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

Paul K. 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

February 17, 2016

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

Sole Source

REQUESTED ACTION

Authorize the New Hampshire Department of Education, Bureau of Special Education to enter into a **sole source** contract with Monadnock Developmental Services, Keene, NH (Vendor Code #177280) in the amount of \$67,000.00 to develop and provide training and technical assistance to local education agencies in their region under the State Personnel Development Grant (SPDG), effective upon Governor and Council approval for the period of July 1, 2016 through June 30, 2017. 100% Federal Funds.

Funding is available in the account titled State Professional Development Improvement Plan Grant as follows:

| | | |
|-------------------------------------|--------------------------------|---------------|
| | | <u>FY2017</u> |
| 06-56-56-562510-41070000-102-500731 | Contracts for Program Services | \$67,000.00 |

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 (OSEP). This request is **sole source** because New Hampshire was awarded this grant with the provision that the partners identified in the Department of Education's proposal would be funded to assist the Department 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.

TDD Access: Relay NH 711
EQUAL OPPORTUNITY EMPLOYER- EQUAL EDUCATIONAL OPPORTUNITIES

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
Page 2 of 2

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, which 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.

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 the 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 Leadership Team (LT) with the LEA recruitment
- Attend Participatory Adult Learning Styles training
- Support family engagement training
- Coordinate 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

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

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, 2017 | 1.8 Price Limitation \$67,000.00 |
| 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>Michael Forrest</i> | | 1.12 Name and Title of Contractor Signatory Michael Forrest, President <i>[Signature]</i> | |
| 1.13 Acknowledgement: State of <u>NH</u> , County of <u>Cheshire</u> On <u>10/26/15</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 he executed this document in the capacity indicated in block 1.12. | | | |
| 1.13.1 Signature of Notary Public or Justice of the Peace [Seal] <i>Nancy J. Ganley</i> | | | |
| 1.13.2 Name and Title of Notary or Justice of the Peace Nancy J. Ganley | | | |
| 1.14 State Agency Signature <i>Virginia M. Barry</i> | | 1.15 Name and Title of State Agency Signatory Virginia M. Barry, Commission Educator | |
| 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>2/18/16</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.

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 WBJ
Date 10/26/15

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, as a regional intermediary, 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)
 - Support the development of local Transition CoP
 - Coordination of PD training and coaching at regional intermediary
- Participate in the NSNH Leadership Team (LT) and relevant Work Group (WG) Meetings, including the IHE workgroup.
- Assist NSNH LT with the LEA recruitment
- Serve as trainers and coaches for up to 3 LEAs implementing project strategies (with varying degrees of duration and intensity based on school implementation level):
 - Review LEA current transition practices, and develop and implement a PD plan that will impact the local need
 - Meet frequently with LEA transition liaisons to review the LEA PD plans, as well as fostering ongoing contact to stay in close communication
 - Support family engagement training
 - Develop and provide training and coaching on Extended Learning Opportunities (ELOs) and evidenced-based transition practices
- Collect training and coaching implementation data, and intervention fidelity data
- Assist the Evaluation WG in the development of fidelity instruments
- Contribute training and coaching materials, evaluation instruments and assessments, and resource materials to be posted on the Transition Resource Portal and the NHDOE Networks
- Participate in training on how to use the Transition Resource Portal and the NHDOE Networks for training and coaching with LEAs

Initials: *MSA*
Date: *10/26/15*

EXHIBIT B

Estimated Budget

Budget (through June 30, 2017)

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

| | <u>FY2017</u> |
|--|--------------------|
| Personnel | \$32,110.00 |
| Fringe Benefit | \$25,342.00 |
| Travel | <u>\$ 2,135.00</u> |
| Total Personnel | \$59,587.00 |
| Supplies | \$ 350.00 |
| Contractual | \$ 350.00 |
| Other (phone, printing, postage, conferences/trainings, equipment): | <u>\$ 1,750.00</u> |
| Total Other | \$ 2,450.00 |
| Total Direct Costs | \$62,037.00 |
| Indirect costs 8.0% of total direct costs | <u>\$ 4,963.00</u> |
| Total Contract | \$67,000.00 |

Limitation of Price: This contract will not exceed \$67,000.00

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:

Penny Duffy
Department of Education
Bureau of Special Education; SPDG
101 Pleasant Street
Concord, NH 03301

Initials: *PD*
Date: *10/26/15*

EXHIBIT C
Special Provisions

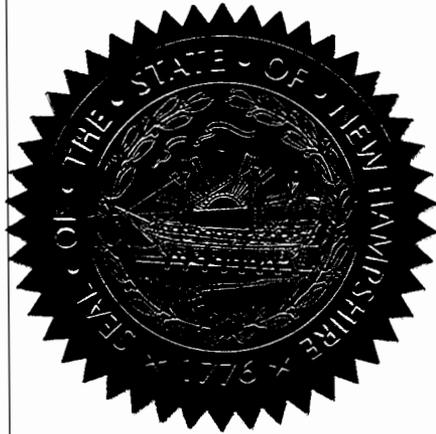
none

Initials: *JMS*
Date: *10/26/15*

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 4th day of September A.D. 2015

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

William M. Gardner
Secretary of State

Certificate of Authority

I, Lessa Manahan, Clerk/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) (are) true and complete cop(y)(ies) of the resolution(s) adopted by the board of directors of the corporation at a meeting of that board on Oct. 26, 2015, 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 (shareholder)(organizational) meeting on Oct. 26, 2015.
- (5) The foregoing resolution(s) and by-law are in full force and effect, unamended, as of the date hereof; and
- (6) The following person(s) lawfully occupy the office(s) indicated below:

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

IN WITNESS WHEREOF, I have hereunto set my hand as the Clerk/Secretary of the Corporation this 26th day of October 20 15.

(Corporate Seal if any)

Lessa Manahan
Clerk/Secretary

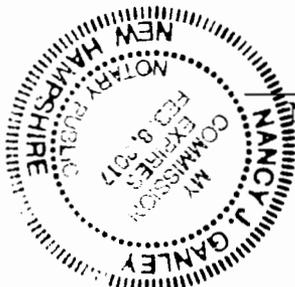
(If the corporation has no seal, the Clerk/Secretary shall acknowledge the certificate before an authorized officer below)

STATE OF NEW HAMPSHIRE

COUNTY OF Cheshire

On Oct. 26th, 20 15, before the undersigned officer personally appeared the person identified in the foregoing certificate, know to me (or satisfactorily proven) to be the Clerk/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.



Nancy J. Ganley
Notary Public/Justice of the Peace



MONADNOCK
DEVELOPMENTAL
SERVICES

BE IT RESOLVED, that Michael Forrest, as President of the Board of Directors of the Corporation, is authorized, on behalf of this Corporation, to:

- a) Sign the application for the \$67,000 Department of Education "Next Steps" grant application.
- b) Sign any other documentation that may be required by the funding agent in the process of application or acceptance of the grant.

The undersigned hereby certifies that she is the duly elected and qualified Treasurer of the Board of Directors for Monadnock Developmental Services, Inc, a corporation duly formed pursuant to the laws of the State of New Hampshire and that the foregoing is a true record of a resolution duly adopted at a meeting of the Board of Directors and that said meeting was held in accordance with state law and the Bylaws of the above-named Corporation and that said resolution is now in full force and effect without modification or rescission.

IN WITNESS WHEREOF, I have executed my name as ^{Treasurer}~~President~~ of the above-named Corporation this 26th day of October, 2015.



Shelley Viles
Treasurer, Board of Directors



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/14/2015

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 INSURER A : Philadelphia Insurance Company | NAIC # 0 |
| INSURED Monadnock Developmental Serv 121 Railroad Street Keene NH 03431 | MONADNOCKDEVELO | |
| | INSURER B : | |
| | INSURER C : | |
| | INSURER D : | |
| | INSURER E : | |
| | INSURER F : | |

COVERAGES **CERTIFICATE NUMBER: 54657152** **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 INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|---|-----------|------------|---------------|-------------------------|-------------------------|--|
| A | <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"/> PROJECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER: | | | | 7/1/2015 | 7/1/2016 | EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$3,000,000 PRODUCTS - COMP/OP AGG \$3,000,000 \$ |
| | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS | | | | | | COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ |
| | <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$ | | | | | | EACH OCCURRENCE \$ AGGREGATE \$ \$ |
| | 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 | | | | <input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$ |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Policy includes: Professional Liability

| | |
|---|--|
| CERTIFICATE HOLDER State of New Hampshire Department of Education 101 Pleasant Street Concord NH 03301-3860 | CANCELLATION 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  |
|---|--|



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
2/9/2016

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 Wieczorek Insurance 166 Concord St. Manchester NH 03104 | CONTACT NAME: Tonja Kendall | INSURER(S) AFFORDING COVERAGE | NAIC # |
| | PHONE (A/C, No, Ext): (603) 668-3311 | FAX (A/C, No): (603) 352-6707 | |
| | E-MAIL ADDRESS: tonja@wizinsurance.com | INSURER A: QBE Insurance Corp | |
| INSURED Monadnock Developmental Services, Inc. 121 Railroad Street Keene NH 03431 | | INSURER B: | |
| | | INSURER C: | |
| | | INSURER D: | |
| | | INSURER E: | |
| | | INSURER F: | |

COVERAGES CERTIFICATE NUMBER: 16-17 WC 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 INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|--|-----------|----------|--|-------------------------|-------------------------|--|
| | COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER: | | | | | | EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$ |
| | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS | | | | | | COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ |
| | UMBRELLA LIAB EXCESS LIAB DED RETENTION \$ | | | | | | EACH OCCURRENCE \$ AGGREGATE \$ \$ |
| A | 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/A | Cov: State of NH Excl: Michael Forrest & Donald Hayes | 1/1/2016 | 1/1/2017 | <input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 500,000 E.L. DISEASE - EA EMPLOYEE \$ 500,000 E.L. DISEASE - POLICY LIMIT \$ 500,000 |

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

| | |
|---|--|
| CERTIFICATE HOLDER NH Department of Education 101 Pleasant Street Concord, NH 03301-3494 | CANCELLATION 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 R Wieczorek/TONJA |

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Financial Statements

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

**FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013
AND
INDEPENDENT AUDITORS' REPORT**

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

CONSOLIDATING FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Monadnock Developmental Services, Inc. (a New Hampshire nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, cash flows and functional expenses for the year 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monadnock Developmental Services, Inc. and Subsidiary as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Monadnock Developmental Services, Inc. and Subsidiary's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional revenues on page 19 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Loane McDonnell & Roberts
Professional Association*

October 27, 2014
Wolfeboro, New Hampshire

MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014 WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

ASSETS

| | Monadnock Developmental Services, Inc. | Railroad Street Mill, Inc. | Eliminations | Consolidated Totals 2014 | Consolidated Totals 2013 |
|---|--|----------------------------------|--------------|--------------------------------|--------------------------------|
| Cash and equivalents | \$ 1,838,166 | \$ 39,524 | \$ - | \$ 1,877,690 | \$ 1,602,215 |
| Client funds | 74,035 | - | - | 74,035 | 72,957 |
| Accounts receivable: | | | | | |
| Medicaid | 1,356,688 | - | - | 1,356,688 | 1,450,283 |
| Other | 147,313 | - | - | 147,313 | 124,452 |
| Prepaid expenses | 91,602 | 1,791 | - | 93,393 | 100,540 |
| Deposits | 15,485 | - | - | 15,485 | 15,085 |
| Property and equipment, net of accumulated depreciation | 1,839,014 | 2,948,358 | - | 4,787,372 | 4,884,914 |
| Loan reserves | - | 70,195 | - | 70,195 | 52,998 |
| Assets held for sale | 285,180 | - | - | 285,180 | 285,180 |
| Investment in insurance captive | 42,728 | - | - | 42,728 | 36,490 |
| Total | \$ 5,690,211 | \$ 3,059,868 | \$ - | \$ 8,750,079 | \$ 8,625,114 |

LIABILITIES AND NET ASSETS

| | | | | | |
|---|--------------|--------------|------|--------------|--------------|
| LIABILITIES | | | | | |
| Client funds | \$ 74,035 | \$ - | \$ - | \$ 74,035 | \$ 72,957 |
| Accounts payable | 1,096,979 | 39,297 | - | 1,136,276 | 977,523 |
| Accrued salaries and wages and related expenses | 627,922 | - | - | 627,922 | 511,103 |
| Other accrued expenses | 31,390 | 15,448 | - | 46,838 | 100,304 |
| Refundable advances | 203,927 | - | - | 203,927 | 190,455 |
| Notes payable | 882,899 | 2,898,717 | - | 3,781,616 | 3,914,368 |
| Other long term liabilities | 10,000 | - | - | 10,000 | 20,000 |
| Total liabilities | 2,927,152 | 2,953,462 | - | 5,880,614 | 5,786,710 |
| NET ASSETS | | | | | |
| Unrestricted: | | | | | |
| Board designated | 151,565 | - | - | 151,565 | 189,160 |
| Other unrestricted | 2,562,888 | 106,406 | - | 2,669,294 | 2,600,638 |
| Temporarily restricted | 48,606 | - | - | 48,606 | 48,606 |
| Total net assets | 2,763,059 | 106,406 | - | 2,869,465 | 2,838,404 |
| Total | \$ 5,690,211 | \$ 3,059,868 | \$ - | \$ 8,750,079 | \$ 8,625,114 |

See Notes to Financial Statements

MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

| | Monadnock Developmental Services, Inc. | Railroad Street Mill, Inc. | Eliminations | Consolidated Totals 2014 | Consolidated Totals 2013 |
|--|--|----------------------------------|------------------|--------------------------------|--------------------------------|
| CHANGES IN UNRESTRICTED NET ASSETS | | | | | |
| Revenues and Support | \$ 24,954,587 | \$ - | \$ - | \$ 24,954,587 | \$ 24,757,468 |
| Medicaid | 877,875 | - | - | 877,875 | 953,994 |
| Other program fees | 470,413 | - | - | 470,413 | 461,815 |
| Residential fees | 193,475 | 374,737 | (210,893) | 357,319 | 372,041 |
| Rental income | 332,406 | - | - | 332,406 | 388,371 |
| Client resources | 248,420 | - | - | 248,420 | 245,228 |
| State of New Hampshire - DDS | 146,564 | - | - | 146,564 | 215,685 |
| Grants | 50,701 | - | - | 50,701 | 35,475 |
| Vocational rehabilitation fees | 49,260 | - | - | 49,260 | 115,685 |
| Production/service income | 36,750 | - | - | 36,750 | 33,867 |
| United Way | 34,922 | - | - | 34,922 | 2,050 |
| Local education | 19,935 | - | - | 19,935 | 28,388 |
| Contributions and other public support | 7,941 | - | - | 7,941 | 5,474 |
| Gain on sale of assets | 1,291 | 51 | - | 1,342 | 1,026 |
| Investment income | 51,231 | - | - | 51,231 | 37,678 |
| Other income | - | - | - | - | - |
| Total revenues and support | 27,475,771 | 374,788 | (210,893) | 27,639,666 | 27,634,245 |
| Expenses | | | | | |
| Program services | | | | | |
| Service Coordination | 1,765,256 | - | (73,813) | 1,691,443 | 1,721,032 |
| Family support | 606,635 | - | (27,416) | 579,219 | 603,681 |
| Subcontracted area agency program services | 14,022,026 | - | - | 14,022,026 | 13,479,437 |
| In house area agency program services: | | | | | |
| ISO | 5,156,144 | - | (48,505) | 5,107,639 | 5,358,875 |
| CMISO | 2,122,574 | - | - | 2,122,574 | 2,056,146 |
| Other | 1,235,801 | - | - | 1,235,801 | 1,318,861 |
| MCST | 341,348 | - | - | 341,348 | 331,226 |
| Other Non DDS funded programs | 887,927 | - | - | 887,927 | 925,581 |
| Railroad Street Mill, Inc. | - | 338,779 | - | 338,779 | 338,291 |
| Supporting services | | | | | |
| General management | 1,343,008 | - | (61,159) | 1,281,849 | 1,501,146 |
| Total expenses | 27,480,719 | 338,779 | (210,893) | 27,608,605 | 27,634,276 |
| CHANGES IN NET ASSETS | (4,948) | 36,009 | - | 31,061 | (31) |
| NET ASSETS - BEGINNING OF YEAR | 2,768,007 | 70,397 | - | 2,838,404 | 2,838,435 |
| NET ASSETS - END OF YEAR | 2,763,059 | 106,406 | - | 2,869,465 | 2,838,404 |

See Notes to Financial Statements

MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

| | Monadnock Developmental Services, Inc. | Railroad Street Mill, Inc. | Eliminations | Consolidated Totals 2014 | Consolidated Totals 2013 |
|---|--|----------------------------------|--------------|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Changes in net assets | \$ (4,948) | \$ 36,009 | \$ - | \$ 31,061 | \$ (31) |
| Adjustments to reconcile increase in unrestricted net assets to net cash from operating activities: | | | | | |
| Depreciation and amortization | 189,566 | 75,914 | - | 265,480 | 250,680 |
| Gain on sale of assets | (7,941) | - | - | (7,941) | (5,474) |
| Imputed interest on long term debt | - | 13,169 | - | 13,169 | 13,169 |
| Forgiveness of other long term liabilities | (10,000) | - | - | (10,000) | - |
| Decrease (increase) in assets: | | | | | |
| Accounts receivable - Medicaid | 93,595 | - | - | 93,595 | (415,191) |
| Accounts receivable - Other | (23,762) | 901 | - | (22,861) | 143,543 |
| Prepaid expenses | 7,105 | 42 | - | 7,147 | 82,030 |
| Deposits | (400) | - | - | (400) | (1,355) |
| Investment in insurance captive | (6,238) | - | - | (6,238) | (36,490) |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable | 162,324 | (3,571) | - | 158,753 | 95,233 |
| Accrued salaries, wages and related expenses | 116,819 | - | - | 116,819 | 65,576 |
| Other accrued expenses | (53,332) | (134) | - | (53,466) | 72,280 |
| Refundable advances | 13,472 | - | - | 13,472 | (72,764) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 476,260 | 122,330 | - | 598,590 | 191,186 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Additions to property and equipment | (85,532) | (38,965) | - | (124,497) | (108,138) |
| Increase in loan reserves | - | (17,197) | - | (17,197) | (17,137) |
| Decrease in advance to related entity | 17,594 | - | (17,594) | - | - |
| Decrease in advance from related entity | - | (17,594) | 17,594 | - | - |
| Proceeds from the sale of assets | 13,000 | - | - | 13,000 | 5,474 |
| NET CASH USED IN INVESTING ACTIVITIES | (54,938) | (73,756) | - | (128,694) | (119,801) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from long term borrowings | 184,500 | - | - | 184,500 | - |
| Repayment of long term debt | (324,401) | (54,520) | - | (378,921) | (188,913) |
| NET CASH USED IN FINANCING ACTIVITIES | (139,901) | (54,520) | - | (194,421) | (188,913) |
| NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS | 281,421 | (5,946) | - | 275,475 | (117,528) |
| CASH AND EQUIVALENTS - BEGINNING OF YEAR | 1,556,745 | 45,470 | - | 1,602,215 | 1,719,743 |
| CASH AND EQUIVALENTS - END OF YEAR | \$ 1,638,166 | \$ 39,524 | \$ - | \$ 1,877,690 | \$ 1,602,215 |

See Notes to Financial Statements

MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

| | General Management | Service Coordination | Family Support | Subcontracted Area Agency Services | In House Area Agency ISO Program | In House Area Agency CMISO Program | In House Area Agency Other Program | Total DDS Funded | MCST | Other Non DDS Funded | Railroad Street Mill. Inc. | Total Non-DDS Funded | 2014 Total | Eliminations | Consolidated Totals 2014 | Consolidated Totals 2013 |
|---------------------------|--------------------|----------------------|----------------|------------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------|------------|----------------------|----------------------------|----------------------|---------------|--------------|--------------------------|--------------------------|
| Salaries and wages | \$ 775,473 | \$ 965,767 | \$ 243,782 | \$ - | \$ 2,217,187 | \$ 764,884 | \$ 257,587 | \$ 5,224,660 | \$ 182,211 | \$ 407,323 | \$ - | \$ 589,534 | \$ 5,814,194 | \$ - | \$ 5,814,194 | \$ 5,964,778 |
| Employee benefits | 184,206 | 314,693 | 34,801 | - | 556,369 | 97,878 | 33,762 | 1,221,909 | 47,609 | 108,661 | - | 154,470 | 1,376,379 | - | 1,376,379 | 1,601,662 |
| Payroll taxes | 65,326 | 74,360 | 22,805 | - | 171,300 | 53,063 | 10,877 | 398,131 | 15,429 | 38,033 | - | 53,462 | 451,593 | - | 451,593 | 494,919 |
| Family provider services | - | - | 74,250 | - | 868,543 | 655,794 | 426,655 | 2,025,242 | - | - | - | - | 2,025,242 | - | 2,025,242 | 1,823,594 |
| Respite care | - | - | 188,978 | - | 45,612 | 67,526 | 19,347 | 321,463 | - | - | - | - | 321,463 | - | 321,463 | 280,236 |
| Client treatment and care | 4,045 | 27,877 | 5,797 | 39,972 | 121,888 | 18,110 | 39,077 | 256,766 | 625 | - | - | 625 | 257,391 | - | 257,391 | 275,575 |
| Accounting fees | 28,508 | - | - | - | - | - | - | 24,830 | - | - | 4,189 | 4,189 | 29,019 | - | 29,019 | 30,673 |
| Legal fees | 59,585 | 128,512 | 365 | 500 | 4,086 | 19,831 | 232 | 213,111 | 1,773 | 44,449 | - | 46,222 | 26,508 | - | 26,508 | 23,029 |
| Other professional fees | 2,462 | 7,598 | 760 | 13,870,707 | 315,227 | 275,634 | 346,589 | 14,808,157 | 77,940 | 70 | 7,461 | 85,401 | 259,333 | - | 259,333 | 367,313 |
| Subcontractors | 62,367 | 101,229 | - | 1,153 | 257,089 | 46,287 | 19,400 | 486,372 | 100 | 46,432 | - | 3,720 | 42,167 | - | 42,167 | 14,505,463 |
| Rent | 4,905 | 7,884 | 380 | - | 19,684 | 1,342 | 22,179 | 22,179 | - | 878 | - | 878 | 532,904 | (210,893) | 322,011 | 317,128 |
| Mortgage payments | - | - | - | - | 85,720 | 2,635 | 5,623 | 107,147 | - | 49,073 | 71,011 | 120,084 | 227,231 | - | 227,231 | 33,179 |
| Utilities | - | - | - | - | 3,470 | 980 | - | 4,450 | - | 36,737 | 13,892 | 50,629 | 55,079 | - | 55,079 | 209,055 |
| Repairs and maintenance | - | - | - | - | 19,697 | 929 | - | 20,626 | - | 1,000 | 26,583 | 27,583 | 48,209 | - | 48,209 | 55,622 |
| Property taxes | - | - | - | - | 11,396 | 270 | 909 | 12,575 | - | 7,625 | - | 7,625 | 20,200 | - | 20,200 | 24,991 |
| Home occupancy costs | - | - | - | - | - | 26,742 | - | 26,742 | 2,272 | - | - | - | 26,742 | - | 26,742 | 63,897 |
| Other modifications | 11,263 | 14,474 | 944 | - | 8,838 | 1,231 | - | 36,750 | - | 4,988 | - | 7,260 | 44,010 | - | 44,010 | 47,879 |
| Office supplies | 5,999 | 2,271 | 4,326 | - | 12,791 | 2,499 | 395 | 28,281 | - | 10,975 | - | 10,975 | 39,256 | - | 39,256 | 38,317 |
| Building supplies | - | - | 7,731 | - | 72,997 | 19,228 | 5,463 | 105,419 | - | 4,055 | - | 4,055 | 109,474 | - | 109,474 | 132,387 |
| Client consumables | - | - | - | - | 78 | - | 15,321 | 15,399 | - | 49 | - | 49 | 15,448 | - | 15,448 | 16,681 |
| Production supplies | - | - | 160 | - | 5,443 | 4,017 | 1,300 | 10,820 | - | 331 | - | 331 | 11,251 | - | 11,251 | 14,621 |
| Medical supplies | 2,175 | 4,061 | 480 | - | 480 | - | - | 7,196 | 559 | 1,695 | - | 2,254 | 9,450 | - | 9,450 | 20,896 |
| Computer supplies | 5,029 | 5,287 | - | - | 4,556 | 1,848 | - | 16,720 | - | 1,695 | - | 2,254 | 16,720 | - | 16,720 | 15,594 |
| Equipment rental | 12,396 | 3,409 | - | - | 1,698 | - | - | 17,493 | - | - | - | - | 17,493 | - | 17,493 | 16,744 |
| Equipment maintenance | 9,343 | 12,177 | 4,185 | 96,653 | 35,588 | 14,642 | 8,525 | 181,093 | - | 8,473 | 75,914 | 84,387 | 265,480 | - | 265,480 | 250,680 |
| Depreciation expense | - | 2,242 | - | - | 16,035 | 3,668 | 850 | 14,209 | 1,789 | 203 | - | 1,992 | 16,201 | - | 16,201 | 10,503 |
| Advertising | 25 | 1,929 | 2,254 | - | 2,296 | 996 | 25 | 7,525 | 154 | 2,417 | - | 2,571 | 10,096 | - | 10,096 | 11,827 |
| Printing | 8,879 | 16,127 | 1,546 | - | 39,030 | 6,194 | 1,339 | 73,115 | 60 | 4,808 | - | 4,868 | 77,983 | - | 77,983 | 71,932 |
| Telephone | 2,954 | 8,269 | - | - | 6,898 | 272 | 84 | 18,477 | 25 | 1,289 | - | 1,314 | 19,791 | - | 19,791 | 21,004 |
| Postage | 6,758 | 38,730 | 12,505 | 42 | 195,108 | 52,568 | 13,151 | 319,862 | 10,155 | 48,828 | - | 58,983 | 378,845 | - | 378,845 | 368,786 |
| Transportation | - | 11,214 | - | - | 2,823 | - | - | 14,037 | - | - | - | - | 14,037 | - | 14,037 | 21,714 |
| Assistance to individuals | 15,378 | 16,211 | - | 12,999 | 24,072 | 1,211 | 1,848 | 71,719 | - | 18,464 | 21,457 | 39,921 | 111,640 | - | 111,640 | 110,210 |
| Insurance | 34 | - | - | - | 5,343 | - | - | 5,377 | - | 35,626 | 118,272 | 153,898 | 159,275 | - | 159,275 | 168,587 |
| Interest expense | 61,454 | 535 | 566 | - | 3,170 | 2,792 | - | 68,537 | 577 | 3,665 | - | 4,242 | 72,779 | - | 72,779 | 77,751 |
| Other expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total functional expenses | \$ 1,343,008 | \$ 1,765,256 | \$ 606,635 | \$ 14,022,026 | \$ 5,158,144 | \$ 2,122,574 | \$ 1,235,801 | \$ 26,251,444 | \$ 341,348 | \$ 887,927 | \$ 338,779 | \$ 1,568,054 | \$ 27,819,498 | \$ (210,893) | \$ 27,608,605 | \$ 27,634,276 |

See Notes to Financial Statements

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

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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.

Basis of Presentation

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

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted: Net assets whose use is limited by donor imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Organization.

Permanently Restricted: Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor – imposed stipulations, which require the corpus to be invested in perpetuity to product income for general or specific purposes.

As of June 30, 2014 and 2013, the Organization had unrestricted and temporarily restricted net assets.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted 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 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, 2013, 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 |

Costs 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, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|---------------------|---------------------|
| Land, buildings and improvements | \$ 5,842,166 | \$ 5,783,858 |
| Vehicles | 682,547 | 769,595 |
| Equipment | 489,893 | 501,893 |
| Furniture | <u>147,583</u> | <u>147,583</u> |
| | 7,162,189 | 7,202,929 |
| Less accumulated depreciation | <u>(2,374,817)</u> | <u>(2,318,015)</u> |
| Property net | <u>\$ 4,787,372</u> | <u>\$ 4,884,914</u> |

Depreciation expense for the years ended June 30, 2014 and 2013 was \$265,480 and \$250,680, 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 Organizations' tax positions and concluded that the Organizations' 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 Organizations' are no longer subject to income tax examinations by the United States Federal or State tax authorities prior to 2010.

Cash Equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

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.

Fair Value of Financial Instruments

FASB ASC Topic No. 820-10, *Financial Instruments*, provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework in generally accepted accounting principles for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with ASC 820-10, the Organization may use valuation techniques consistent with market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, Topic 820-10 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under ASC Topic 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

At June 30, 2014 and 2013, all cash and cash equivalents were classified as Level 1 and were based on fair value. Valuation was derived on the open market.

The carrying amount of cash, prepaid expense, other assets and current liabilities, approximates fair value because of the short maturity of those instruments.

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 27, 2014, 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, 2014 and 2010. At June 30, 2014 and 2013, the uninsured balances aggregated \$1,878,237 and \$1,955,035, respectively.

3. **INVESTMENT IN INSURANCE CAPTIVE**

During May of 2013, the Organization entered into a captive insurance program sponsored by Roundstone Insurance Ltd (Sponsor), to provide reinsurance coverage on behalf of several participants of a group captive known as Roundstone Mid Market Med Group Captive. The Organization and other participants purchase insurance from one or more insurance companies reinsured by the Sponsor. The Organizations' participant investment into the captive insurance program amounted to \$42,728 and \$36,490, respectively at June 30, 2014 and 2013.

4. **DEMAND NOTE PAYABLE**

For the years ended June 30, 2014 and 2013, the Organization maintained a revolving line of credit with a bank. The maximum available credit at June 30, 2014 and 2013 was \$1,500,000. Interest is stated at the Wall Street Journal Prime Rate or 4%, whichever is greater. At June 30, 2014 and 2013, 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 had 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, 2014, 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, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| <u>MONADNOCK DEVELOPMENTAL SERVICES, INC.</u> | | |
| Mortgage note payable to a bank in monthly installments for principal and interest of \$460 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 3.88% and 4.01% at June 30, 2014 and 2013, respectively. The note is collateralized by real estate owned by the Corporation. | \$ 17,240 | \$ 21,987 |
| 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, 2014 and 2013. The note is collateralized by real estate owned by the Organization. | 28,992 | 45,493 |

Mortgage note payable to a bank in monthly installments for principal and interest of \$748 through July of 2033, at which time all principal and interest is due and payable. Interest is fixed for five years and then stated the five year Wall Street Prime Rate plus .50%. This resulted in an interest rate of 3.50% at June 30, 2014. The note is collateralized by real estate owned by the Organization.

125,380

Mortgage note payable to a bank in monthly installments for principal and interest of \$949 through June of 2013 at which time all interest and principal was due. Interest was fixed for five years at 6.30%. The note was collateralized by real estate owned by the Organization and was repaid in full during the year ended June 30, 2014.

- 128,167

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.

121,531

127,075

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 was fixed for five years at 5.89%. The note was collateralized by real estate owned by the Organization, and was repaid in full during the year ended June 30, 2014.

- 53,937

4.75% mortgage note payable to a bank in monthly installments for principal and interest of \$432 through January of 2029, at which time all principal and interest is due and payable. The note is collateralized by real estate owned by the Organization

53,810

Mortgage note payable to a bank in monthly installments for principal and interest of \$5,105 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 4.00% and 4.61% at June 30, 2014 and 2013, respectively. The note is collateralized by real estate owned by the Organization.

122,063

177,189

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 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, 2014 and 2013. The note is collateralized by real estate owned by the Organization. | 24,038 | 32,182 |
| 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 | 170,070 | 174,751 |
| 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. | 103,557 | 110,067 |
| 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% at June 30, 2014 and 2013. The note is collateralized by real estate owned by the Organization. | 15,832 | 25,312 |
| 6.00% retail installment contract payable to a bank in monthly installments for principal and interest of \$753 through October of 2013. The note was collateralized by a Company vehicle, and was repaid in full during the year ended June 30, 2014. | - | 3,020 |
| 4.73% retail installment contract payable to a bank in monthly installments for principal and interest of \$404 through December of 2013. The note was collateralized by a Company vehicle, and was repaid in full during the year ended June 30, 2014. | - | 2,386 |
| 4.50% retail installment contract payable to a bank in monthly installments for principal and interest of \$556 through August of 2016. The note is collateralized by a Company vehicle. | 13,751 | 19,663 |

4.25% retail contract payable to a bank in monthly installments for principal and interest of \$1,101 through May of 2018. The note is collateralized by Company vehicles.

46,640

1.00% retail installment contract payable to the New Hampshire Health and Education Authority in monthly installments for principal and interest of \$970 through February of 2018. The note is collateralized by Company vehicles.

39,995

53,071

RAILROAD STREET MILL, INC.

4% mortgage note payable to Rural Development in monthly installments for principal and interest of \$13,313 through July of 2040. The note is collateralized by real estate owned by the Organization.

2,576,637

2,631,157

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.

191,235

183,416

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 real estate owned by the Organization.

130,845

125,495

\$ 3,781,616

\$ 3,914,368

The scheduled maturities of long term debt as of June 30, 2014 were as follows:

| Year Ended June 30 | Amount |
|-------------------------------|---------------------|
| 2015 | \$ 395,718 |
| 2016 | 192,112 |
| 2017 | 114,624 |
| 2018 | 106,702 |
| 2019 | 91,615 |
| Thereafter | <u>2,880,845</u> |
| | <u>\$ 3,781,616</u> |

7. **BOARD DESIGNATED FUNDS**

As of June 30, 2014 and 2013, the Board of Directors has designated funds to be used for the following:

| | <u>2014</u> | <u>2013</u> |
|-------------------|-------------------|-------------------|
| Development costs | \$ 101,565 | \$ 139,160 |
| Client crisis | <u>50,000</u> | <u>50,000</u> |
| | <u>\$ 151,565</u> | <u>\$ 189,160</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, 2014 and 2013 was \$96,425 and \$100,625, respectively.

9. **ECONOMIC DEPENDENCY**

The Organization's services are performed mostly within Cheshire County, New Hampshire. For the years ended June 30, 2014 and 2013 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.

Medicaid receivables comprise approximately 85% and 81% of the total accounts receivable balances at June 30, 2014 and 2013, respectively. The Organization has no policy for charging interest on past due accounts, not are its accounts receivable pledged as collateral, except as discussed in Note 3.

In order for the Organization to receive this Medicaid funding, 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 \$532,904 and \$528,021 for the years ended June 30, 2014 and June 30, 2013, 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, 2014 and 2013 was \$210,893.

The approximate future minimum lease payments on the above leases as of June 30, 2014 were as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| 2015 | \$ 76,671 |
| 2016 | 18,750 |
| 2017 | 19,200 |
| 2018 | 19,200 |
| 2019 | 19,200 |
| Thereafter | <u>128,400</u> |
| | <u>\$ 281,421</u> |

11. **RENTAL INCOME**

For the year ended June 30, 2013 The Organization leased 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 provided for annual rental increases based upon the Consumer Price Index with certain operating expense escalation charges. At June 30, 2014 all leases had expired and tenants were considered at will. As a result, there are not future minimum rents to be received.

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, 2014.

13. **CLIENT FUNDS**

The Organization administers funds for certain consumers. As of June 30, 2014 and 2013, client funds held by the Organization were as follows:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|
| Client funds administered by the Organization | \$ <u>74,035</u> | \$ <u>72,957</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>2014</u> | <u>2013</u> |
|------------------------------------|-------------------|-------------------|
| Purchase of property and equipment | \$ 134,032 | \$ 189,297 |
| Amount financed and allowances | <u>(48,500)</u> | <u>(81,159)</u> |
| Cash paid for property | <u>\$ 85,532</u> | <u>\$ 108,138</u> |
| Cash paid for interest | <u>\$ 159,275</u> | <u>\$ 168,587</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, 2014 and 2013.

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.

18. **RECLASSIFICATIONS**

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These classifications had no effect on the previously reported change in net assets, or net assets amounts.

MONADNOCK DEVELOPMENTAL SERVICES, INC.
AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FUNCTIONAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2014
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 CHHSO Program | In House Area Agency Other Program | Total DDS Funded | MCST | Other Non DDS Funded | Railroad Street, Mill, Inc. | Total Non DDS Funded | 2014 Total | Eliminations | Consolidated Totals 2014 | Consolidated Totals 2013 |
|--|--------------------|----------------------|----------------|--|----------------------------------|------------------------------------|------------------------------------|------------------|------------|----------------------|-----------------------------|----------------------|---------------|--------------|--------------------------|--------------------------|
| Medicaid State of New Hampshire - DDS | | | | | | | | \$ 24,854,797 | \$ 75,491 | \$ 24,299 | \$ - | \$ 99,790 | \$ 24,954,587 | \$ - | \$ 24,954,587 | \$ 24,757,468 |
| Residential fees | | 139,680 | 52,449 | (18,936) | 75,227 | 30,682 | 30,682 | 248,420 | - | - | - | - | 248,420 | - | 248,420 | 245,228 |
| Other program fees | | 41,097 | (31,490) | 80,041 | 276,077 | 83,613 | 147,746 | 470,413 | - | - | - | - | 470,413 | - | 470,413 | 461,815 |
| Grants | | 1,108 | 84,658 | - | 446,149 | 1,102 | 147,746 | 604,604 | 109,380 | 163,891 | - | 273,271 | 877,875 | - | 877,875 | 953,994 |
| Rental income | | - | - | - | - | - | - | 66,786 | 31,951 | 48,847 | - | 80,798 | 146,564 | - | 146,564 | 215,985 |
| Local education | | - | - | - | 4,400 | 2,400 | 4,400 | 11,200 | - | 182,275 | 374,737 | 557,012 | 566,212 | (210,893) | 357,319 | 372,041 |
| Vocational rehabilitation fees | | - | - | - | - | - | - | - | 34,922 | - | - | 34,922 | 34,922 | - | 34,922 | 2,050 |
| Client resources | 38,894 | 4,896 | 711 | 118,626 | 118,983 | 23,292 | 374 | 305,776 | 50,701 | 26,630 | - | 26,630 | 332,406 | - | 332,406 | 368,371 |
| Production/service income | | - | - | - | - | 4,668 | 44,380 | 49,048 | - | 212 | - | 212 | 49,260 | - | 49,260 | 115,695 |
| Contributions and other public support | 18,295 | - | - | - | - | 1,000 | - | 19,295 | - | 640 | - | 640 | 19,935 | - | 19,935 | 28,388 |
| United Way | | - | 36,750 | - | - | - | - | 36,750 | - | - | - | - | 36,750 | - | 36,750 | 33,867 |
| Investment income | 1,291 | - | - | - | - | - | - | 1,291 | - | - | 51 | 51 | 1,342 | - | 1,342 | 1,026 |
| Other income | 28,969 | - | - | - | 4,243 | 961 | - | 34,173 | 15,958 | 1,100 | - | 17,058 | 51,231 | - | 51,231 | 37,678 |
| Gain on sale of assets | 7,941 | - | - | - | - | - | - | 7,941 | - | - | - | - | 7,941 | - | 7,941 | 5,474 |
| Total functional revenues | \$ 95,390 | \$ 1,673,655 | \$ 611,665 | \$ 14,956,560 | \$ 5,590,203 | \$ 2,379,063 | \$ 1,402,857 | \$ 26,709,474 | \$ 318,403 | \$ 447,894 | \$ 374,788 | \$ 1,141,089 | \$ 27,850,569 | \$ (210,893) | \$ 27,639,688 | \$ 27,834,245 |

MONADNOCK DEVELOPMENTAL SERVICES INC.

Board Members

FY'2016

Updated September 25, 2015

| | | | |
|--|---------|--------------------------------------|---------|
| ADAMS, Nancy | 11/2016 | PROVOST, Beth | 11/2015 |
| COHEN, Jennifer | 11/2017 | *REMILLARD, Adele | 11/2015 |
| CRAIGLOW, Jim, Immediate Past President | 11/2016 | SCHOFIELD, James, | 11/2015 |
| FORREST, Michael (Mike), President | 11/2017 | **SELIGMAN, Sand, | 11/2016 |
| HAYES, Don, Vice President | 11/2016 | *TORELLI, Manfredo | 11/2015 |
| KENNEY, Elizabeth | 11/2015 | *VILES, Shelley L., Treasurer | 11/2017 |
| MANAHAN, Terry, Secretary | 11/2015 | | |

**Consumer

*Consumer Parent/Sibling Guardian

Principal Staff

| Personnel | Title | Full Time Equivalent |
|------------------|-----------------------------------|-----------------------------|
| Sheila Mahon | Regional PD Intermediary Coach | 67% |

SHEILA MAHON

SUMMARY OF EXPERIENCE

- Develops community collaborations
- Sound facilitation and training background
- Solid budgetary capabilities
- Proven grant writer
- Supervisory experience
- Strong problem solving abilities
- Program development
- Exceptional communication abilities

EXPERIENCE

Monadnock Developmental Services, 121 Railroad St, Keene, NH 03431

MCST Project Director, 2005- present

- Coordinates employment training and placement program for individuals with intellectual disabilities in collaboration with community service agencies, schools, youth, families, and employers. Hires, trains and supervises staff.
- Provides professional development to school and agency staff, specializing in employment and special education transition related trainings.
- Manages grants, works with funders to develop materials and support funded sites.

Director of Service Coordination, 2003- 2005

- Oversaw 3 departments. Duties included hiring, training and the supervision of staff.
- Developed and monitored program budgets. Conducted quality assurance reviews.
- Created community support service programs. Identified and accessed local resources and creative funding. Collaborated with community groups by creating partnerships.

Director of Case Management, 1998- 2003

- Supervised Service Coordinators, responsible for services for 250 adults with developmental disabilities.
- Performed quality assurance duties to ensure services were provided, ensured compliance with state regulations.

Case Manager, 1993- 1998

- Carried a caseload of 25-30 adults with developmental disabilities.

A.C.C.E.S.S., PO Box 3072, Peterborough, NH 03458

Associate Director, 1991- 1993

- Responsible for supervision of staff, monthly billing and documentation of services.
- Provided consultation to employers and employees to ensure successful placement.

Job Placement Coordinator 1988- 1991

- Assisted individuals with disabilities in obtaining and maintaining employment.
- Provided on the job support and assistance in learning job skills.

ADDITIONAL EXPERIENCE

- Adjunct Faculty, Keene State College, Transition Planning and Programming, Spring 2007-present

EDUCATION

Masters of Science, Management and Organization, Antioch University New England, Keene, NH

Bachelor of Arts, Sociology, Keene State College, Keene, NH