



CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2015

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

Boards of Trustees
Becket Academy, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Becket Academy, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Becket Academy, Inc. and Affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 13, 2015

BECKET ACADEMY, INC. AND AFFILIATES
Consolidated Statement of Financial Position
June 30, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$ 3,109,907
Assets whose use is limited	64,696
Tuition and fees receivable, net of allowance for doubtful accounts of \$120,000	4,392,513
Current portion of notes receivable	135,000
Prepaid expenses	<u>50,524</u>
Total current assets	<u>7,752,640</u>
Property and equipment	
Land and land improvements	4,318,221
Buildings and building improvements	10,473,032
Leasehold improvements	1,339,258
Vehicles and equipment	3,094,203
Furniture and fixtures	1,097,430
Construction-in-progress	<u>413,554</u>
	20,735,698
Less accumulated depreciation	<u>7,290,962</u>
Net property and equipment	<u>13,444,736</u>
Other assets	
Replacement reserves	36,999
Notes receivable, net of current portion	<u>44,300</u>
Total other assets	<u>81,299</u>
Total assets	<u>\$ 21,278,675</u>

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS

Current liabilities	
Current portion of long-term debt	\$ 812,000
Accounts payable	543,987
Accrued expenses	2,210,937
Prepaid tuition	264,303
Estimated third-party payor settlements	<u>326,068</u>
Total current liabilities	4,157,295
Long-term debt, excluding current portion	<u>8,265,333</u>
Total liabilities	12,422,628
Unrestricted net assets	<u>8,856,047</u>
Total liabilities and net assets	\$ <u>21,278,675</u>

BECKET ACADEMY, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended June 30, 2015

Changes in unrestricted net assets	
Revenue and support	
Tuition, room and board, and other support, net	\$44,867,613
State nutrition program	143,095
Other revenue	<u>580,068</u>
Total revenue and support	<u>45,590,776</u>
Operating expenses	
Program expenses	
Education and home life	39,312,492
Supporting expenses	
General administration	<u>4,011,734</u>
Total operating expenses	<u>43,324,226</u>
Loss on disposal of property and equipment	(62,067)
Deconsolidation of affiliate	<u>(2,197,845)</u>
Change in unrestricted net assets	6,638
Changes in temporarily restricted net assets	
Deconsolidation of affiliate	<u>(8,000)</u>
Total change in net assets	(1,362)
Net assets, beginning of year	<u>8,857,409</u>
Net assets, end of year	<u>\$ 8,856,047</u>

The accompanying notes are an integral part of these consolidated financial statements.

BECKET ACADEMY, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities	\$ (1,362)
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	1,444,448
Loss on disposal of property and equipment	62,067
Change in allowance for doubtful accounts	(35,000)
Deconsolidation of affiliate, net of cash held	1,738,944
Decrease (increase) in	
Tuition and fees receivable	(1,243,097)
Prepaid expenses	69,269
Notes receivable	34,893
Increase in	
Accounts payable	18,529
Accrued expenses	348,428
Prepaid tuition	91,223
Estimated third-party payor settlements	<u>89,364</u>
Net cash provided by operating activities	<u>2,617,706</u>
 Cash flows from investing activities	
Increase in replacement reserve	(8,922)
Increase in due from related parties	275,713
Proceeds from sale of property and equipment	8,054
Purchase of property and equipment	(1,105,082)
Decrease in assets whose use is limited	<u>92,105</u>
Net cash used by investing activities	<u>(738,132)</u>
 Cash flows from financing activities	
Proceeds from long-term borrowings	37,940
Principal payments on long-term borrowings	(925,638)
Payment of deferred financing costs	<u>(46,841)</u>
Net cash used by financing activities	<u>(934,539)</u>
Net increase in cash and cash equivalents	945,035
Cash and cash equivalents, beginning of year	<u>2,164,872</u>
Cash and cash equivalents, end of year	<u>\$ 3,109,907</u>
 <u>Supplemental disclosures</u>	
Noncash transactions:	
Acquisition of property and equipment with issuance of long-term debt	<u>\$ 1,604,655</u>

The accompanying notes are an integral part of these consolidated financial statements.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Nature of Business

Becket Academy, Inc. and Affiliates (the Organization) provides community-based and residential treatment and education services to children, adolescents and young adults through various schools and programs collectively known as the Becket Family of Services.

Becket Academy, Inc. (Becket) is a not-for-profit corporation incorporated under provisions of the laws of the State of Maine at locations in Belgrade, Lewiston, Auburn and Litchfield. Becket operates two region based special purpose schools to serve the residents at the programs and community students in need of specialized academic services. Becket also operates adult group homes in Maine, Massachusetts and New Hampshire. In February 2015, Becket began operations of the Becket House in Rumney, New Hampshire, which was previously operated by Mount Prospect Academy, Inc. (MPA), an affiliate of Becket.

Upper Valley Stewardship Center (UVSC) is a not-for-profit corporation incorporated under provisions of the laws of the State of Maine. Becket is its sole member. UVSC operates the Mountain Valley Treatment Center (MVTC) in East Haverhill, New Hampshire. MVTC provides residential treatment for adolescents struggling with anxiety disorders.

MPA is a not-for-profit corporation incorporated under provisions of the General Statutes of the State of New Hampshire. Since 2008, MPA has had a self-perpetuating Board of Trustees completely separate from the Board which governs Becket. Despite the division of control among these entities, they continue to be economically reliant on each other. MPA is licensed by the State of New Hampshire and operates a residential school in Plymouth, New Hampshire. MPA also provides comprehensive in-home and community support services to families in New Hampshire and northeastern Massachusetts under the name Project Connect and Solid Foundations. In February 2015, MPA's interest in two community group homes located in Rumney, New Hampshire and Campton, New Hampshire were transferred to Becket and Vermont Permanency Initiative, Inc. (VPI), respectively.

VPI is a not-for-profit corporation incorporated under provisions of the General Statutes of the State of Vermont. VPI operates the Bennington School, a 55-bed co-educational residential treatment program and the Vail House, a 4-bed female crisis support program in Bennington, Vermont. VPI also operates Connecticut River Academy, LLC (CRA), a specialized day school in Bradford, Vermont, the Becket House at Newbury in Newbury, Vermont, and the Becket House at Campton, in Campton, New Hampshire. VPI offers offers community based support to youth and families in Vermont through the trade name Vermont Support & Stabilization. VPI has a self-perpetuating Board of Trustees completely separate from the Boards which govern MPA, Becket and UVSC. Despite the division of control among these entities, they continue to be economically reliant on each other.

Connecticut River Academy, LLC (CRA), is a not-for-profit corporation incorporated under provisions of the General Statutes of the State of Vermont and is a subsidiary of VPI. All material intercompany transactions and balances have been eliminated.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

The Organization receives a significant portion of its support from state and local governments. A reduction in the level of this support may have a significant effect on the Organization's programs and activities. While the Organization has diversified its funding streams in recent years, policy changes at both the state and federal level could drastically impact operations, including policy changes involving Medicaid reimbursement systems that are under consideration in both New Hampshire and Maine relating to residential child care. Management believes that the current funding environment is more volatile and uncertain than at any point in the Organization's operating history.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the activity of Becket, MPA, UVSC and VPI. All material intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The Organization displays its activities and net assets in three classes: unrestricted, temporarily restricted and permanently restricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, situations in which the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. The Organization had no temporarily or permanently restricted net assets as of June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Cash and Cash Equivalents

All unrestricted, highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

The Organization maintains its cash and certificates of deposit in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk with respect to these accounts.

Assets Whose Use is Limited

Assets whose use is limited consists of cash and cash equivalents reserved for the Organization's self-insured health care plan.

Tuition and Fees Receivable

Tuition and fees receivable are stated at the amount the Organization expects to collect from outstanding balances, net of discounts of \$528,114. The Organization provides for probable uncollectible amounts through a charge to current year earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Expenditures for repairs and maintenance are expensed when incurred, and betterments and assets purchased in excess of \$1,000 are considered for capitalization.

Depreciation of property and equipment is charged against operations using the straight-line method over the estimated useful lives of these assets, as follows:

	<u>Years</u>
Land improvements	7 - 10
Buildings and building improvements	7 - 30
Leasehold improvements	5 - 25
Vehicles and equipment	3 - 5
Furniture and fixtures	2 - 15

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

When assets are sold or disposed of, the related cost and accumulated depreciation and amortization are removed from the respective accounts, and any resulting gain or loss is included in the consolidated statement of activities.

Replacement Reserves

Becket has mortgage notes payable to Maine State Housing Authority. These mortgage notes require Becket to maintain replacement reserve funds in separate accounts for the purpose of providing a cash reserve for future property replacement needs. These restricted amounts are classified as "replacement reserves" in the consolidated statement of financial position and are generally not available for routine operating expenses.

Deferred Costs

Certain costs related to long-term debt such as accountants, attorneys and underwriting fees are capitalized and amortized on a straight-line basis over the lives of the respective debt issues, which mature at various dates through January 2038. During the year ended June 30, 2015, the Organization adopted Financial Accounting Standards Board Accounting Standards Update No. 2015-03 - *Interest-Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*. As a result, the unamortized deferred costs as of June 30, 2015 have been reclassified to be presented as a direct deduction from the carrying amount of the related long-term debt. In addition, the amortization of the deferred costs has been reclassified to interest expense.

Tuition, Room and Board, and Other Support and Other Changes in Net Assets

Tuition, room and board, and other support are recorded as increases in unrestricted net assets at the time the services are provided. In some circumstances, tuition revenues are received prior to the school year and are recorded as a current liability under prepaid tuition. Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions, if any, on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Additionally, the Organization has contractual arrangements with the Maine Department of Health and Human Services (DHHS) to render services to qualifying residents under certain cost-based and fee-for-service reimbursement programs, which may result in the Organization receiving payments for such services which differ from the standard charges. The Organization records its revenue at the net amount expected to be paid by DHHS based upon established rates.

Income Taxes

The entities comprising the Organization are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Allocation of Costs

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

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense totaled \$226,429 in 2015.

Deconsolidation of Affiliate

Effective July 1, 2014, The Oliverian School, Inc. (Oliverian) was no longer affiliated with the Organization and therefore is not reported as an affiliate in the consolidated financial statements. The related net assets were transferred to Oliverian. The net amount transferred to Oliverian was \$2,205,845 and is reflected as a change in net assets.

2. Significant Concentrations and Estimated Third-Party Payor Settlements

Approximately 15% of the revenue recorded during 2015 was from beneficiaries of the New Hampshire Medicaid program.

Approximately 12% of the revenue recorded during 2015 was from beneficiaries of the Vermont Medicaid program.

Approximately 13% of the revenue recorded during 2015 was from the Vermont Department of Education and various school districts located in Maine, New Hampshire, Vermont, Massachusetts, New York and Connecticut.

Approximately 12% of the revenue recorded during 2015 was from the Massachusetts Department of Mental Health and Developmental Services.

Approximately 19% of the revenue recorded during 2015 was from beneficiaries of the Maine Medicaid (MaineCare) program. Under this program, the provider is reimbursed for the care of qualified residents at specified interim rates during the year. Differences between these interim contractual rates and the "cost" of this care, as defined by the Principles of Reimbursement (the Principles) governing the respective programs, are determined and settled on a retroactive basis. Laws and regulations governing the MaineCare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

The consolidated financial statements reflect estimated settlements due under the MaineCare program. Although management expects to receive the estimated amounts, different interpretations of the governing Principles by regulatory authorities could result in subsequent adjustments. Settlements do not become final until cost reports are audited and approved by DHHS. Differences between estimated and actual settlements are recorded as contractual adjustments in the year of final determination. Net resident service revenue decreased approximately \$298,000 in 2015 due to an increase in estimated third-party payor settlements included in tuition, room and board, and other support in the consolidated statement of activities.

The cost reports for 2011, 2012, 2013 and 2014 have not reached final settlement. The estimated balance due to MaineCare was \$326,068 as of June 30, 2015. As of November 13, 2015, these amounts have not increased or decreased. Of this amount, approximately \$181,000 has been audited and is subject to cost settlement as of November 13, 2015. All other estimated amounts due have not yet been cost settled.

Following is a summary of net Maine revenue for 2015:

Tuition, room and board, and other fees	\$12,242,042
Provision for contractual adjustments under third-party reimbursement programs	<u>(198,658)</u>
Net Maine revenue	<u>\$12,043,384</u>

Due to the concentration of residents who receive benefits from the Medicaid reimbursement programs, the Organization is highly dependent upon regulatory authorities' establishing reimbursement rates that are adequate to sustain the Organization's operations.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

3. Notes Receivable

Notes receivable consists of the following:

Becket Academy, Inc.

Note receivable from an employee bearing interest of 5% annually. This note receivable requires payment of \$20,000, plus accrued interest, on October 31, annually through 2015. However, if the employee remains employed by Becket or MPA on the day such payments are due, such amounts shall be forgiven in their entirety.

\$ 20,000

Non-interest bearing note receivable from Connections for Kids, an unaffiliated organization, due in full at date of maturity, June 30, 2016.

100,000

Total Becket Academy, Inc.

120,000

Upper Valley Stewardship Center

Note receivable from an employee bearing interest of 4% annually. Seventy-five percent of the note receivable will amortize over five years with the balance to be paid as a balloon payment in 2017.

59,300

Less current portion

179,300
135,000

Notes receivable, net of current portion

\$ 44,300

4. Lines of Credit

Becket holds a line of credit agreement with Key Bank under which Key Bank agrees to advance up to \$225,000 to Becket upon request. Monies advanced accrue interest at the rate of 4.25%. There was no balance outstanding as of June 30, 2015. The line of credit is collateralized by a security interest in all assets of Becket.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

5. Long-term Debt

Long-term debt consists of the following:

Becket Academy, Inc.

Note payable to Maine State Housing Authority, due in monthly installments of \$2,661, including interest at 7%, through April 2032; collateralized by land, buildings and equipment in Litchfield, Maine.	\$ 303,788
Note payable to Maine State Housing Authority, due in monthly installments of \$2,565, including interest at 7%, through March 2031; collateralized by land, buildings and equipment in Norridgewock, Maine.	304,288
Note payable to Key Bank, due in monthly installments of \$3,608, including interest at 3.99%, through October 2017, at which time the remaining balance is due in full; collateralized by real estate in Belgrade, Maine.	538,699
Note payable to United Bank, due in monthly installments of \$2,178, including interest at 4.25%, through February 2023; collateralized by certain real estate in Lakeville, Massachusetts.	322,864
Note payable to United Bank, due in monthly installments of \$2,158, including interest at 4.25%, through January 2023; collateralized by real estate in Springfield, Massachusetts.	213,024
Note payable to Lake Sunapee Bank, due in monthly installments of \$4,636, including interest at 4.5%, through February 2032; collateralized by certain real estate of Becket.	112,970
Note payable to Coastal Enterprises, Inc., due in monthly installments of \$4,985, including interest at 6.0%, through March 2023, at which time the remaining balance is due in full; collateralized by substantially all assets of Becket.	358,468
Note payable to United Bank, due in monthly installments of \$2,158, including interest at 4.25%, through March 2023; collateralized by real estate in Westminister, Massachusetts.	303,606
Note payable to Coastal Enterprises, Inc., due in monthly installments of \$5,572, including interest at 6.0%, through February 2024, at which time the remaining balance is due in full; collateralized by real estate in Auburn and Belgrade, Maine.	449,369
Note payable to Lake Sunapee Bank, due in monthly installments of \$4,636, including interest at 4.625%, through June 2034; collateralized by certain real estate of Becket.	702,428

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Note payable to Union Bank, due in monthly installments of \$3,079, including interest at 4.25%, through September 2019, at which time the remaining balance is due in full; collateralized by real estate in Bethlehem, New Hampshire.	279,510
Various vehicle notes payable to financial institutions, due in monthly installments, including interest, ranging from \$290 to \$793, totaling \$23,285. Interest rates range from 0% to 9.50%. Maturities range from November 2016 through August 2020. The notes are collateralized by vehicles.	<u>581,380</u>
Total Becket Academy, Inc.	<u>4,470,394</u>
Mount Prospect Academy, Inc.	
Note payable to Meredith Village Savings Bank, due in monthly installments of \$6,294, including interest adjusted annually in April to <i>The Wall Street Journal's</i> prime rate plus 1% (4.25% at June 30, 2015), through April 2028; collateralized by real estate in Plymouth, New Hampshire.	745,681
Note payable to Meredith Village Savings Bank, due in monthly installments of \$5,392, including interest adjusted annually in April to <i>The Wall Street Journal's</i> prime rate plus 1% (4.25% at June 30, 2015), through April 2028; collateralized by real estate in Plymouth, New Hampshire.	670,878
Note payable to Meredith Village Savings Bank, due in monthly installments of \$2,827, including interest adjusted annually in April to <i>The Wall Street Journal's</i> prime rate plus 1% (4.25% at June 30, 2015), through April 2028; collateralized by real estate in Haverhill, New Hampshire.	274,928
Note payable to Community Guarantee Savings Bank, due in monthly installments of \$8,835, including interest at 6.50%, through December 2023; collateralized by real estate associated with the debt.	125,519
Various vehicle and equipment notes payable to financial institutions, payable in monthly installments, including interest, ranging from \$256 to \$748, totaling \$17,874. Interest rates range from 0% to 10.96%. Maturities range from August 2015 through August 2021. The notes are collateralized by vehicles and equipment.	<u>305,546</u>
Total Mount Prospect Academy, Inc.	<u>2,122,552</u>
Upper Valley Stewardship Center	
Note payable to Meredith Village Savings Bank, due in monthly installments of \$3,772, including interest at 6.25%, through May 2017, at which time the remaining balance is due in full; collateralized by real estate in Plymouth, New Hampshire.	252,324

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Various vehicle and equipment notes payable to financial institutions, payable in monthly installments, including interest, ranging from \$362 to \$916, totaling \$5,684. Interest rates range from 0% to 11.99%. Maturities range from August 2015 through November 2019. The notes are collateralized by vehicles and equipment.	<u>141,982</u>
Total Upper Valley Stewardship Center	<u>394,306</u>
Vermont Permanency Initiative, Inc.	
Note payable to Merritt Family, due in monthly installments of \$8,835, including interest at 7%, through January 2038, at which time the remaining balance is due in full; collateralized by land and property in Bennington, Vermont.	1,201,397
Note payable to Woodsville Guaranty Savings Bank, due in monthly installments of \$5,372, including interest at 6.0%, through August 2022, at which time the remaining balance is due in full; collateralized by real estate in Newbury, Vermont.	733,407
Note payable to William and Carol Bailey, due in monthly installments of \$1,988, including interest at 6%, through August 2019, at which time the remaining balance is due in full; collateralized by real estate in Newbury, Vermont.	167,821
Note payable to William and Carol Bailey, at an interest rate of 5%. Interest only payments of \$313 are due in monthly installments through August 2019. Principal and interest payments will commence September 2019 of \$1,415 through September 2024; collateralized by real estate in Newbury, Vermont.	75,000
Various vehicle and equipment notes payable to financial institutions, payable in monthly installments, including interest, ranging from \$309 to \$847, totaling \$3,441. Interest rates range from 4.49% to 12.95%. Maturities range from January 2017 through November 2018. The notes are collateralized by vehicles and equipment.	<u>93,757</u>
Total Vermont Permanency Initiative, Inc.	<u>2,271,382</u>
	9,258,634
Less: Current portion	812,000
Deferred costs	<u>181,301</u>
Long-term debt, excluding current portion	<u>\$ 8,265,333</u>

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Maturities of long-term debt are as follows:

2016	\$ 812,000
2017	972,000
2018	1,127,000
2019	519,000
2020	726,000
Thereafter	<u>5,102,634</u>
	<u>\$ 9,258,634</u>

Interest expense charged to operations, including amortization of deferred costs of \$19,387, was \$566,984 in 2015. Cash paid for interest approximates interest expense.

6. Commitments and Contingencies

Operating Leases

The Organization leases facilities from various parties, including related parties. All related party leases are at or below fair market value as determined by independent licensed appraisers. Certain facilities used for the operations of the Organization are owned and maintained by entities, trusts or individuals related to the Organization's President. Total rent for all leases was \$1,187,009 in 2015. Total rent paid to related parties was \$417,969 in 2015.

Future minimum lease payments for all non-cancelable leases having a lease term in excess of one year are as follows:

2016	\$ 586,509
2017	398,679
2018	380,576
2019	145,323
2020	<u>23,850</u>
Total	<u>\$ 1,534,937</u>

Self-Insurance

The Organization has a self-insured health care plan for substantially all of its employees. The Organization has obtained reinsurance coverage to limit its exposure associated with this plan individually of \$75,000 with an aggregate limit of 125% of the expected claims. At June 30, 2015, the Organization has accrued \$304,330, under the self-insurance contract, reported in the Organization's accrued expenses in the consolidated statement of financial position.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

Litigation

The Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Organization's future positions or results of operations.

7. Defined Contribution Retirement Plans

The Organization provides defined contribution retirement plans for eligible employees. All employees aged 21 or older may begin participation in the plans. Years of service requirements range from one to two years depending on the entity. Plan contributions by participants and the Organization range from three percent to five percent of regular salary.

Employer contributions were as follows:

Becket	\$ 115,049
MPA	60,987
UVSC	40,003
VPI	<u>70,246</u>
Total	<u>\$ 286,285</u>

8. Service Provider Tax

The Maine Legislature enacted legislation that repealed the sales tax on certain kinds of services and replaced it with a new Service Provider Tax (SPT). This law imposes a 5% SPT, effective July 1, 2004, on the "value" (i.e., sales price) of certain services provided in the State including Private Non-Medical Institutions services and certain clinical and outpatient services. Providers are taxed based on all revenue, regardless of source, received for the purpose of providing food, shelter and treatment. MaineCare is then reimbursing facilities for their portion of the tax by increasing their direct care per diem rate. The portion of the tax paid on revenue generated from private pay residents will not be funded by MaineCare.

Total SPT expense was \$206,415 in 2015.

BECKET ACADEMY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015

9. Surplus Revenue Retention

The Organization is allowed to retain a portion of any surplus generated by its contracts with the Commonwealth of Massachusetts. Retention of surplus is based on 5% on current year contract revenue not to exceed current year surplus or 20% of prior year contract revenue not to exceed the Organization's cumulative surplus balance. The Organization's cumulative surplus balance included in net assets is as follows:

	<u>2015</u>	<u>2014</u>
Cumulative surplus balance, beginning of year	\$ 60,328	\$ 50,922
Surplus amount	<u>(225,433)</u>	<u>9,406</u>
Cumulative surplus balance, end of year	<u>\$ (165,105)</u>	<u>\$ 60,328</u>

The Organization identified no liability based on the 5% surplus criteria in 2015 and 2014. As of June 30, 2015 and 2014, the Organization did not identified a contingent liability based on the 20% contractor surplus revenue accumulated retention criteria.

10. Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through November 13, 2015, which is the date that the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BECKET ACADEMY, INC. AND AFFILIATES

Consolidating Statement of Financial Position

June 30, 2015

ASSETS

	Becket Academy, Inc.	Mount Prospect Academy, Inc.	Upper Valley Stewardship Center	Vermont Permanency Initiative	Total	Intercompany Eliminations	Consolidated Total
Current assets							
Cash and cash equivalents	\$ 1,287,236	\$ 799,275	\$ 309,580	\$ 713,816	\$ 3,109,907	\$ -	\$ 3,109,907
Assets whose use is limited	64,696	-	-	-	64,696	-	64,696
Tuition and fees receivable, net	2,011,309	956,436	58,531	1,366,237	4,392,513	-	4,392,513
Current portion of notes receivable	120,000	-	15,000	-	135,000	-	135,000
Prepaid expenses	30,330	12,763	1,209	6,222	50,524	-	50,524
Due from related parties	2,571,593	-	13,632	2,939	2,588,164	(2,588,164)	-
Total current assets	<u>6,085,164</u>	<u>1,768,474</u>	<u>397,952</u>	<u>2,089,214</u>	<u>10,340,804</u>	<u>(2,588,164)</u>	<u>7,752,640</u>
Property and equipment							
Land and land improvements	684,887	592,378	592,639	2,448,317	4,318,221	-	4,318,221
Buildings and building improvements	6,026,679	3,254,384	1,191,969	-	10,473,032	-	10,473,032
Leasehold improvements	280,299	417,901	580,441	60,617	1,339,258	-	1,339,258
Vehicles and equipment	1,429,976	1,082,159	406,543	175,525	3,094,203	-	3,094,203
Furniture and fixtures	487,893	247,186	322,965	39,386	1,097,430	-	1,097,430
Construction-in-progress	94,123	187,281	6,612	125,538	413,554	-	413,554
Less accumulated depreciation	<u>9,003,857</u>	<u>5,781,289</u>	<u>3,101,169</u>	<u>2,849,383</u>	<u>20,735,698</u>	<u>-</u>	<u>20,735,698</u>
	<u>2,983,417</u>	<u>2,731,772</u>	<u>1,352,116</u>	<u>223,657</u>	<u>7,290,962</u>	<u>-</u>	<u>7,290,962</u>
Net property and equipment	<u>6,020,440</u>	<u>3,049,517</u>	<u>1,749,053</u>	<u>2,625,726</u>	<u>13,444,736</u>	<u>-</u>	<u>13,444,736</u>
Other assets							
Replacement reserves	36,999	-	-	-	36,999	-	36,999
Notes receivable, net of current portion	504,438	-	44,300	-	548,738	(504,438)	44,300
Total other assets	<u>541,437</u>	<u>-</u>	<u>44,300</u>	<u>-</u>	<u>585,737</u>	<u>(504,438)</u>	<u>81,299</u>
Total assets	<u>\$ 12,647,041</u>	<u>\$ 4,817,991</u>	<u>\$ 2,191,305</u>	<u>\$ 4,714,940</u>	<u>\$ 24,371,277</u>	<u>\$ (3,092,602)</u>	<u>\$ 21,278,675</u>

BECKET ACADEMY, INC. AND AFFILIATES

Consolidating Statement of Financial Position (Concluded)

June 30, 2015

LIABILITIES AND NET ASSETS (DEFICIT)

		Becket Academy, Inc.	Mount Prospect Academy, Inc.	Upper Valley Stewardship Center	Vermont Permanency Initiative	Intercompany Eliminations	Consolidated Total
	\$						
Current liabilities							
Current portion of long-term debt	\$	422,000	222,000	74,000	94,000	-	812,000
Accounts payable		221,469	95,994	60,970	165,554	-	543,987
Accrued expenses		1,035,584	336,181	166,262	672,910	-	2,210,937
Prepaid tuition		-	-	264,303	-	-	264,303
Estimated third-party payor settlements		326,068	-	-	-	-	326,068
Due to related parties		-	192,615	1,856,374	539,175	(2,588,164)	-
Total current liabilities		<u>2,005,121</u>	<u>846,790</u>	<u>2,421,909</u>	<u>1,471,639</u>	<u>(2,588,164)</u>	<u>4,157,295</u>
Long-term liabilities							
Long-term debt, excluding current portion		3,979,907	1,867,057	313,029	2,105,340	-	8,265,333
Note payable		-	-	-	504,438	(504,438)	-
Total liabilities		<u>5,985,028</u>	<u>2,713,847</u>	<u>2,734,938</u>	<u>4,081,417</u>	<u>(3,092,602)</u>	<u>12,422,628</u>
Unrestricted net assets (deficit)		<u>6,662,013</u>	<u>2,104,144</u>	<u>(543,633)</u>	<u>633,523</u>	<u>-</u>	<u>8,856,047</u>
Total liabilities and net assets (deficit)		<u>\$ 12,647,041</u>	<u>\$ 4,817,991</u>	<u>\$ 2,191,305</u>	<u>\$ 4,714,940</u>	<u>\$ (3,092,602)</u>	<u>\$ 21,278,675</u>

BECKET ACADEMY, INC. AND AFFILIATES

Consolidating Statement of Activities

Year Ended June 30, 2015

	Becket Academy, Inc.	The Oliverian School, Inc.	Mount Prospect Academy, Inc.	Upper Valley Stewardship Center	Vermont Permanency Initiative	Total	Intercompany Eliminations	Consolidated Total
Changes in unrestricted net assets								
Revenue and support	\$ 18,778,584	\$ -	\$ 8,964,475	\$ 4,281,537	\$ 12,843,017	\$ 44,867,613	\$ -	\$ 44,867,613
Tuition, room and board, and other support, net	49,012	-	94,083	-	-	143,095	-	143,095
State nutrition program	421,719	-	72,120	-	-	493,839	(493,839)	-
Management fees	291,628	-	199,613	78,392	136,463	706,096	(126,028)	580,068
Other revenue	-	-	407,247	-	375,361	782,608	(782,608)	-
Forgiveness of intercompany debt	-	-	-	-	-	-	-	-
Total revenue and support	<u>19,540,943</u>	<u>-</u>	<u>9,737,538</u>	<u>4,359,929</u>	<u>13,354,841</u>	<u>46,993,251</u>	<u>(1,402,475)</u>	<u>45,590,776</u>
Operating expenses								
Program expenses	15,412,358	-	7,976,823	4,316,303	11,733,035	39,438,519	(126,027)	39,312,492
Education and home life	2,439,602	-	504,790	585,772	975,410	4,505,574	(493,840)	4,011,734
Supporting expenses	17,851,960	-	8,481,613	4,902,075	12,708,445	43,944,093	(619,867)	43,324,226
General administration	(54,963)	-	(1,977)	(5,127)	-	(62,067)	-	(62,067)
Total operating expenses	<u>(407,247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(375,361)</u>	<u>(782,608)</u>	<u>782,608</u>	<u>-</u>
Loss on disposal of property and equipment	(407,247)	-	-	-	(375,361)	(782,608)	782,608	-
Non-operating revenue (expense)	-	(2,197,845)	-	-	-	(2,197,845)	-	(2,197,845)
Deconsolidation of affiliate	1,226,773	(2,197,845)	1,253,948	(547,273)	271,035	6,638	-	6,638
Change in unrestricted net assets (deficit)	-	(8,000)	-	-	-	(8,000)	-	(8,000)
Changes in temporarily restricted net assets								
Deconsolidation of affiliate	1,226,773	(2,205,845)	1,253,948	(547,273)	271,035	(1,362)	-	(1,362)
Total change in net assets (deficit)	<u>5,435,240</u>	<u>2,205,845</u>	<u>850,196</u>	<u>3,640</u>	<u>362,488</u>	<u>8,857,409</u>	<u>-</u>	<u>8,857,409</u>
Net assets, beginning of year	\$ 6,662,013	\$ -	\$ 2,104,144	\$ (543,633)	\$ 633,523	\$ 8,856,047	\$ -	\$ 8,856,047
Net assets, end of year	<u>\$ 12,097,253</u>	<u>\$ 2,205,845</u>	<u>\$ 2,954,340</u>	<u>\$ 3,100</u>	<u>\$ 996,011</u>	<u>\$ 17,712,454</u>	<u>\$ -</u>	<u>\$ 17,712,454</u>

BECKET ACADEMY, INC. AND AFFILIATES

Consolidating Statement of Functional Expenses

Year Ended June 30, 2015

	Education and Home Life				General Administration				Total Expenses				
	Becket Academy, Inc.	Mount Prospect Academy, Inc.	Upper Valley Stewardship Center	Vermont Permanency Initiative	Intercompany Eliminations	Total Program Expenses	Becket Academy, Inc.	Mount Prospect Academy, Inc.		Upper Valley Stewardship Center	Vermont Permanency Initiative	Intercompany Eliminations	Total Supporting Expenses
Salaries and wages	\$ 9,394,600	\$ 4,605,894	\$ 2,201,846	\$ 7,196,604	\$ -	\$ 23,399,944	\$ 1,249,031	\$ 171,266	\$ -	\$ 258,770	\$ -	\$ 1,679,067	\$ 25,078,011
Employee benefits	995,761	650,685	417,762	678,587	-	2,742,795	132,389	24,195	-	24,400	-	180,984	2,923,779
Payroll taxes	809,937	400,445	173,208	743,941	-	2,127,531	140,666	14,890	-	79,516	-	235,072	2,362,603
Total personnel costs	11,200,298	5,657,024	2,792,816	8,619,132	-	28,269,270	1,522,086	210,351	-	362,686	-	2,095,123	30,364,393
Advertising	22,822	16,540	24,459	35,557	-	99,378	8,968	4,273	113,810	-	-	127,051	226,429
Athletic transport and recreation	41,645	29,782	32,701	90,408	-	194,536	-	-	-	-	-	-	194,536
Auto repairs and leasing	171,207	54,764	63,694	222,770	(46,041)	466,394	13,943	(20)	-	-	-	13,923	480,317
Bad debts, net of recoveries	-	36,242	63,710	22,690	-	122,642	-	-	-	-	-	-	122,642
Consultation	217,699	-	-	55,500	-	273,199	-	-	-	-	-	-	273,199
Contracted labor	-	22,000	1,000	-	-	23,000	-	5,800	-	-	-	-	5,800
Dues and subscriptions	6,473	5,091	4,545	392	-	16,501	5,643	300	60	1,156	-	7,159	23,660
Equipment rental and maintenance	38,034	22,553	29,493	29,501	-	119,581	8,584	-	1,339	-	-	9,923	129,504
Facilities rental expense	474,608	266,111	244,516	240,405	(79,986)	1,145,654	41,355	-	-	-	-	41,355	1,187,009
Farm	-	-	24,981	-	-	24,981	-	-	-	-	-	-	24,981
Food and supplies	445,921	286,008	139,631	575,392	-	1,446,952	10,681	235	1,628	1,026	-	13,570	1,460,522
Heating fuel	130,487	37,746	27,385	173,207	-	368,825	3,774	-	-	-	-	3,774	372,599
Home life supplies	133,474	38,878	32,680	91,887	-	286,929	4,651	1,020	15,711	-	-	21,382	318,311
Infirmary supplies	19,209	27,516	4,650	96,741	-	148,116	-	-	-	-	-	-	148,116
Insurance	202,946	99,628	54,474	71,104	-	428,152	-	-	-	-	-	-	428,152
Interest	89,730	15,038	16,309	79,788	-	200,865	168,194	99,292	-	-	-	366,119	566,984
Management fees	-	-	-	-	-	-	-	-	-	-	(493,840)	-	-
Materials and supplies	9,681	10,439	3,311	8,066	-	31,497	20,095	9,599	1,053	1,615	-	32,362	63,859
Office supplies	136,768	68,687	21,966	62,324	-	289,745	41,658	10,618	431	24,159	-	76,866	366,611
Other	237,781	12,454	3,074	24,790	-	278,099	285,253	21,535	338,573	16,062	-	661,423	939,522
Other occupancy costs	163,354	58,189	38,364	103,168	-	363,075	3,857	-	-	-	-	3,857	366,932
Pension contribution	88,328	51,840	40,003	31,331	-	211,502	26,721	9,147	-	38,915	-	74,783	286,285
Professional services	142,480	60,141	160,782	69,036	-	432,439	198,932	127,502	2,983	20,703	-	350,120	782,559
Real estate taxes	118,810	80,571	50,649	107,429	-	357,459	3,975	-	-	-	-	3,975	361,434
Repair and maintenance	97,420	62,531	61,539	118,771	-	340,261	1,904	-	-	-	-	1,904	342,165
Student clothing and personal items	25,957	23,705	215	66,558	-	116,435	-	-	-	-	-	-	116,435
Student educational supplies	30,829	66,332	13,320	65,085	-	175,566	-	-	-	-	-	-	175,566
Student transportation	309,862	309,033	72,126	232,092	-	923,113	-	3,973	-	-	-	3,973	927,086
Teacher training and development	25,578	29,101	24,867	51,726	-	131,272	5,738	441	160	1,146	-	7,485	138,757
Telephone	88,958	82,220	34,928	105,124	-	311,230	18,227	1,352	23	-	-	19,602	330,832
Travel	-	-	-	-	-	-	24,914	1,335	1,006	9,024	-	36,279	36,279
Utilities	104,357	94,181	24,448	87,290	-	310,276	4,413	-	-	-	-	4,413	314,689
Depreciation	637,642	352,478	209,657	195,771	-	1,395,548	16,036	(1,963)	5,497	9,943	-	29,513	1,425,061
Total	\$ 15,412,358	\$ 7,976,823	\$ 4,316,303	\$ 11,733,035	\$ (126,027)	\$ 39,312,492	\$ 2,439,602	\$ 504,790	\$ 585,772	\$ 975,410	\$ (493,840)	\$ 4,011,734	\$ 43,324,226