 100,349
	2023 24,662
	699,595
Less amounts representing interest	(107,167)
Present value of future minimum lease payments (including current portion of \$88,171)	\$ 592,428

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:

	<u>Year Ending June 30</u>
	2019 \$ 1
	2020 1
	2021 1
	3
Future minimum lease payment	\$ 3

Rent expense for the years ended June 30, 2018 and 2017 was \$616,742 and \$684,533, 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, 2018 and 2017, respectively.

The Arc of the Central Chesapeake Region, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
 June 30, 2018

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:

	2018	2017
Revenues	\$ 73,068	\$ 58,060
Direct expenses	(63,097)	(34,765)
Total net revenues	\$ 9,971	\$ 23,295

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, 2018

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:

	2018	2017
Mortgage / payroll reserves	\$ -	\$ 1,640,000
Renovation of headquarters	-	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:

	2018	2017
Leasehold improvements (Note 6 & 14)	\$ 332,422	\$ 332,422
Donated long-term leases (Note 5)	31,659	62,175
Memorial fund	25,158	25,133
	\$ 389,239	\$ 419,730

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, 2018

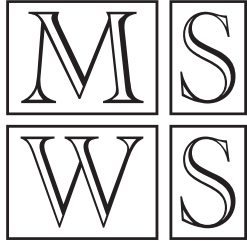
Note 18 - Significant Funding Source

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 January 15, 2019 the date the financial statements were available to be issued. A residential home was purchased subsequent to year end for approximately \$450,000. The Organization's retirement plan was also amended to a safe harbor plan.

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, 2018, 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

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, 2018

ASSETS				
	The Arc of the Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 10,139,735	\$ 34,432	\$ -	\$ 10,174,167
Investments	2,695,462	-	-	2,695,462
Due from State of Maryland	196,515	-	-	196,515
Accounts receivable, other	58,458	-	-	58,458
Accounts receivable, clients, net of allowance for doubtful accounts	-	-	-	-
Due from Chesapeake Neighbors	2,247,583	-	(2,247,583)	-
Unconditional promises to give	18,000	-	-	18,000
Prepaid expenses	74,826	-	-	74,826
Total current assets	15,430,579	34,432	(2,247,583)	13,217,428
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	6,316,365	7,221,968	-	13,538,333
OTHER ASSETS				
Unconditional promises to give, net of discount	13,659	-	-	13,659
Security deposits and escrows	33,808	214,344	-	248,152
Total other assets	47,467	214,344	-	261,811
Total assets	\$ 21,794,411	\$ 7,470,744	\$ (2,247,583)	\$ 27,017,572

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Cont.)
June 30, 2018

	<u>Region, Inc.</u>	<u>Neighbors, LLC</u>	<u>Elimination</u>	<u>Consolidated</u>
CURRENT LIABILITIES				
Accounts payable, trade	\$ 1,823,280	\$ 67,310	\$ -	\$ 1,890,590
Due to State of Maryland	8,000,290	-	-	8,000,290
Due to the Arc of Central Chesapeake	-	2,247,583	(2,247,583)	-
Accrued vacation	288,480	-	-	288,480
Accrued salaries and related taxes	1,420,861	-	-	1,420,861
Client funds	141,385	-	-	141,385
Deferred revenue	-	-	-	-
Capital lease obligations	156,720	-	-	156,720
Mortgages and notes payable	100,502	136,067	-	236,569
	<u>11,931,518</u>	<u>2,450,960</u>	<u>(2,247,583)</u>	<u>12,134,895</u>
LONG-TERM LIABILITIES				
Capital lease obligations	435,708	-	-	435,708 a
Mortgages and notes payable, net of debt issuance cost	2,244,173	5,500,848	-	7,745,021
Participation liability	33,227	40,295	-	73,522
	<u>2,713,108</u>	<u>5,541,143</u>	<u>-</u>	<u>8,254,251</u>
Total long-term liabilities	<u>2,713,108</u>	<u>5,541,143</u>	<u>-</u>	<u>8,254,251</u>
Total liabilities	<u>14,644,626</u>	<u>7,992,103</u>	<u>(2,247,583)</u>	<u>20,389,146</u>
NET ASSETS				
Unrestricted	3,414,511	(2,066,117)	-	1,348,394
Unrestricted - Board designated	-	-	-	-
Unrestricted - investment in plant	3,346,035	1,544,758	-	4,890,793
Temporarily restricted	389,239	-	-	389,239
	<u>7,149,785</u>	<u>(521,359)</u>	<u>-</u>	<u>6,628,426</u>
Total net assets	<u>7,149,785</u>	<u>(521,359)</u>	<u>-</u>	<u>6,628,426</u>
Total liabilities and net assets	<u>\$ 21,794,411</u>	<u>\$ 7,470,744</u>	<u>\$ (2,247,583)</u>	<u>\$ 27,017,572</u>

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATING STATEMENT OF ACTIVITIES
June 30, 2018

	The Arc of the Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
REVENUES, GAINS AND OTHER SUPPORT				
New Directions Waiver revenue	31,230,391	\$ -	\$ -	\$ 31,230,391
Less: New Directions Waiver expenses	<u>(28,713,712)</u>	<u>-</u>	<u>-</u>	<u>(28,713,712)</u>
Net New Directions Waiver	2,516,679	-	-	2,516,679
State of Maryland - DHMH fees and DHR grants	13,468,466	-	-	13,468,466
Contributions	530,232	137,143	-	667,375
Program fees	465,593	-	-	465,593
Rental subsidy	336,702	303,000	(303,000)	336,702
Other grants	306,304	-	-	306,304
Gain on disposal of equipment	157,829	-	-	157,829
Investment income	79,579	432	-	80,011
Donated goods, services and rent	69,127	-	-	69,127
Miscellaneous Income	49,855	915	-	50,770
Special events - net of direct expenses	<u>7,006</u>	<u>2,965</u>	<u>-</u>	<u>9,971</u>
Total revenues, gains and other support	<u>17,987,372</u>	<u>444,455</u>	<u>(303,000)</u>	<u>18,128,827</u>
EXPENSES				
Program services				
Residential	7,672,662	769,157	(303,000)	8,138,819
Personal Support	1,606,993	-	-	1,606,993
Individual & Family Support Services	1,910,381	-	-	1,910,381
Day/ Supported Employment	1,593,333	-	-	1,593,333
Other programs	<u>1,200,967</u>	<u>-</u>	<u>-</u>	<u>1,200,967</u>
Total program services	<u>13,984,337</u>	<u>769,157</u>	<u>(303,000)</u>	<u>14,450,494</u>
Supporting services				
Management and general	2,450,396	-	-	2,450,396
Fundraising	<u>415,308</u>	<u>-</u>	<u>-</u>	<u>415,308</u>
Total supporting services	2,865,704	-	-	2,865,704
Total expenses	<u>16,850,041</u>	<u>769,157</u>	<u>(303,000)</u>	<u>17,316,198</u>
Change in net assets	1,137,331	(324,702)	-	812,629
NET ASSETS AT BEGINNING OF YEAR	<u>6,012,454</u>	<u>(196,657)</u>	<u>-</u>	<u>5,815,797</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,149,785</u>	<u>\$ (521,359)</u>	<u>\$ -</u>	<u>\$ 6,628,426</u>

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

	Central Chesapeake Region, Inc.	Chesapeake Neighbors, LLC	Elimination	Consolidated
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	0	-	85,280
Capital lease obligations	88,171	-	-	88,171
Mortgages and notes payable	99,554	110,169	-	209,723
Total current liabilities	<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
Total long-term liabilities	<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
Total net assets	<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	24,028,695	\$ -	\$ -	\$ 24,028,695
Less: New Directions Waiver expenses	(22,571,962)	-	-	(22,571,962)
Net New Directions Waiver	1,456,733	-	-	1,456,733
State of Maryland - DHMH fees and DHR grants	13,961,697	-	-	13,961,697
Program fees	525,853	-	-	525,853
Donated goods and services	497,154	-	-	497,154
Rental subsidy	367,627	303,000	(303,000)	367,627
Other grants	205,234	14,100	-	219,334
Contributions	102,708	38,896	-	141,604
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
Total revenues, gains and other support	17,195,454	356,364	(303,000)	17,248,818
EXPENSES				
Program services				
Residential	7,527,989	449,787	(303,000)	7,674,776
Personal Support	2,698,318	-	-	2,698,318
Individual & Family Support Services	1,801,930	-	-	1,801,930
Day/ Supported Employment	1,716,706	-	-	1,716,706
Other programs	412,285	-	-	412,285
Total program services	14,157,228	449,787	(303,000)	14,304,015
Supporting services				
Management and general	2,163,199	-	-	2,163,199
Fundraising	137,053	-	-	137,053
Total supporting services	2,300,252	-	-	2,300,252
Total expenses	16,457,480	449,787	(303,000)	16,604,267
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