

FRENCH RIVER EDUCATION CENTER, INC.
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

FRENCH RIVER EDUCATION CENTER, INC.

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

YEARS ENDED JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

Independent Auditors' Report on Financial Statements	<u>Page</u> 1 – 2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10
<u>Accompanying Information</u>	
Schedule 1 – Statements of Functional Expenses	11

INDEPENDENT AUDITORS' REPORT

The Board of Directors
French River Education Center, Inc.
North Oxford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the French River Education Center, Inc., North Oxford, Massachusetts, (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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 statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the French River Education Center, Inc., North Oxford, Massachusetts, as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements.

The Accompanying Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Accompanying Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2016, on our consideration of the French River Education Center, Inc., North Oxford, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our tests on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the French River Education Center, Inc., North Oxford, Massachusetts's internal control over financial reporting and compliance.



Borgatti Harrison & Co.

Framingham, Massachusetts
October 8, 2016

FRENCH RIVER EDUCATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 281,209	\$ 124,537
Investments	3,231,874	3,637,905
Accounts receivable	393,348	408,338
Prepaid expenses and other	<u>1,647</u>	<u>-</u>
Total current assets	<u>3,908,078</u>	<u>4,170,780</u>
Property and equipment, net	<u>3,364</u>	<u>6,728</u>
	<u>\$ 3,911,442</u>	<u>\$ 4,177,508</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	<u>47,483</u>	<u>30,656</u>
Total current liabilities	<u>47,483</u>	<u>30,656</u>
Accrued employee benefits	<u>60,300</u>	<u>77,900</u>
Net assets		
Unrestricted	3,730,039	3,958,728
Board designated	69,459	105,565
Temporarily restricted	4,161	4,659
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>3,803,659</u>	<u>4,068,952</u>
	<u>\$ 3,911,442</u>	<u>\$ 4,177,508</u>

The accompanying notes are an integral part of the financial statements

FRENCH RIVER EDUCATION CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(With Summary Information For The Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015
Operating revenues, gains and other support					
Government grants	\$ -	\$ -	\$ -	\$ -	\$ -
Other grants and contributions	-	-	-	-	-
Special education services	1,626,957	-	-	1,626,957	1,475,378
Training income	-	76,500	-	76,500	90,000
Program and service assessments	91,900	-	-	91,900	95,250
Program income	541,015	-	-	541,015	439,308
Interest and other income	(47,517)	2	-	(47,515)	50,542
Net assets released from restrictions:					
Restrictions satisfied by payments	77,000	(77,000)	-	-	-
Total operating revenues, gains and other support	2,289,355	(498)	-	2,288,857	2,150,478
Operating expenses					
Program services					
Special education services	1,489,081	-	-	1,489,081	1,372,614
Other programs	418,150	-	-	418,150	375,101
Supporting services					
Management and general	646,919	-	-	646,919	626,241
Total operating expenses	2,554,150	-	-	2,554,150	2,373,956
Change in net assets	264,795	(498)	-	(265,293)	(223,478)
Net assets, beginning of year	4,064,293	4,659	-	4,068,952	4,292,430
Net assets, end of year	\$ 3,799,498	\$ 4,161	\$ -	\$ 3,803,659	\$4,068,952

179,000 Permanent
47 Income, must

Not less 140,000

The accompanying notes are an integral part of the financial statements

FRENCH RIVER EDUCATION CENTER, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ (265,293)	\$(223,478)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,364	3,364
Changes in assets and liabilities:		
Investments	406,031	234,464
Accounts receivable	14,990	(122,261)
Prepaid expenses	(1,647)	-
Accrued employee benefits	(17,600)	-
Accounts payable and accrued liabilities	<u>16,827</u>	<u>17,332</u>
Total adjustments	<u>421,965</u>	<u>132,899</u>
Net cash used by operating activities	<u>156,672</u>	<u>(90,579)</u>
Cash flows from investing activities:		
Capital expenditures	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Net increase in cash and cash equivalents	156,672	(90,579)
Cash and cash equivalents, beginning of year	<u>124,537</u>	<u>215,116</u>
Cash and cash equivalents, end of year	<u><u>\$ 281,209</u></u>	<u><u>\$ 124,537</u></u>

The accompanying notes are an integral part of the financial statements

FRENCH RIVER EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Organization

The French River Education Center, Inc. is a Massachusetts nonprofit corporation founded in 1984, formed as an education, training and support agency, providing programs and services to meet the challenges of schools, community agencies and corporations.

Presentation

The Organization is on the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Promises to give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unearned revenue

Payments received in advance of performances not yet held are recorded as unearned revenue in the statement of financial position. The unearned revenue is recognized as income when the performance is held.

FRENCH RIVER EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Use of estimates

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

Property and equipment

Property and equipment are carried at cost, or if cost is not practically determinable, at estimated cost. Donated property and equipment is recorded at their estimated fair value at the time received. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The cost of maintenance and repairs is charged to operations as incurred.

Cash and cash equivalents

Cash and cash equivalents are cash investments in instruments with a maturity of ninety days or less.

Inventories of supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of financial position as inventories.

Vacation and sick leave

Employees are granted vacation and sick leave in varying amounts and must be taken in the fiscal year granted. Employees who have attained the age of 60 years or older and 22 years or more of service may accumulate up to 125 days of unused sick pay. The accrual for unused sick leave is reported as a long-term liability in the statement of financial position.

Contributed services

The value of contributed services from unpaid volunteers is not included in these financial statements since it is not susceptible to objective measurement or valuation.

FRENCH RIVER EDUCATIPON CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Income taxes

The Organization is a non-profit organization exempt from taxation under Section 501©(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made. However, income from certain activities not directly related to the Organization's tax-exempt status is subject to taxation as unrelated business income.

Allowance for uncollectible accounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis. The allowance for uncollectible amounts is zero at June 30, 2016 and 2015.

2 – FUNCTINAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. .

3 – PROPERTY AND EQUIPMENT

A summary of annual depreciation rates are as follows:

	<u>Rate</u>
Office and computer equipment	20%
Leasehold improvements	14%

Depreciation charged to expense was \$3,364 and \$3,364 for 2016 and 2015, respectively.

4 – FLEXIBLE BENEFIT PLAN

The Organization adopted a Flexible Benefit Plan effective July 1, 1994, under Section 125 of the Internal Revenue Code of 1986. The Plan allows employees to choose among different types of benefits based upon their own particular goals, desires and needs, and that the benefits be excluded from the employee's gross income. The Organization contributed \$14,542 and \$11,503 in 2016 and 2015, respectively.

FRENCH RIVER EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 – STATEMENT OF ACTIVITIES

The Statement of Activities include 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

6 – FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying values of cash, accounts receivable and payable approximate fair value due to the short-term maturities of these assets and liabilities.

7 – LEASES

The Organization leases the building it occupies from the Oxford School Department under an annual lease at a monthly cost of \$1,625.

8 – DEPOSITS AND INVESTMENTS

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Organization's deposits may not be recovered. The Organization does not have a policy for custodial credit risk of deposits. As of June 30, 2016, \$65,087 of the Organization's bank balance of \$331,176 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investment Summary

The Organization's investments, stated at fair value, at June 30, 2016 and 2015, are presented below:

<u>Investment Type</u>	<u>2016</u>	<u>2015</u>
Money market funds	\$ 14,786	\$ 196,829
Equity mutual funds	2,521,004	1,963,072
Bond funds	696,084	1,478,004
Other fund types	<u>-</u>	<u>-</u>
	\$ 3,231,874	\$ 3,637,905
	=====	=====

FRENCH RIVER EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment income for the year ended June 30, 2016 and 2015, consisted of the following:

Interest and dividends	\$ 23,364	\$ 28,480
Net realized and unrealized gains and losses	<u>22,166</u>	<u>22,056</u>
	<u>\$ 45,530</u>	<u>\$ 50,536</u>

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment.

Investments – Credit Risk of Debt Securities

Credit risk of debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations.

9 – INCOME TAXES

Uncertain tax positions -

The Organization is exempt from federal income taxes under Section 501 ©(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Exempt Organization Income Tax Returns (Form 990) for 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they are filed.

10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 8, 2016, the date which the financial statements were available to be issued.

Accompanying Information

FRENCH RIVER EDUCATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(With Summary Information For The Year Ended June 30, 2015)

	Special Education Services	Other Program Services	Total Program	Management and General	Total	Totals 2015
Salaries	1,289,597	\$ 255,307	\$ 1,544,904	\$ 284,186	\$ 1,829,090	\$ 1,658,927
Payroll taxes and benefits	176,513	40,306	216,819	80,167	296,986	268,452
Total salaries and benefits	1,466,110	295,613	1,761,723	364,353	2,126,076	1,927,379
Professional and consulting fees	-	-	-	10,558	10,558	61,459
Fees/conferences	5,005	94,259	99,264	17,412	116,676	107,072
Supplies and materials	13,504	2,810	16,314	3,930	20,244	27,961
Travel and transportation	4,030	89	4,119	1,605	5,724	5,046
Insurance	432	-	432	17,925	18,357	17,657
Advertising/printing	-	6,188	6,188	1,637	7,825	6,268
Telephone and communications	-	1,500	1,500	6,812	8,312	10,575
Repairs and maintenance	-	1,450	1,450	6,738	8,188	28,931
Membership donations	-	-	-	179,193	179,193	132,077
Rental	-	3,781	3,781	19,500	23,281	18,600
Postage	-	-	-	5,395	5,395	9,040
Electricity	-	-	-	5,406	5,406	7,027
Depreciation	-	-	-	3,364	3,364	3,364
Other expenses	-	12,460	12,460	3,091	15,551	11,500
	<u>\$ 1,489,081</u>	<u>\$ 418,150</u>	<u>\$ 1,907,231</u>	<u>\$ 646,919</u>	<u>\$ 2,554,150</u>	<u>\$ 2,373,956</u>

The accompanying notes are an integral part of the financial statements