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Virginia M. Barry, Ph.D.
Commissioner of Education
Tel. 603-271-3144

Paul Leather
Deputy Commissioner of Education
Tel. 603-271-3801

STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
101 Pleasant Street
Concord, N.H. 03301
FAX 603-271-1953
Citizens Services Line 1-800-339-9900

March 6, 2013

Her Excellency Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

*Sole Source
100% Federal Funds*

Requested Action

Authorize the New Hampshire Department of Education to enter into a sole source contract with Monadnock Developmental Services, Keene, NH (Vendor Code 177280) to develop and provide training and technical assistance to local education agencies in their region under the State Personnel Development Grant (SPDG). This grant will be in effect from date of Governor and Council approval through June 30, 2014 in an amount not to exceed \$100,500.00. These are 100% Federal funds.

Funding is available as with the authority to adjust encumbrances in each of the State fiscal years through the Budget office if needed and justified.

Funding for this request is available as follows:	FY2013	FY2014
06-056-56-5625210-41070000-102-500731	\$33,500.00	\$67,000.00

Authorize the Department of Education to exercise a renewal option on this contract for up to three additional fiscal years, pending legislative approval of the next two (2) successive biennial budgets, in accordance with the grant award, subject to contractor's acceptable performance of the terms therein, and subject of Governor and Council approval.

Explanation

The New Hampshire Department of Education received a \$3.85 million (\$770,000.00 per year for 5 years) State Personnel Development Grant from the U.S. Department of Education, Office of Special Education Programs. The SPDG proposal is targeted to increase the number of students with disabilities graduating from high school who are college and career ready, through the implementation of evidence based transition

practices. Our ambitious proposal targets four strategies to achieve this goal: (1) increasing student competency through increased use of Extended Learning Opportunities (ELOs), (2) enhanced transition planning and increased transition planning opportunities/practices, (3) greater family – school engagement, and (4) sustaining practices through our state Institutes of Higher Education (IHEs), regional education intermediaries, a transition Community of Practice, and the use of technology. These strategies are aimed at school districts, parents, regional professional development intermediaries, Vocational Rehabilitation, IHEs, and other community members.

The Office of Special Education Programs requires a comprehensive evaluation detailed within the grant that measures the short-term, intermediate and long-term outcomes and impacts of the grant initiatives. The Evaluation assesses the degree to which the NH SPDG meets its goals and objectives, as well as the established federal performance goals and objectives. The evaluation will be ongoing and formative to provide for data-based decision making and planning mid-course corrections.

New Hampshire was awarded this grant with the provision that the partners identified in our proposal would be funded to assist the Department of Education to meet the goals and objectives of the grant. These partners were required to be highly qualified entities already engaged in professional development in the grant areas and in agreement to expand these services. The OSEP required partners and their services as detailed in the grant include Evergreen Evaluation and Consulting Inc., Strafford Learning Center, Monadnock Developmental Services, North Country Education Services, Granite State Independent Living, Parent Information Center, Keene State College, Institute on Disability, and QED Foundation. Therefore, no competitive bid process was established.

Monadnock Developmental Center for Successful Transitions (MCST) a project of Monadnock Developmental Services is focused on providing supports to individuals with disabilities as they transition to life after high school. MCST provided secondary transition training to districts under State Improvement Grant II and thus is highly qualified to continue this work under the SPDG. Therefore, MCST, as a SPDG partner will bring to this grant the research, knowledge and expertise to conduct the following grant activities:

- Increase capacity of regional transition infrastructure for Professional Development (PD)
- Participate in the NH Leadership Team (LT) and Evaluation Work Group
- Develop and provide training and coaching on Extended Learning Opportunities (ELOs) and evidenced-based transition practices
- Assist NH LT with the LEA recruitment
- Attend Participatory Adult Learning Styles training
- Support family engagement training

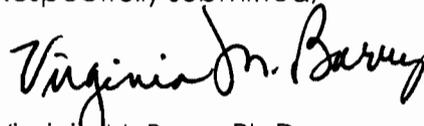
Her Excellency Governor Margaret Wood Hassan
And the Honorable Council
Page Three
March 6, 2013

- Coordination of PD training and coaching at regional intermediary
- Serve as coaches to LEAs implementing ELOs and transition planning/parent engagement strategies
- Support LEAs in developing their PD plans
- Collect training and coaching implementation data, and intervention fidelity data
- Assist in the development of coaching fidelity instrument
- Contribute training and coaching material, evaluation instruments and assessments, and resource materials to Transition Resource Portal
- Participate in training on how to use the Transition Resource Portal for training and coaching with LEAs

The grant was awarded to the New Hampshire Department of Education for five years. Therefore, we are including an option for renewal for three additional fiscal years to cover this grant commitment to accomplish the approved goals, objectives and activities.

In the event that the Federal funds become no longer available, General Funds will not be requested to support this program.

Respectfully submitted,



Virginia M. Barry, Ph.D.
Commissioner of Education

VMB/alj

Attachments

Subject: NH SPDG Grant Regional Intermediary to Provide Training and TA to LEAs

FORM NUMBER P-37 (version 1/09)

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

1.1 State Agency Name Department of Education		1.2 State Agency Address 101 Pleasant Street, Concord NH 03301	
1.3 Contractor Name Monadnock Developmental Services		1.4 Contractor Address 121 Railroad Street, Keene, NH 03431	
1.5 Contractor Phone Number (603) 352-1304	1.6 Account Number See Exhibit B	1.7 Completion Date June 30, 2014	1.8 Price Limitation 100,500.00
1.9 Contracting Officer for State Agency Santina Thibedeau, Administrator, Special Education		1.10 State Agency Telephone Number (603) 271-6693	
1.11 Contractor Signature <i>Alan Greene</i>		1.12 Name and Title of Contractor Signatory Alan Greene, Executive Director	
1.13 Acknowledgement: State of <u>NH</u> , County of <u>Cheshire</u> On <u>January 28, 2013</u> , before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that she executed this document in the capacity indicated in block 1.12.			
1.13.1 Signature of Notary Public or Justice of the Peace <i>Nancy D. Ganley</i> [Seal]		1.13.2 Name and Title of Notary or Justice of the Peace Nancy Ganley, Executive Administrative Assistant	
1.14 State Agency Signature <i>Virginia M. Barry</i>		1.15 Name and Title of State Agency Signatory Virginia, M. Barry, Ph. D., Commissioner of Education	
1.16 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: _____			
1.17 Approval by the Attorney General (Form, Substance and Execution) By: <i>[Signature]</i> On: <u>3/12/13</u>			
1.18 Approval by the Governor and Executive Council By: _____ On: _____			



2. EMPLOYMENT OF CONTRACTOR/SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT A which is incorporated herein by reference ("Services").

3. EFFECTIVE DATE/COMPLETION OF SERVICES.
3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, this Agreement, and all obligations of the parties hereunder, shall not become effective until the date the Governor and Executive Council approve this Agreement ("Effective Date").
3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT. Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Contractor notice of such termination. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

5. CONTRACT PRICE/PRICE LIMITATION/PAYMENT.
5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT B which is incorporated herein by reference.
5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.
5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.
6.1 In connection with the performance of the Services, the Contractor shall comply with all statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal opportunity laws. In addition, the Contractor shall comply with all applicable copyright laws.
6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.
6.3 If this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all the provisions of Executive Order No. 11246 ("Equal Employment Opportunity"), as supplemented by the regulations of the United States Department of Labor (41 C.F.R. Part 60), and with any rules, regulations and guidelines as the State of New Hampshire or the United States issue to implement these regulations. The Contractor further agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

7. PERSONNEL.
7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.
7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.
7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

Contractor Initials *AG*
Date 1/28/13

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

- 8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;
- 8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
- 8.2.3 set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
- 8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

9. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

9.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

9.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

9.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

10. TERMINATION. In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination

Report shall be identical to those of any Final Report described in the attached EXHIBIT A.

11. CONTRACTOR'S RELATION TO THE STATE. In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS. The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State.

13. INDEMNIFICATION. The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Contractor. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$2,000,000 per occurrence; and

14.1.2 fire and extended coverage insurance covering all property subject to subparagraph 9.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than fifteen (15) days prior to the expiration date of each of the insurance policies. The certificate(s) of insurance and any renewals thereof shall be

Contractor Initials AG
Date 1/28/13

attached and are incorporated herein by reference. Each certificate(s) of insurance shall contain a clause requiring the insurer to endeavor to provide the Contracting Officer identified in block 1.9, or his or her successor, no less than ten (10) days prior written notice of cancellation or modification of the policy.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("*Workers' Compensation*").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. WAIVER OF BREACH. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

17. NOTICE. Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

18. AMENDMENT. This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire.

19. CONSTRUCTION OF AGREEMENT AND TERMS.

This Agreement shall be construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual

intent, and no rule of construction shall be applied against or in favor of any party.

20. THIRD PARTIES. The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

21. HEADINGS. The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

22. SPECIAL PROVISIONS. Additional provisions set forth in the attached EXHIBIT C are incorporated herein by reference.

23. SEVERABILITY. In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

24. ENTIRE AGREEMENT. This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.

EXHIBIT A

Scope of Services

Monadnock Center for Successful Transitions (MCST) a project of Modnadnock Developmental Services, will develop and provide training and technical assistance to Local Education Agencies (LEAs) in their region under the NH State Personnel Development Grant (SPDG) to accomplish the grant goals, objectives, activities and outcomes over the course of the 5-year grant period.

The contractor will:

- Increase capacity of regional transition infrastructure for Professional Development (PD)
- Participate in the NH Transition CoP
- Participate in the NH Leadership Team (LT) monthly meetings
- As part of NH LT, participate in Evaluation WG by attending monthly state-level coaching meetings.
- Develop and provide training and coaching on Extended Learning Opportunities (ELOs) and evidenced-based transition practices
- Assist NH LT with the LEA recruitment
- Attend Participatory Adult Learning Styles training
- Participate in NH LT and the Transition Planning work group to review LEA current transition practices, and develop and implement a PD plan that will impact the local need
- Support family engagement training
- Coordination of PD training and coaching at regional intermediary
- Serve as coaches to LEAs implementing ELOs and transition planning/parent engagement strategies
- Support LEAs in developing their PD plans
- Meet with LEA transition liaisons to review the LEA PD plans once monthly, as well as fostering ongoing contact to stay in close communication
- Collect training and coaching implementation data, and intervention fidelity data
- Assist in the development of coaching fidelity instrument
- Contribute training and coaching material, evaluation instruments and assessments, and resource materials to be posted on Transition Resource Portal
- Participate in training on how to use the Transition Resource Portal for training and coaching with LEAs

Initials: *MSF AG*

Date: 1/28/13

EXHIBIT B

Estimated Budget

Budget (through June 30, 2014)

Account Number: 06-056-56-562510-41070000-102-500731

	<u>FY2013</u>	<u>FY2014</u>
<u>Personnel</u>		
Personnel	\$16,055.00	\$32,110.00
Fringe Benefit	\$ 8450.00	\$16,900.00
Travel	<u>\$ 2,600.00</u>	<u>\$ 5,200.00</u>
Total Personnel	\$27,105.00	\$54,210.00
Supplies	\$ 550.00	\$ 1,100.00
Contractual	\$ 875.00	\$ 1,750.00
Other	<u>\$ 2,489.00</u>	<u>\$ 4,977.00</u>
Total Other	\$ 3,913.00	\$ 7,827.00
Total Direct Costs	\$31,019.00	\$62,037.00
Indirect costs 8.0% of total direct costs	<u>\$ 2,482.00</u>	<u>\$ 4,963.00</u>
Total Contract	\$33,500.00	\$67,000.00

Limitation of Price: This contract will not exceed \$100,500.00.

Method of Payment

Payment will be made upon receipt of monthly invoices as described above, which are supported by a summary of activities that have taken place in accordance with the terms of the contract. If otherwise, correct and acceptable, payment will be made for 100% of the expenditures. Line items in this budget may be adjusted, one to the other, within +/- 10% of the indicated amount but in no case can the total budget exceed the price limitation. Invoices with summary of activities will be submitted to:

Mary Steady, SPDG Director
Department of Education
Bureau of Special Education
SPDG
101 Pleasant Street
Concord, NH 03301

Initials: MSF AG
Date: 1/28/13

EXHIBIT C
Special Provisions

none

Initials: *MSF AB*
Date: *1/28/13*

Principal Staff

Sheila Mahon, Regional PD Intermediary Trainer/Coach

RESOLUTION

Be it resolved that Mike Forest, President of the Board of Directors, authorizes Alan Greene, Executive Director of Monadnock Developmental Services, Inc. to sign all agreements required to execute a contract with the New Hampshire Department of Education.

Be it further resolved that Monadnock Developmental Services, Inc. is authorized to enter into contracts with the State of New Hampshire and the New Hampshire Department of Education.



President

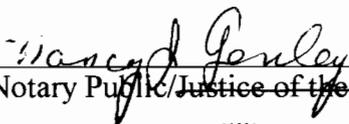
January 28, 2013
Date

STATE OF NEW HAMPSHIRE

COUNTY OF CHESHIRE

On January 28, 2013, before the undersigned officer personally appeared the person identified in the foregoing certificate, known to me to be the Secretary/Clerk of the association identified in the foregoing certificate, and acknowledge that she/he executed the forgoing certificate.

In witness whereof I hereunto set my hand and official seal.



Notary Public ~~Justice of the Peace~~



Certificate of Authority

I, Terry Manahan, Secretary of Monadnock Developmental Services, Inc do hereby certify that:

- (1) I maintain and have custody of and am familiar with the seal and minute books of the corporation;
- (2) I am authorized to issue certificates with respect to the contents of such books and to affix such seal to such certificate;
- (3) The following is a true and complete copy of the resolution adopted by the board of directors of the corporation at a meeting of that board on January 28, 2013, which meeting was held in accordance with the law of the state of incorporation and the by-laws of the corporation:
- (4) The following is a true and complete copy of a by-law adopted at a organizational meeting on January 28, 2013.
- (5) The foregoing resolution and by-law are in full force and effect, unamended, as of the date hereof; and
- (6) The following persons lawfully occupy the offices indicated below:

Mike Forrest , President
Terry Manahan, Secretary
Shelly Viles, Treasurer

IN WITNESS WHEREOF, I have hereunto set my hand as the Secretary of the Corporation this 28th day of January 2013.


Secretary

STATE OF NEW HAMPSHIRE

COUNTY OF CHESHIRE

On January 28, 2013, before the undersigned officer personally appeared the person identified in the foregoing certificate, known to me to be the Secretary of the corporation identified in the foregoing certificate, and acknowledge that she executed the foregoing certificate.

In witness whereof I hereunto set my hand and official seal.




Notary Public

State of New Hampshire Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that MONADNOCK DEVELOPMENTAL SERVICES, INC. is a New Hampshire nonprofit corporation formed March 30, 1983. I further certify that it is in good standing as far as this office is concerned, having filed the return(s) and paid the fees required by law.



In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 1st day of February A.D. 2013

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
1/31/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Clark - Mortenson Insurance P.O. Box 606 Keene NH 03431	CONTACT NAME: PHONE (A/C No. Ext): 603-352-2121 FAX (A/C No.): 603-357-8491 E-MAIL ADDRESS: csr24@clark-mortenson.com
	INSURER(S) AFFORDING COVERAGE
INSURED MONADNOCKDEVELO Monadnock Developmental Serv 121 Railroad Street Keene NH 03431	INSURER A: Philadelphia Insurance Company
	INSURER B:
	INSURER C:
	INSURER D:
	INSURER E:
	INSURER F:

COVERAGES **CERTIFICATE NUMBER: 1478077055** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC		PHPK879873	7/1/2012	7/1/2013	EACH OCCURRENCE \$1000000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100000 MED EXP (Any one person) \$6000 PERSONAL & ADV INJURY \$1000000 GENERAL AGGREGATE \$3000000 PRODUCTS - COMP/OP AGG \$3000000 \$
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		PHPK879873	7/1/2012	7/1/2013	COMBINED SINGLE LIMIT (Ea accident) \$1000000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$10000		PHUB3855719	7/1/2012	7/1/2013	EACH OCCURRENCE \$2000000 AGGREGATE \$2000000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N/A				WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

State of New Hampshire Department of Education 101 Pleasant Street Concord NH 03301-3860	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
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Monadnock Developmental Services Inc.

Board Members

FY2013

January 1, 2013

Jim Criaglow, Immediate Past Presidents	11/2013
Michael Forrest, President	11/2014
Don Haynes, Vice President	11/2013
Elizabeth Kenney	11/2015
Terry Manahan, Secretary	11/2015
Beth Provost	11/2015
Adele Remillard, Member & Coucil/Board Liaison	11/2015
James Schofield	11/2015
Sand Seligman	11/2013
Manfredo Torelli	11/2015
Shelley L. Viles, Treasurer	11/2014

Financial Statements

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND
SUBSIDIARY**

**FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011
AND
INDEPENDENT AUDITORS' REPORT**

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND
SUBSIDIARY**

CONSOLIDATING FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1
Financial Statements:	
Consolidating Statement of Financial Position	2
Consolidating Statement of Activities	3
Consolidating Statement of Cash Flows	4
Consolidating Statement of Functional Expenses	5
Notes to Consolidating Financial Statements	6 - 15

To the Board of Directors of
Monadnock Developmental Services, Inc. and Subsidiary
Keene, New Hampshire

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidating statement of financial position of Monadnock Developmental Services, Inc. (a nonprofit organization) and subsidiary as of June 30, 2012, and the related consolidating statement of activities, cash flows and functional expenses for the year then ended. These consolidating financial statements are the responsibility of Monadnock Developmental Services, Inc. and Subsidiary Organization's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audit. The prior year summarized comparative information has been derived from Monadnock Developmental Services, Inc.'s 2011 financial statements and, in our report dated October 19, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Monadnock Developmental Services, Inc. and subsidiary as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Leone, McDonnell & Roberts
Professional Association*

October 22, 2012
Wolfeboro, New Hampshire

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012 WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

ASSETS

	Monadnock Developmental Services, Inc.	Railroad Street Mill, Inc.	Eliminations	Consolidated Totals 2012	Consolidated Totals 2011
Cash and equivalents	\$ 1,682,421	\$ 37,322	\$ -	\$ 1,719,743	\$ 1,814,879
Client funds	57,671	-	-	57,671	61,663
Accounts receivable:					
Medicaid	1,133,002	-	-	1,133,002	908,098
Other	243,836	700	-	244,536	187,660
Prepaid expenses	179,007	3,563	-	182,570	95,679
Deposits	13,730	-	-	13,730	15,560
Property and equipment, net of accumulated depreciation	1,945,495	3,000,802	-	4,946,297	5,046,091
Advance to related entity	23,459	-	(23,459)	-	-
Loan reserves	-	35,861	-	35,861	15,801
Assets held for sale	285,180	-	-	285,180	285,180
Total	\$ 5,563,801	\$ 3,078,248	\$ (23,459)	\$ 8,618,590	\$ 8,430,611

LIABILITIES AND NET ASSETS

LIABILITIES					
Client funds	\$ 57,671	\$ -	\$ -	\$ 57,671	\$ 61,663
Accounts payable	858,467	23,823	-	882,290	951,860
Accrued salaries and wages and related expenses	445,527	-	-	445,527	415,800
Other accrued expenses	86,785	15,690	-	102,475	115,401
Refundable advances	263,239	-	-	263,239	190,698
Notes payable	1,028,712	2,980,241	-	4,008,953	4,168,865
Advance from related entity	-	23,459	(23,459)	-	-
Other long term liabilities	20,000	-	-	20,000	20,000
Total liabilities	2,760,401	3,043,213	(23,459)	5,780,155	5,924,287
NET ASSETS					
Unrestricted:					
Board designated	183,592	-	-	183,592	147,596
Other unrestricted	2,571,202	35,035	-	2,606,237	2,315,122
Temporarily restricted	48,606	-	-	48,606	43,606
Total net assets	2,803,400	35,035	-	2,838,435	2,506,324
Total	\$ 5,563,801	\$ 3,078,248	\$ (23,459)	\$ 8,618,590	\$ 8,430,611

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

	Monadnock Developmental Services, Inc.	Railroad Street Mill, Inc.	Eliminations	Consolidated Totals 2012	Consolidated Totals 2011
CHANGES IN UNRESTRICTED NET ASSETS					
Revenues and Support	\$ 24,477,294	\$ -	\$ -	\$ 24,477,294	\$ 24,666,481
Medicaid	474,229	-	-	474,229	794,677
Grants	54,589	-	-	54,589	54,882
Production/service income	516,795	-	-	516,795	477,617
Residential fees	223,277	-	-	223,277	(42,713)
State of New Hampshire - DDS	297,631	-	-	297,631	288,191
Client resources	217,469	365,562	(210,893)	372,138	369,256
Rental income	613,389	-	-	613,389	533,352
Other program fees	31,800	-	-	31,800	8,400
Vocational rehabilitation fees	21,655	-	-	21,655	17,632
Contributions and other public support	1,705	64	-	1,769	1,860
Investment income	36,750	-	-	36,750	31,328
United Way	11,453	-	-	11,453	2,020
Gain on sale of assets	19,819	-	-	19,819	22,482
Other income	-	-	-	-	-
Total revenues and support	26,997,855	365,626	(210,893)	27,152,588	27,225,465
Expenses					
Program services	1,599,749	-	-	1,599,749	1,493,325
Service Coordination	667,755	-	-	667,755	687,893
Family support	13,341,798	-	-	13,341,798	13,802,469
Subcontracted area agency program services	-	-	-	-	-
In house area agency program services:					
ISO	5,170,412	-	-	5,170,412	5,108,787
CMISO	1,930,168	-	-	1,930,168	1,349,674
Other	1,265,428	-	-	1,265,428	1,141,447
Non DDS funded programs:					
MCST	510,617	-	-	510,617	690,964
Other Non DDS funded programs	860,760	-	-	860,760	870,776
Railroad Street Mill, Inc.	-	356,056	-	356,056	324,744
Supporting services	1,289,692	-	(210,893)	1,078,799	1,088,215
General management	26,636,379	356,056	(210,893)	26,781,542	26,558,294
Total expenses	361,476	9,570	-	371,046	667,171
INCREASE IN UNRESTRICTED NET ASSETS FROM CONTINUING OPERATIONS	(43,935)	-	-	(43,935)	(499,548)
DISCONTINUED OPERATIONS - loss from operations of discontinued culinary food program (including impairment loss of \$236,508 for the year ended June 30, 2011)	317,541	9,570	-	327,111	167,623
INCREASE IN UNRESTRICTED NET ASSETS	5,000	-	-	5,000	-
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	5,000	-	-	5,000	-
Contributions	322,541	9,570	-	332,111	167,623
CHANGES IN NET ASSETS	2,480,859	25,465	-	2,506,324	2,338,701
NET ASSETS - BEGINNING OF YEAR	2,803,400	35,035	-	2,838,435	2,506,324
NET ASSETS - END OF YEAR	\$ 2,803,400	\$ 35,035	\$ -	\$ 2,838,435	\$ 2,506,324

See Notes to Financial Statements

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	Monadnock Developmental Services, Inc.	Railroad Street Mill, Inc.	Eliminations	Consolidated Totals 2012	Consolidated Totals 2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Changes in net assets	\$ 322,541	\$ 9,570	\$ -	\$ 332,111	\$ 167,523
Adjustments to reconcile net assets to net cash from operating activities:					
Depreciation and amortization	177,207	67,038	-	244,245	253,383
(Gain) loss on sale of assets	(12,605)	-	-	(12,605)	(2,020)
Impairment of assets held for sale	-	-	-	-	236,508
Imputed interest on long term debt	-	13,169	-	13,169	13,169
Forgiveness of debt	-	-	-	-	(30,000)
Write off of investment	-	-	-	-	10,000
Contributed assets	(3,000)	-	-	(3,000)	-
(Increase) decrease in assets:					
Accounts receivable - Medicaid	(224,904)	-	-	(224,904)	264,801
Accounts receivable - Other	(57,129)	253	-	(56,876)	194,828
Inventory	(110,864)	23,973	-	(86,891)	17,831
Prepaid expenses	1,830	-	-	1,830	116,977
Deposits	-	-	-	-	595
(Decrease) increase in liabilities:					
Accounts payable	(89,074)	19,504	-	(69,570)	(378,063)
Accrued salaries, wages and related expenses	29,727	-	-	29,727	(20,113)
Other accrued expenses	(12,791)	(135)	-	(12,926)	83,011
Refundable advances	72,541	-	-	72,541	93,263
	<u>93,479</u>	<u>133,372</u>	<u>-</u>	<u>226,851</u>	<u>1,021,793</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	(111,192)	(34,056)	-	(145,248)	(293,263)
Increase in loan reserves	-	(20,060)	-	(20,060)	(15,751)
Decrease in note receivable	15,000	-	(15,000)	-	-
Decrease in advance to related entity	-	(15,000)	15,000	-	-
Decrease in advance from related entity	16,402	-	-	16,402	3,000
Proceeds from the sale of assets	(79,790)	(69,116)	-	(148,906)	(226,014)
	<u>(121,828)</u>	<u>(51,253)</u>	<u>-</u>	<u>(173,081)</u>	<u>162,710</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long term borrowings	(121,828)	(51,253)	-	(173,081)	(313,268)
Repayment of long term debt	(108,139)	13,003	-	(95,136)	645,221
	<u>1,790,560</u>	<u>24,319</u>	<u>-</u>	<u>1,814,879</u>	<u>1,169,658</u>
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	<u>\$ 1,682,421</u>	<u>\$ 37,322</u>	<u>\$ -</u>	<u>\$ 1,719,743</u>	<u>\$ 1,814,879</u>
CASH AND EQUIVALENTS - BEGINNING OF YEAR					
CASH AND EQUIVALENTS - END OF YEAR					

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	General Management	Service Coordination	Family Support	Subcontracted Area Agency Program Services	In House Area Agency ISO Program	In House Area Agency CHISO Program	In House Area Agency Other Program	Total DDS Funded	MCST	Other Non DDS Funded	Railroad Street Mill, Inc.	Total Non DDS Funded	2012 Total	Eliminations	Consolidated Totals 2012	Consolidated Totals 2011
Salaries and wages	\$ 742,614	\$ 829,421	\$ 292,148	\$ -	\$ 2,361,759	\$ 580,412	\$ 363,538	\$ 5,169,892	\$ 117,078	\$ 381,967	\$ -	\$ 505,045	\$ 5,674,937	\$ -	\$ 5,674,937	\$ 5,293,371
Employee benefits	173,888	341,060	41,589	-	625,491	73,458	27,780	1,283,286	28,358	111,151	-	139,509	1,422,775	-	1,422,775	1,307,696
Payroll taxes	63,614	71,133	28,384	-	202,084	43,208	19,864	428,087	10,005	44,486	-	54,491	482,578	-	482,578	439,205
Family provider services	-	-	17,273	-	821,572	466,528	396,254	1,701,627	-	-	-	-	1,701,627	-	1,701,627	1,655,216
Respite care	-	-	184,077	-	26,445	44,331	25,332	280,185	-	-	-	-	280,185	-	280,185	303,737
Client treatment and care	-	45,529	20,228	-	36,993	2,932	78,670	184,352	1,947	1,947	-	1,947	186,299	-	186,299	164,712
Accounting fees	29,100	-	-	-	-	-	-	29,100	2,500	-	3,883	6,383	35,483	-	35,483	39,436
Legal fees	32,347	-	-	-	-	-	-	32,347	-	-	-	-	32,347	-	32,347	27,136
Other professional fees	66,386	75,301	868	6,192	16,615	30,991	11,428	207,781	199	11,501	-	11,700	219,481	-	219,481	177,056
Subcontractors	-	-	-	13,218,681	338,762	533,942	220,000	14,311,385	305,517	-	2,059	307,576	14,618,961	-	14,618,961	14,898,684
Staff development	9,015	3,826	15,157	-	2,409	25	-	30,432	9,747	3,272	-	13,019	43,451	-	43,451	50,339
Rent	57,972	102,369	-	-	200,860	26,592	26,930	414,723	4,139	43,390	-	47,529	462,252	(210,893)	251,359	294,119
Mortgage payments	-	-	-	-	-	13,151	-	36,140	-	-	-	-	36,140	-	36,140	45,143
Utilities	4,820	7,978	2,146	-	89,075	4,189	9,223	117,431	-	33,249	42,911	76,160	193,591	-	193,591	203,931
Repairs and maintenance	-	-	-	-	8,758	3,252	436	12,446	-	54,713	50,514	105,227	117,673	-	117,673	107,232
Property taxes	-	-	-	-	19,711	13,457	-	33,168	-	1,000	31,630	32,630	65,798	-	65,798	68,389
Other occupancy costs	1,302	2,089	-	-	13,002	633	730	17,756	-	3,536	12,260	15,796	33,552	-	33,552	37,938
Home modifications	-	-	-	-	-	-	25,075	25,075	-	-	-	25,075	25,075	-	25,075	60,148
Office supplies	7,753	11,825	196	-	10,599	370	-	30,743	4,366	2,707	-	7,073	37,816	-	37,816	44,838
Building supplies	2,117	3,581	342	-	20,205	4,555	202	31,002	-	6,983	-	6,983	37,985	-	37,985	34,358
Client consumables	(17)	-	21,407	-	69,307	19,262	9,459	119,418	328	4,587	-	4,915	124,333	-	124,333	124,004
Production supplies	-	-	-	-	-	-	17,822	17,822	-	-	-	-	17,822	-	17,822	21,219
Medical supplies	-	-	1,569	-	5,808	2,522	3,127	13,026	-	65	-	65	13,091	-	13,091	13,586
Computer supplies	1,612	2,429	554	-	1,710	3,950	-	10,255	778	-	-	778	11,033	-	11,033	16,118
Equipment rental	5,925	6,513	-	-	4,884	691	-	18,013	-	-	-	-	18,013	-	18,013	16,743
Equipment maintenance	12,373	3,101	-	-	1,883	461	-	17,818	-	-	-	-	17,818	-	17,818	17,241
Depreciation expense	8,697	10,006	4,609	92,481	34,230	9,043	7,648	166,714	-	10,493	67,038	77,531	244,245	-	244,245	223,850
Advertising	(1,638)	3,000	-	-	12,838	1,880	834	16,914	1,248	391	-	1,639	18,553	-	18,553	9,198
Printing	2,445	2,629	1,356	-	1,811	741	-	8,982	5,383	1,678	-	7,061	16,043	-	16,043	25,962
Telephone	7,425	19,622	863	-	33,859	3,730	1,119	66,618	3,109	6,222	-	9,331	75,949	-	75,949	85,234
Postage	4,022	7,050	9	-	3,362	-	23	14,466	1,220	948	-	2,168	16,634	-	16,634	20,268
Transportation	7,262	38,213	19,150	-	154,049	42,551	19,106	280,331	4,463	58,617	-	63,080	343,411	-	343,411	319,552
Assistance to individuals	-	(3,383)	14,514	-	2,542	-	898	13,673	-	-	-	-	13,673	-	13,673	25,325
Insurance	19,248	15,946	-	11,753	16,846	1,296	-	66,087	-	21,951	22,994	44,945	111,032	-	111,032	111,508
Interest expense	-	-	-	-	5,971	-	-	5,971	-	50,655	121,538	172,191	178,164	-	178,164	174,146
Other expenses	31,410	511	1,316	12,691	3,983	2,015	30	51,956	10,232	1,598	1,229	13,059	65,015	-	65,015	101,696
Total functional expenses	\$ 1,289,692	\$ 1,599,749	\$ 667,755	\$ 13,341,798	\$ 5,170,412	\$ 1,930,168	\$ 1,285,428	\$ 25,265,002	\$ 510,617	\$ 860,750	\$ 358,056	\$ 1,172,433	\$ 26,992,435	\$ (210,893)	\$ 26,781,542	\$ 26,558,294

See Notes to Financial Statements

**MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Monadnock Developmental Services, Inc. (MDS) is a New Hampshire nonprofit corporation organized exclusively for charitable purposes to facilitate the integration of individuals with developmental disabilities within their communities in ways to maximize opportunities for living, working, socializing, learning new skills and maintaining existing ones, participating in community activities of choice which promote independence, dignity and respect and which assist individuals to assume valued roles within their communities. The Organization serves the developmentally disabled of Cheshire County and the surrounding communities.

Railroad Street Mill, Inc. (Railroad) was incorporated under the laws of the State of New Hampshire on March 25, 2010 for the purpose of holding title to personal and real property and collect all income earned from said property for the exclusive benefit of Monadnock Developmental Services, Inc.

Principles of Consolidation

The consolidating financial statements include the accounts of Monadnock Developmental Services, Inc. and Railroad Street Mill, Inc. Railroad Street Mill, Inc. is consolidated since Monadnock Developmental Services, Inc. has both an economic interest in Railroad Street Mill, Inc. and control of the Railroad Street Mill, Inc. through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

Basis of Accounting

The financial statements of Monadnock Developmental Services, Inc. and subsidiary have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Organizations 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. The classes of net assets are determined by the presence or absence of donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

Comparative Financial Information

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Property and Depreciation

The Organization follows the policy of charging to expense, annual amounts of depreciation, which allocates the cost of the property, plant and equipment over their estimated useful lives. Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. Material assets with a useful life in excess of one year are capitalized. Depreciation is provided for using the straight-line method in amounts designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and improvements	10 - 39 years
Vehicles	5 years
Furniture and equipment	5 - 7 years

Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related accumulated depreciation and any gain or loss is recognized.

Property, plant and equipment consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land, buildings and improvements	\$ 5,566,495	\$ 5,650,922
Vehicles	751,818	734,453
Equipment	501,892	491,775
Furniture	<u>147,583</u>	<u>144,855</u>
	6,967,788	7,022,005
Less accumulated depreciation	<u>(2,021,491)</u>	<u>(1,975,914)</u>
Property net	<u>\$ 4,946,297</u>	<u>\$ 5,046,091</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$244,245 and \$253,383, respectively.

Refundable Advances

Grants received in advance are recorded as refundable advances and recognized as revenue in the period in which the related services or expenditures are incurred.

Accrued Earned Time

The Organization has accrued a liability for future compensated leave time that its employees have earned and which is vested with the employee.

Income Taxes

Monadnock Developmental Services, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined the Organization to be other than a private foundation.

Railroad Street Mill, Inc. is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code. The Internal Revenue Service has determined the Organization to be other than a private foundation.

Management has evaluated the Organization's tax positions and concluded that the Organization's have maintained their tax-exempt status and do not have any uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Organization's are no longer subject to income tax examinations by the United States Federal or State tax authorities prior to 2008.

Cash Equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. At times these balances are in excess of Federal Deposit Insurance Corporation limits.

Advertising

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

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

Subsequent Events

Events occurring after the financial statement date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through October 22, 2012, the date when the financial statements were available to be issued.

2. CONCENTRATION OF CREDIT RISK

The Organization maintains several of their cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of June 30, 2012 and 2010. At June 30, 2012 and 2011, the uninsured balances aggregated \$1,878,698 and \$1,856,269, respectively.

3. **FINANCIAL INSTRUMENTS WITH OFF "STATEMENT OF FINANCIAL POSITION" RISK**

The Organization had entered into a "Sweep Repurchase Agreement" with its primary bank, whereby amounts on deposit in the Organization's operating account were, at the close of each business day, used to purchase government and government agency securities. All government securities held on behalf of the Organization were redeemed and credited to the Organization's operating account the next business day. The government securities are not obligations of the bank and were not insured by the Federal Deposit Insurance Corporation; however, they are backed by the full faith and credit of the United States government. During the year ended June 30, 2012, the Organization changed primary banks and cancelled the "Sweep Repurchase Agreement". As of June 30, 2011, the Organization had \$1,856,269 held in the sweep account.

4. **DEMAND NOTE PAYABLE**

For the years ended June 30, 2012 and 2011, the Organization maintained a revolving line of credit with a bank. The maximum available credit at June 30, 2012 and 2011 was \$1,500,000. Interest is stated at the Wall Street Journal Prime Rate or 4%, whichever is greater. At June 30, 2012 and 2011, there were no amounts outstanding on this line of credit. The demand note payable is secured by all business assets of the Organization.

5. **OTHER LONG TERM LIABILITIES**

In connection with the change in accounting treatment of First Course, the Organization has assumed responsibility for the repayment of \$30,000 to the original stakeholders in First Course. Under the terms of the original agreement, payments on the liability were set to begin on July 1, 2008. Due to the financial burden of First Course, no payments were made as of July 1, 2008, and at this point, it is undeterminable as to when these payments will begin. During the year ended June 30, 2011, one of the stakeholders in First Course forgave the \$10,000 investment that they had made.

6. **LONG TERM DEBT**

The long term debt of the Organization consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
<u>MONADNOCK DEVELOPMENTAL SERVICES, INC.</u>		
Mortgage note payable to a bank in monthly installments for principal and interest of \$461 through November of 2017. Interest is stated at the three year United States Treasury Yield plus 3%, adjustable every three years. This resulted in an interest rate of 4.01% at June 30, 2012 and 2011. The note is collateralized by real estate owned by the Corporation.	\$ 26,913	\$ 31,365

Mortgage note payable to a bank in monthly installments for principal and interest of \$810 through February of 2015, at which time all principal and

<p>interest is due and payable. Interest is fixed for five years and then stated at the Wall Street Prime Rate plus .75%, adjustable yearly. This resulted in an interest rate of 5.57% at June 30, 2012 and 2011. The note is collateralized by real estate owned by the Organization.</p>	39,888	47,170
<p>Mortgage note payable to a bank in monthly installments for principal and interest of \$1,502 through February of 2016. Interest is fixed for five years and then stated at the Wall Street Prime Rate plus .75%, adjustable yearly. This resulted in an interest rate of 4.00% at June 30, 2012 and 2011. The note is collateralized by real estate owned by the Organization.</p>	61,351	76,583
<p>Mortgage note payable to a bank in monthly installments for principal and interest of \$5,150 through July of 2016, at which time all principal and interest is due and payable. Interest is fixed for three years and then stated at the Wall Street Prime Rate plus 1.00%, adjustable yearly. This resulted in an interest rate of 4.61% at June 30, 2012 and 2011. The note is collateralized by real estate owned by the Organization.</p>	230,095	279,874
<p>Mortgage note payable to a bank in monthly installments for principal and interest of \$871 through June of 2016, at which time all principal and interest is due and payable. Interest is fixed for five years and then stated at the Five Year Federal Loan Home Bank Classic Rate plus 2.35%, adjustable every five years. This resulted in an interest rate of 4.56% and 7.50% at June 30, 2012 and 2011. The note is collateralized by real estate owned by the Organization.</p>	34,367	42,908
<p>Mortgage note payable to a bank in monthly installments for principal and interest of \$942 through June of 2013, at which time all principal and interest is due and payable. Interest is fixed for five years and then stated the five year Federal Loan Home Bank Classic Rate plus 2.00%. This resulted in an interest rate of 6.30% at June 30, 2012 and 2011. The note is collateralized by real estate owned by the Organization.</p>	131,185	133,966
<p>Mortgage note payable to a bank in monthly installments for principal and interest of \$380 through January of 2014, at which time all principal and interest is due and payable. Interest is fixed for five years at 5.89%. The note is collateralized by real estate owned by the Organization</p>	55,249	56,422

5% note payable to a Corporation in monthly installments for principal and interest of \$995 through October of 2028. The note is collateralized by real estate owned by the Organization.	132,421	137,538
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Mortgage note payable to a bank in monthly installments for principal and interest of \$1,200 through February of 2015, at which time all principal and interest is due and payable. Interest is fixed for five years at 5.57%. The note is collateralized by real estate owned by the Organization	179,177	183,653
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Mortgage note payable to a bank in monthly installments for principal and interest of \$988 through November of 2025, at which time all principal and interest is due and payable. Interest is fixed for three years at 4.99%. The note is collateralized by real estate owned by the Organization.	116,269	122,153
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5.14% retail installment contract payable to a bank in monthly installments for principal and interest of \$415 through February of 2013. The note is collateralized by a Company vehicle.	3,212	7,891
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6.00% retail installment contract payable to a bank in monthly installments for principal and interest of \$753 through October of 2013. The note is collateralized by a Company vehicle.	11,588	19,633
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4.73% retail installment contract payable to a bank in monthly installments for principal and interest of \$404 through December of 2013. The note is collateralized by a Company vehicle.	6,997	11,384
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RAILROAD STREET MILL, INC.

4% mortgage note payable to Rural Development in monthly installments for principal and interest of \$13,312 through July of 2040. The note is collateralized by real estate owned by the Organization.	2,684,499	2,735,752
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0% (imputed at 4%) note payable to an economic development corporation. There are no payments due on the note until June of 2020 when all principal is due and payable. The note is collateralized by real estate owned by the Organization.	175,597	167,778
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0% (imputed at 4%) note payable to an economic development corporation. There are not payments due on the note until June of 2020 when all principal is due and payable. The note is collateralized real estate owned by the Organization.

120,145	114,795
<u>\$ 4,008,953</u>	<u>\$ 4,168,865</u>

The scheduled maturities of long term debt as of June 30, 2012 were as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2013	\$ 305,769
2014	223,696
2015	352,529
2016	160,119
2017	87,393
Thereafter	<u>2,879,447</u>
	<u>\$ 4,008,953</u>

7. BOARD DESIGNATED FUNDS

As of June 30, 2012 and 2011, the Board of Directors has designated funds to be used for the following:

	<u>2012</u>	<u>2011</u>
Development costs	\$ 133,492	\$ 97,596
Client crisis	<u>50,000</u>	<u>50,000</u>
	<u>\$ 183,492</u>	<u>\$ 147,596</u>

8. RETIREMENT PLAN

The Organization maintains a retirement plan for all eligible employees. The plan permits eligible employee deferrals of up to 5% of compensation. These deferrals may be matched by the Organization at their discretion. In addition, the plan allows eligible employees to make an additional voluntary contribution of up to 15% of compensation; these additional deferrals are not subject to any Organization match. All full-time employees are eligible to participate after one year of employment and the attaining of age 18. The Organization's contribution to the retirement plan for the years ended June 30, 2012 and 2011 was \$104,934 and \$88,041, respectively.

9. **ECONOMIC DEPENDENCY**

The Organization's services are performed mostly within Cheshire County, New Hampshire. For the years ended June 30, 2012 and 2011 approximately 91% and 90% of the total support and revenue was derived from Medicaid. The future level of services provided by the Organization is dependent upon the funding policies of Medicaid or securing additional sources of income.

The accounts receivable due from Medicaid at June 30, 2012 and 2011 were \$1,133,002 and \$908,098, respectively. The Organization cannot require collateral on these receivables due to the nature of the revenue source.

In order for the Organization to receive this support, they must be formally approved by the State of New Hampshire, Division of Developmental Services as the provider of services for developmentally disabled individuals for its region. The designation is received by the Organization on a quadrennial basis. The current designation expires in September of 2015. Annually, the Organization engages in a contract with the State of New Hampshire to perform these services for the coming year.

10. **LEASE COMMITMENTS**

The Organization has entered into various operating lease agreements to rent certain facilities for their programs. The terms of these leases range from one to ten years. The Organization also leases various apartments on behalf of clients on a month-to-month basis. Rent expense under these agreements aggregated \$492,362 and \$542,498 for the years ended June 30, 2012 and June 30, 2011, respectively.

During June of 2010, Railroad Street Mill, Inc. purchased property in Keene, New Hampshire where Monadnock Developmental Services, Inc. maintains its main offices. Rent charged to Monadnock Developmental Services, Inc. for the years ended June 30, 2012 and 2011 was \$210,893.

The approximate future minimum lease payments on the above leases as of June 30, 2012 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2013	\$ 48,080
2014	18,000
2015	18,000
2016	19,000
2017	19,000
Thereafter	<u>163,000</u>
	<u>\$ 285,080</u>

11. **RENTAL INCOME**

The Organization leases commercial space to tenants under various non-cancelable operating lease agreements, the initial terms of which vary in length from between one and three years. The leases provide for annual rental increases based upon the Consumer Price Index with certain operating expense escalation charges. The Company also leases property to tenants at will. The future minimum annual rentals to be received under the operating leases in effect at June 30, 2012, not including any rental increases, escalation charges or tenants at will, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 95,429
2014	<u>35,337</u>
Total	<u>\$ 130,766</u>

12. **CONTINGENCIES**

Grant Compliance

The Organization receives funds under a state grant and from Federal sources. Under the terms of these agreements, the Organization is required to use the funds within a certain period and for purposes specified by the governing laws and regulations. If expenditures were found not to have been made in compliance with the laws and regulations, the Organization might be required to repay the funds. No provisions have been made for this contingency because specific amounts, if any, have not been determined by government audits or assessed as of June 30, 2012.

13. **CLIENT FUNDS**

The Organization administers funds for certain consumers. As of June 30, 2012 and 2011, client funds held by the Organization were as follows:

	<u>2012</u>	<u>2011</u>
Client funds administered by the Organization	<u>\$ 57,671</u>	<u>\$ 61,663</u>

There is an offsetting liability titled "Client funds" for the same amount in each respective year.

14. **FLEXIBLE BENEFITS PLAN**

The Organization maintains a flexible benefits plan for its employees. Substantially all full time employees are eligible to participate. There is no contribution required from the Organization to this plan other than administrative costs.

15. **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Non-cash investing and financing transactions:

	<u>2012</u>	<u>2011</u>
Purchase of property and equipment	\$ 145,248	\$ 293,263
Amount financed and allowances	<u>-</u>	<u>-</u>
Cash paid for property	<u>\$ 145,248</u>	<u>\$ 293,263</u>
Cash paid for interest	<u>\$ 178,164</u>	<u>\$ 174,146</u>

16. **RESTRICTIONS ON NET ASSETS**

The temporarily restricted net assets consist of contributions received by the Organization that have not been used in satisfaction for the specified purpose of the donors as of June 30, 2012 and 2011.

17. **DISCONTINUED OPERATIONS AND IMPAIRMENT LOSS**

During the year ended June 30, 2011, it was determined that the First Course culinary program operated by the Organization was not economically feasible to continue, and the program ceased operation and is reported as a discontinued operation in these financial statements. Operating losses from the operation of the program amounted to \$43,935 for the year ended June 30, 2012 and \$263,040 for the year ended June 30, 2011. While revenues from the program amounted to \$3,785 for the year ended June 30, 2012 and \$514,432 for the year ended June 30, 2011. It is management's plan to sell the remaining assets of the program.

In connection with the closing of the program, it was determined that the book value of the assets remaining in the program exceeded their fair value. Management has adjusted the fair value of the assets to the sum of the undiscounted cash flows expected to result from the eventual disposition. This adjustment resulted in an impairment loss of \$236,508 for the year ended June 30, 2011. In addition, since the assets are being held for sale they were reclassified from property, plant and equipment to assets held for sale.