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CPAS + CONSULTANTS

THE ARC ALLIANCE AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc Alliance
Eagleville, Pennsylvania

We have audited the accompanying consolidated financial statements of The Arc Alliance (a nonprofit organization) and its affiliates, The Arc Alliance Children's Services, The Arc Alliance Advocacy Services, and The Arc Alliance Foundation, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of changes in net assets and cash flows for the years then ended, and the related notes to the consolidated 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 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 audits. We conducted our audits in accordance with the 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 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Arc Alliance and its affiliates as of June 30, 2016 and 2015 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 16 through 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Herbein + Company, Inc.

Reading, Pennsylvania
February 13, 2017

THE ARC ALLIANCE AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2016	June 30 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 196,445	$ 166,929
Accounts receivable	1,122,851	896,850
Accounts receivable - guardianship	80,592	58,427
Pledges receivable	66,543	80,596
Prepaid expenses	23,303	22,054
TOTAL CURRENT ASSETS	1,489,734	1,224,856
INVESTMENTS (Cash Equivalents)	12,229	12,124
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	3,378,540	3,524,948
TOTAL ASSETS	$ 4,880,503	$ 4,761,928
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ -	$ 400,000
Accounts payable and accrued expenses	96,237	116,582
Accrued payroll and payroll taxes	467,562	384,036
Accrued vacation	100,104	84,153
Advances from funding provider	75,600	75,600
Current portion of obligation under capital lease	24,040	22,913
Current portion of long-term debt	236,558	130,031
TOTAL CURRENT LIABILITIES	1,000,101	1,213,315
LONG-TERM LIABILITIES		
Capital lease obligation, less current portion	25,222	49,262
Long-term debt, less current portion	2,634,737	2,588,454
TOTAL LIABILITIES	3,660,060	3,851,031
NET ASSETS		
Unrestricted	1,102,423	807,457
Temporarily restricted	105,791	91,316
Permanently restricted	12,229	12,124
TOTAL NET ASSETS	1,220,443	910,897
TOTAL LIABILITIES AND NET ASSETS	$ 4,880,503	$ 4,761,928

See accompanying notes.

THE ARC ALLIANCE AND AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
SUPPORT AND REVENUE								
Governmental agencies	$ 2,717,297	$ -	$ -	$ 2,717,297	$ 2,689,577	$ -	$ -	$ 2,689,577
Medical assistance	4,427,493	-	-	4,427,493	3,877,807	-	-	3,877,807
Rep payee and guardianship	159,665	-	-	159,665	176,798	-	-	176,798
Individuals, organizations, and foundations	145,868	46,748	-	192,616	246,771	85,596	-	332,367
United Way	-	-	-	-	15,000	-	-	15,000
Special events, net of expenses of $1,000 in 2016 and $5,915 in 2015	1,332	-	-	1,332	5,144	-	-	5,144
Rental income	9,212	-	-	9,212	12,403	-	-	12,403
Interest income	38	-	105	143	-	-	-	-
Other income	3,900	-	-	3,900	3,240	-	-	3,240
Net assets released from restriction	32,273	(32,273)	-	-	13,395	(13,395)	-	-
TOTAL SUPPORT AND REVENUE	7,497,078	14,475	105	7,511,658	7,040,135	72,201	-	7,112,336
EXPENSES								
Program Services:								
Advocacy	2,298,412	-	-	2,298,412	2,014,623	-	-	2,014,623
Early intervention programs	3,528,602	-	-	3,528,602	3,743,349	-	-	3,743,349
Supporting Services:								
Management and general	1,135,006	-	-	1,135,006	937,463	-	-	937,463
Fundraising	233,292	-	-	233,292	228,236	-	-	228,236
Payment to national affiliate	6,800	-	-	6,800	9,021	-	-	9,021
TOTAL EXPENSES	7,202,112	-	-	7,202,112	6,932,692	-	-	6,932,692
INCREASE (DECREASE) IN NET ASSETS	294,966	14,475	105	309,546	107,443	72,201	-	179,644
NET ASSETS, BEGINNING OF YEAR	807,457	91,316	12,124	910,897	700,014	19,115	12,124	731,253
NET ASSETS, END OF YEAR	$ 1,102,423	$ 105,791	$ 12,229	$ 1,220,443	$ 807,457	$ 91,316	$ 12,124	$ 910,897

See accompanying notes.

THE ARC ALLIANCE AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 309,546	$ 179,644
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	148,367	148,366
Changes in:		
Accounts receivable	(226,001)	179,870
Accounts receivable - guardianship	(22,165)	(11,715)
Pledges receivable	14,053	(80,596)
Prepaid expenses	(1,249)	(2,223)
Accounts payable and accrued expenses	(20,345)	(67,381)
Accrued payroll, payroll taxes, and contracted services	83,526	23,589
Accrued vacation	15,951	(23,055)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	301,683	346,499
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,959)	-
Purchase of investments	(105)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,064)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (repayments) on line of credit	(120,001)	(30,000)
Repayments of long-term debt	(127,189)	(122,789)
Repayment of capital lease obligation	(22,913)	(27,137)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(270,103)	(179,926)
NET INCREASE IN CASH	29,516	166,573
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	166,929	356
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 196,445	$ 166,929
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 128,900	$ 115,721
Conversion of line of credit to term note	$ 279,999	$ -

See accompanying notes.

The Arc Alliance ("Arc"), formerly The Arc of Montgomery, Berks, and Bucks Counties, is a nonprofit agency formed to offer various services to assist individuals with intellectual and other developmental disabilities and their families in Montgomery, Berks, Bucks, and Philadelphia Counties, Pennsylvania.

Effective July 1, 1998, Arc reorganized into four separate but related tax-exempt entities as follows: The Arc Alliance, which is the parent organization created to handle administration functions; The Arc Alliance Children's Services, which handles early intervention and provides therapeutic and social services for children with disabilities; The Arc Alliance Advocacy Services, which provides supports coordination and advocacy services for individuals with disabilities; and The Arc Alliance Foundation, generates private and public funding to help its affiliated organizations improve and expand their services as well as provide individual support to families in need.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The accounts of The Arc Alliance, The Arc Alliance Children's Services, The Arc Alliance Advocacy Services, and The Arc Alliance Foundation are included in the consolidation. All intercompany balances and significant transactions have been eliminated.

Use of Estimates
The preparation of consolidated 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting
The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation
The Arc Alliance and Affiliates are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

Unrestricted net assets are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board-designation.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Permanently restricted net assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Cash Equivalents
The Arc Alliance and Affiliates consider all short-term investments with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable
Accounts receivable are carried at cost, less allowance for losses. The allowance for losses is determined using experience and an overall current evaluation of collectible accounts by management. An account is written off when it is determined that all collection efforts have been exhausted. The Arc Alliance and Affiliates consider all accounts receivable as of June 30, 2016 and 2015 to be collectible. Accordingly, there was no allowance for losses as of June 30, 2016 and 2015.

Property and Equipment
Property and equipment are stated at cost, if purchased and at estimated fair market value at date of donation, if donated. The Arc Alliance and Affiliates' policy is to capitalize all asset acquisitions over $500.

Buildings and equipment are being depreciated over their estimated useful lives by the straight-line method as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

Concentrations and Credit Risk
The Arc Alliance and Affiliates maintain the majority of their depository accounts with TD Bank, N.A. During the years ended June 30, 2016 and 2015, the bank balances of these accounts exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Arc Alliance and Affiliates have not established a policy limiting the amount of credit exposure to any one financial institution.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

During the years ended June 30, 2016 and 2015, The Arc Alliance and Affiliates received approximately 92 percent and 89 percent, respectively, of its support and revenue from two funding agencies (Department of Human Services and Montgomery County). As of June 30, 2016 and 2015, accounts receivable from these funding sources totaled approximately $1,041,822 and $848,165, respectively.

Tax-Exempt Status
The Arc Alliance and Affiliates are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In accordance with generally accepted accounting principles, the Organizations account for uncertain tax positions, if any, as required.

Deferred financing costs
Deferred financing costs represent fees and expenses related to the bank's re-financing of the mortgage in March 2011. The financing costs are amortized on a straight-line basis over the 20-year term of the related loans. The amortization expense for both the years ended June 30, 2016 and 2015 was $813 and is included in interest expense. The unamortized balance of deferred financing costs of $11,982 and $12,795 at June 30, 2016 and 2015, respectively, are netted against the related long-term debt in the accompanying balance sheets.

Reclassification
Certain items in the prior year financial statements have been reclassified to conform to the current presentation. These changes had no impact on net income.

Subsequent Events
In preparing these consolidated financial statements, The Arc Alliance and Affiliates have evaluated events and transactions for potential recognition through February 13, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 - PROGRAM SERVICES

Advocacy
The Arc Alliance Advocacy Services advocates for people with intellectual and other developmental disabilities to assure that everyone receives the services he or she needs to become, to the fullest extent possible, independent, self-sufficient, and contributing members of society. In addition, information and referral services are provided to the community and a concerted effort is made to inform the public about all aspects of life for people with mental retardation.

NOTE 2 - PROGRAM SERVICES - CONTINUED

Early Intervention Programs
The Arc Alliance Children's Services runs all the intervention programs.

- Early Intervention: Programs that include a combination of the homebound and infant programs.
- Natural Environment: For children eligible for early intervention, therapists and teachers go to homes and other community places where children and families normally go.
- Center Programs: Children's services that provide innovative intervention programs designed for infants through age three with all types of learning and growth problems.

The infant programs provide individualized programs and therapies so each child may develop skills at his or her own pace and level. The programs serve children with developmental disabilities, which include developmental delays, cerebral palsy, spina bifida, Down syndrome, seizure disorders, visual and hearing-impaired, and neurological disorders.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2016	2015
Medical assistance	$ 712,871	$ 612,512
Montgomery County EI	241,020	181,661
Montgomery County SC	87,931	53,992
Chester County EI	13,721	17,584
Berks County EI	57,982	21,869
Philadelphia EI	8,393	8,393
Guardianship	80,592	58,427
Other	933	839
	$ 1,203,443	$ 955,277

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable are recognized when a donor makes a promise to give that is, in substance, unconditional. All pledges are recorded as temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Arc Alliance and Affiliates use the allowance method to determine uncollectible monies receivable. No allowance has been recorded as of June 30, 2016, as management deems the entire amount as collective through its analysis of the pledges made. Pledges receivable are for operating purposes for future operations and are summarized as follows as of June 30:

Receivable in less than one year	$ 27,500
Receivable in one to five years	40,000
Total unconditional promises to give	67,500
Less discounts to net present value (1.5%)	(957)
Net unconditional pledges receivable	$ 66,543

One contributor accounts for all of the outstanding promises to give as of June 30, 2016.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2016	2015
Building	$ 4,123,284	$ 4,123,284
Furniture and office equipment	663,682	661,725
	4,786,966	4,785,009
Accumulated depreciation	(1,408,426)	(1,260,061)
	$ 3,378,540	$ 3,524,948

Funds for the acquisition of certain property and equipment have been provided by sponsoring governmental agencies. Upon termination of a contract service, the sponsoring agency may require the return of property and equipment acquired under the terms of the applicable contract.

Depreciation expense for both of the years ended June 30, 2016 and 2015 was $148,365.

NOTE 6 - LINE OF CREDIT

The Arc Alliance had a $430,000 temporary loan with TD Bank, N.A. with interest at LIBOR and a floor of 5.0 percent (5.0% as of June 30, 2016 and 2015), expiring on December 31, 2015. In September 2015, the line of credit availability was reduced to $380,000. A temporary line of credit of $200,000 was received in December 2015 to cover expenses due to a budget impasse. Outstanding borrowings were $175,000 which were paid back in January 2016, and the line was subsequently closed.

On June 27, 2016, an agreement was signed converting the balance outstanding of $279,999 on the revolving loan to a term note as described in Note 5.

NOTE 7 - CAPITAL LEASE OBLIGATION

The Arc Alliance and Affiliates lease equipment under an agreement that is classified as a capital lease. Equipment under capital lease that is being depreciated is $114,830 for both the years ended June 30, 2016 and 2015. Accumulated depreciation on this equipment for the year ended June 30, 2016, was $68,898.

The present value of the net minimum lease payments are as follows at June 30, 2015:

Future minimum lease payments	$ 51,768
Less amount representing interest	(2,506)
Present value of future minimum lease payments	49,262
Less current portion	(24,040)
Long-term portion	$ 25,222

Future minimum annual lease payments are as follows for the year ending June 30:

2017	$ 24,040
2018	25,222
	$ 49,262

NOTE 8 - LONG-TERM DEBT

Long-term debt is summarized as follows:

	June 30	
	2016	2015
Mortgage note payable to bank with monthly payments of $16,552, including interest at 3.60% per annum at June 30, 2011, with final payment due in August 2032. The note is secured by the related building purchased. Subsequent to year end, in July 2016 the mortgage was modified changing the interest rate to 3.04% per annum and monthly payments to $15,912 beginning in September 2016. The bank has a call option to declare the outstanding principal and interest due in full on each fifth year anniversary of the loan modification commencing March 31, 2021.	$ 2,426,185	$ 2,533,855
In an agreement dated June 27, 2016, the line of credit was converted to a term note payable with monthly payments of $9,963, including interest at 5.0% per annum, with payments commencing in August 2016 and final payment due in January 2019.	279,999	-
Note payable to bank with monthly payments of $2,680, including interest at 6.75% per annum, with final payment due in July 2013. The note is secured by property and equipment and is cross-guaranteed by all Arc Alliance Affiliates. The maturity schedule reflects this extension with final payment due in July 2023.	177,093	197,425
	2,883,277	2,731,280
Unamortized deferred financing costs	(11,982)	(12,795)
Portion payable within one year and classified as current	(236,558)	(130,031)
	$ 2,634,737	$ 2,588,454

NOTE 8 - LONG-TERM DEBT - CONTINUED

Current maturities of long-term debt based on refinancing terms are as follows for the years ending June 30:

2017	$ 236,558
2018	258,110
2019	218,228
2020	154,993
2021	160,228
2022 - 2026	793,259
2027 - 2031	855,631
2032 - 2033	206,270
	$ 2,883,277

NOTE 9 - OPERATING LEASE OBLIGATION

The Arc Alliance and Affiliates lease equipment under an operating-type lease arrangement that expires June 2017 and calls for varying monthly payments.

The future annual minimum lease payments required under this operating lease is as follows for the years ending June 30:

2017	$ 8,964

The total net rental expense for the years ended June 30, 2016 and 2015 was $28,196 and $33,148, respectively.

NOTE 10 - CONTINGENCIES

Support and revenue received from various public and private sources by The Arc Alliance and Affiliates are subject to audit and adjustment by the funding sources or their representatives. If support and revenue are received for expenditures, which are subsequently disallowed, The Arc Alliance and Affiliates may be required to repay the revenues to the funding sources. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying consolidated financial statements as of June 30, 2016 and 2015.

NOTE 11 - RETIREMENT PLAN

The Arc Alliance and Affiliates have a defined contribution annuity plan covering all eligible employees. A discretionary matching contribution of up to four percent of compensation is determined by management each year. Employees eligible for contributions must have attained age twenty and completed one half year of service. Plan contributions for the years ended June 30, 2016 and 2015 were $12,567 and $47,075, respectively.

NOTE 12 - RESTRICTED NET ASSETS

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

	2016	2015
Dolfinger supporting families	$ -	$ 2,500
Music program - 2015/2016	-	5,000
General operating pledge receivable	59,043	78,096
Music program - 2016/2017	5,000	-
Dolfinger Advocacy	7,500	5,720
Raynier Guardianship	34,248	-
	$ 105,791	$ 91,316

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donor as follows during the years ended June 30:

	2016	2015
Dolfinger educate and unite families: 2014 - 2015	$ -	$ 3,500
Dolfinger update billing software: 2014 - 2015	-	5,000
Dolfinger supporting families	2,500	-
Music program - 2015-2016	5,000	-
General operating pledge recievable	19,053	-
Dolfinger Advocacy	5,720	4,895
	$ 32,273	$ 13,395

Permanently restricted net assets are held in an endowment fund. Balances for the years ended June 30, 2016 and 2015 were $12,229 and $12,124, respectively.

NOTE 13 - ENDOWMENT OF NET ASSETS

The Arc Alliance's endowment consists of one endowment fund with the income restricted for use in accordance with the Organizations' policy.

Endowment net asset composition by type of funds as of June 30:

	Restricted	
	2016	2015
Endowment funds	$ 12,229	$ 12,124
Changes in endowment net assets for the fiscal year ended June 30:		
Endowment net assets, beginning of year	$ 12,124	$ 12,124
Investment return:		
Investment income	105	-
Endowment net assets, end of year	$ 12,229	$ 12,124

NOTE 14 - NATIONAL AND STATE AFFILIATION

The Arc Alliance is an autonomous, community-based nonprofit organization, which is an intermediary affiliate of Arc (national and state headquarters). Membership fees paid to the national and state organization are calculated in accordance with a fee formula established by the national and state board of directors. Arc National provides maintenance of a nationwide recognition of Arc, consultation services for programs and facilities, training, and various other services for affiliated organizations. Dues incurred and paid to Arc National during the years ended June 30, 2016 and 2015 were $6,800 and $9,021, respectively. Dues incurred and paid to Arc of PA during the years ended June 30, 2016 and 2015 were $31,570 and $28,325, respectively.

NOTE 15 - ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

In April 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-03, which updates Subtopic 835-30, Interest - Imputation of Interest, in the FASB Accounting Standards Codification. This update, Simplifying the Presentation of Debt Issuance Costs, requires that debt issuance costs related to a note be reported in the balance sheet as a direct deduction from the face amount of the note. Also, amortization of debt issuance costs shall be reported as interest expense.

The Arc Alliance has implemented this standard for the year ended June 30, 2016, with changes being applied retrospectively to the 2015 financial statements. The adoption of this standard had no impact to net income (loss) for the years ended June 30, 2016 and 2015. For the June 30, 2015 balance sheet, deferred financing costs of $12,795 were reclassified as a reduction to the related long-term debt, reducing total assets at June 30, 2015 from $4,774,723 to $4,761,928.

SUPPLEMENTARY INFORMATION

THE ARC ALLIANCE AND AFFILIATES

CONSOLIDATING STATEMENT OF SUPPORT, REVENUE, AND EXPENSES

Year Ended June 30, 2016

	Program Services		Supporting Services			
	The Arc Alliance Children's Services	The Arc Alliance Advocacy Services	The Arc Alliance Foundation	The Arc Alliance	Eliminations	Total
PUBLIC SOURCES						
Montgomery County EI and Support	$ 2,241,558	$ 201,159	$ -	$ -	$ -	$ 2,442,717
Berks County EI	131,426	-	-	-	-	131,426
Chester County EI	143,154	-	-	-	-	143,154
Medical assistance	1,905,042	2,522,451	-	-	-	4,427,493
Rep payee and guardianship	-	159,665	-	-	-	159,665
TOTAL PUBLIC SOURCES	4,421,180	2,883,275	-	-	-	7,304,455
PRIVATE SOURCES						
Individuals, organizations, and foundations	5,000	110,549	71,328	5,739	-	192,616
Grant from Foundation	100,000	100,000	-	-	(200,000)	-
TOTAL PRIVATE SOURCES	105,000	210,549	71,328	5,739	(200,000)	192,616
SPECIAL EVENTS, NET OF EXPENSES OF $1,000	-	-	1,332	-	-	1,332
OTHER						
Rental income	-	-	-	289,562	(280,350)	9,212
Interest income	3	-	-	140	-	143
Miscellaneous	400	-	-	3,500	-	3,900
TOTAL OTHER	403	-	-	293,202	(280,350)	13,255
TOTAL SUPPORT AND REVENUE	4,526,583	3,093,824	72,660	298,941	(480,350)	7,511,658
EXPENSES						
Staff - salaries and related taxes and benefits	2,129,668	2,046,689	-	1,046,934	-	5,223,291
Contract services	1,163,805	-	-	-	-	1,163,805
Grant expense	-	-	200,000	-	(200,000)	-
Occupancy	130,913	166,478	12,264	315,413	(280,350)	344,718
Operations:						
Communication and technology	16,978	39,090	4,996	90,422	-	151,486
Equipment leasing	-	2,693	-	25,503	-	28,196
Insurance	-	-	-	43,192	-	43,192
Membership dues	22,833	2,027	148	8,475	-	33,483
Miscellaneous	5,380	8,618	2,065	4,059	-	20,122
Office expenses	1,953	7,748	4,845	42,416	-	56,962
Printing	-	-	3,492	10,493	-	13,985
Professional fees	22,300	16,954	4,150	9,794	-	53,198
Program expenses	-	-	1,110	-	-	1,110
Repairs and maintenance	-	2,020	-	8,936	-	10,956
Supplies	2,417	6,095	222	9,719	-	18,453
Technology	32,355	-	-	-	-	32,355
TOTAL OPERATIONS	104,216	85,245	21,028	253,009	-	463,498
TOTAL EXPENSES BEFORE ALLOCATION OF MANAGEMENT AND GENERAL	3,528,602	2,298,412	233,292	1,615,356	(480,350)	7,195,312
MANAGEMENT FEES	783,024	535,180	-	(1,318,204)	-	-
MEMBERSHIP DUES TO NATIONAL AFFILIATE	4,770	209	32	1,789	-	6,800
TOTAL FUNCTIONAL EXPENSES	4,316,396	2,833,801	233,324	298,941	(480,350)	7,202,112
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER FUNCTIONAL EXPENSES	$ 210,187	$ 260,023	$ (160,664)	$ -	$ -	$ 309,546

THE ARC ALLIANCE AND AFFILIATES

CONSOLIDATING STATEMENT OF SUPPORT, REVENUE, AND EXPENSES

Year Ended June 30, 2015

	Program Services		Supporting Services			
	The Arc Alliance Children's Services	The Arc Alliance Advocacy Services	The Arc Alliance Foundation	The Arc Alliance	Eliminations	Total
PUBLIC SOURCES						
Montgomery County EI and Support	$ 2,257,597	$ 166,721	$ -	$ -	$ -	$ 2,424,318
Berks County EI	74,702	-	-	-	-	74,702
Chester County EI	174,624	-	-	-	-	174,624
Philadelphia EI	15,933	-	-	-	-	15,933
Medical assistance	1,743,167	2,134,640	-	-	-	3,877,807
Rep payee and guardianship	-	176,798	-	-	-	176,798
TOTAL PUBLIC SOURCES	4,266,023	2,478,159	-	-	-	6,744,182
PRIVATE SOURCES						
Individuals, organizations, and foundations	-	20,842	311,525	-	-	332,367
Grant from Foundation	200,000	-	-	-	(200,000)	-
United Way	-	15,000	-	-	-	15,000
TOTAL PRIVATE SOURCES	200,000	35,842	311,525	-	(200,000)	347,367
SPECIAL EVENTS, NET OF EXPENSES OF $5,915	-	-	5,144	-	-	5,144
OTHER						
Rental income	-	-	-	334,939	(322,536)	12,403
Miscellaneous	-	-	-	3,240	-	3,240
TOTAL OTHER	-	-	-	338,179	(322,536)	15,643
TOTAL SUPPORT AND REVENUE	4,466,023	2,514,001	316,669	338,179	(522,536)	7,112,336
EXPENSES						
Staff - salaries and related taxes and benefits	2,284,946	1,828,440	-	884,326	-	4,997,712
Contract services	1,127,163	-	-	-	-	1,127,163
Grant expense	-	-	200,000	-	(200,000)	-
Occupancy	225,566	124,755	5,280	307,163	(322,536)	340,228
Operations:						
Communication and technology	21,238	27,954	8,209	74,035	-	131,436
Equipment leasing	-	3,830	-	29,318	-	33,148
Insurance	-	-	-	55,306	-	55,306
Membership dues	21,025	3,029	247	7,045	-	31,346
Miscellaneous	4,807	4,004	2,983	9,478	-	21,272
Office expenses	-	-	6,255	49,775	-	56,030
Printing	-	-	415	12,751	-	13,166
Professional fees	23,337	19,195	4,481	8,467	-	55,480
Repairs and maintenance	-	-	-	7,005	-	7,005
Supplies	6,855	2,056	366	15,330	-	24,607
Technology	28,412	1,360	-	-	-	29,772
TOTAL OPERATIONS	105,674	61,428	22,956	268,510	-	458,568
TOTAL EXPENSES BEFORE ALLOCATION OF MANAGEMENT AND GENERAL	3,743,349	2,014,623	228,236	1,459,999	(522,536)	6,923,671
MANAGEMENT FEES	719,145	404,819	-	(1,123,964)	-	-
MEMBERSHIP DUES TO NATIONAL AFFILIATE	6,501	298	78	2,144	-	9,021
TOTAL FUNCTIONAL EXPENSES	4,468,995	2,419,740	228,314	338,179	(522,536)	6,932,692
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER FUNCTIONAL EXPENSES	$ (2,972)	$ 94,261	$ 88,355	$ -	$ -	$ 179,644