



**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**COMBINED FINANCIAL STATEMENTS**

**and**

**SUPPLEMENTARY INFORMATION**

**June 30, 2011 and 2010**

**With Independent Auditors' Report**





## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Community Partners, Inc. and FOR Developmental Resources

We have audited the accompanying combined balance sheets of Community Partners, Inc. and FOR Developmental Resources (the Organization) as of June 30, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Community Partners, Inc. and FOR Developmental Resources as of June 30, 2011 and 2010, and the combined changes in their net assets and their combined cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining supplementary information in Schedules 1 and 2 is presented for the purposes of additional analysis of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
October 21, 2011

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Combined Balance Sheets**

**June 30, 2011 and 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and equivalents	\$ 779,905	\$ 1,673,401
Accounts receivable, net of allowance for doubtful accounts of \$101,112 for 2011 and \$80,000 for 2010	3,038,628	1,899,714
Prepaid expenses and other assets	71,304	89,028
Assets whose use is limited, required for current liabilities	<u>70,763</u>	<u>66,994</u>
Total current assets	<u>3,960,600</u>	<u>3,729,137</u>
Assets whose use is limited, net of amount required for current liabilities	<u>55,945</u>	<u>45,733</u>
Property and equipment, at cost		
Land	226,035	226,035
Buildings and improvements	3,171,741	3,108,398
Furnishings and equipment	664,243	616,945
Leasehold improvements	345,365	345,365
Vehicles	687,187	695,392
Construction in progress	<u>531,897</u>	<u>-</u>
	5,626,468	4,992,135
Less accumulated depreciation	<u>3,325,679</u>	<u>3,098,404</u>
Net property and equipment	<u>2,300,789</u>	<u>1,893,731</u>
Other assets		
Deferred expenses, net of amortization	<u>20,152</u>	<u>22,483</u>
Total other assets	<u>20,152</u>	<u>22,483</u>
Total assets	<u>\$ 6,337,486</u>	<u>\$ 5,691,084</u>

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

## LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current liabilities		
Current portion of long-term debt	\$ 82,487	\$ 240,000
Line of credit	225,000	-
Accounts payable	189,590	106,262
MaineCare credit balances	192,746	317,844
Deferred grant revenue	4,461	4,038
Estimated third-party payor settlements	495,289	194,337
Tenant security deposits	1,602	1,667
Accrued expenses and payroll withholdings	<u>1,409,330</u>	<u>1,589,172</u>
Total current liabilities	2,600,505	2,453,320
Long-term debt, excluding current portion	<u>1,107,702</u>	<u>820,565</u>
Total liabilities	<u>3,708,207</u>	<u>3,273,885</u>
Commitments and contingencies (Notes 3, 4, 7, 10 and 12)		
Net assets		
Unrestricted	2,627,483	2,414,467
Temporarily restricted for use in the Greenhill Farm program and other client use	<u>1,796</u>	<u>2,732</u>
Total net assets	<u>2,629,279</u>	<u>2,417,199</u>
 Total liabilities and net assets	 <u>\$ 6,337,486</u>	 <u>\$ 5,691,084</u>

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**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Combined Statements of Activities**

**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets		
Operating revenue		
Net client service revenue from residential facilities	\$ 13,453,322	\$13,491,009
Community and work supports	1,060,341	1,252,116
Developmental training	225,910	246,973
DHHS grants	162,870	165,771
Client income	43,045	58,205
Contributed services and supplies	6,634	29,174
Other operating income	63,099	75,940
Rental income	88,813	78,643
Loss on disposal of property and equipment	<u>(2,737)</u>	<u>(31,309)</u>
Total operating revenue	<u>15,101,297</u>	<u>15,366,522</u>
Operating expenses		
Residential facilities		
Intermediate care facilities	3,353,439	3,426,834
Licensed assisted living homes	3,305,806	3,285,555
Supported and independent living	5,592,783	5,587,986
Day treatment and supported employment	918,803	994,954
Independent support options	65,016	162,150
HUD project	89,330	80,067
Central office and other allocated costs	1,545,475	1,565,077
Fundraising and other	<u>94,324</u>	<u>47,223</u>
Total operating expenses	<u>14,964,976</u>	<u>15,149,846</u>
Change in unrestricted net assets from operations (carried forward)	<u>136,321</u>	<u>216,676</u>

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

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Combined Statements of Activities (Concluded)**

**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets from operations (brought forward)	\$ <u>136,321</u>	\$ <u>216,676</u>
Other income		
Interest income	3,534	7,683
Contributions	71,472	39,516
Net assets released from restrictions	<u>1,689</u>	<u>2,414</u>
Total other income	<u>76,695</u>	<u>49,613</u>
Increase in unrestricted net assets	<u>213,016</u>	<u>266,289</u>
Changes in temporarily restricted net assets		
Contributions	753	35
Net assets released from restrictions	<u>(1,689)</u>	<u>(2,414)</u>
Decrease in temporarily restricted net assets	<u>(936)</u>	<u>(2,379)</u>
Increase in net assets	212,080	263,910
Net assets, beginning of year	<u>2,417,199</u>	<u>2,153,289</u>
Net assets, end of year	<u>\$ 2,629,279</u>	<u>\$ 2,417,199</u>

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

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Combined Statements of Cash Flows**

**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 212,080	\$ 263,910
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	259,882	297,155
Loss on disposal of property and equipment	2,737	31,309
Provision for bad debts	44,705	81,663
Decrease (increase) in		
Accounts receivable, net	(1,183,619)	(547,383)
Prepaid expenses and other assets, and insurance escrow	17,721	(4,050)
Increase (decrease) in		
Accounts payable	31,885	65,459
MaineCare credit balances	(125,098)	(29,605)
Deferred grant revenue	423	-
Estimated third-party payor settlements	300,952	45,935
Accrued expenses and payroll taxes	<u>(202,985)</u>	<u>204,687</u>
Net cash (used) provided by operating activities	<u>(641,317)</u>	<u>409,080</u>
Cash flows from investing activities		
Purchase of property and equipment	(592,760)	(289,607)
Net deposits to replacement and residual receipts reserves	<u>(10,212)</u>	<u>(12,885)</u>
Net cash used by investing activities	<u>(602,972)</u>	<u>(302,492)</u>
Cash flows from financing activities		
Borrowings on line of credit	225,000	-
Proceeds from long-term borrowings	248,000	-
Principal payments of long-term debt	(118,376)	(67,817)
(Increase) decrease in trustee-held funds available for debt service	<u>(3,831)</u>	<u>1,148</u>
Net cash provided (used) by financing activities	<u>350,793</u>	<u>(66,669)</u>
Net (decrease) increase in cash and equivalents	<u>(893,496)</u>	<u>39,919</u>
Cash and equivalents, beginning of year	<u>1,673,401</u>	<u>1,633,482</u>
Cash and equivalents, end of year	<u>\$ 779,905</u>	<u>\$ 1,673,401</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 64,321</u>	<u>\$ 73,869</u>

**Non Cash Transaction**

At June 30, 2011, \$51,443 and \$23,143 related to capital purchases for the Lewiston Ridge Project was included in accounts payable and accrued expenses, respectively.

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

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**Operations**

Community Partners, Inc. (CPI) is a not-for-profit entity organized to serve the needs of adults with developmental disabilities. CPI's service area is primarily Androscoggin, Cumberland and York Counties in Central and Southern Maine. Its programs include nursing facilities, assisted living homes, and other programs for training and assisted employment. The individuals served by CPI are supported by state funding programs and state and federal grants. FOR Developmental Resources (FOR) is a separate not-for-profit entity which constructed and operates a seven-unit project for persons with developmental disabilities in Westbrook, Maine.

**1. Summary of Significant Accounting Policies**

**Principles of Combination**

The combined financial statements include the accounts of CPI and FOR (collectively referred to as the Organization), which are affiliated through a common Board of Directors. Intercompany accounts and transactions have been eliminated in the combination.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Client Revenues**

The Organization has contracted with the State of Maine Department of Health and Human Services (DHHS) to provide services to qualified beneficiaries of certain federal and state programs at interim contractual rates which differ from the standard charge for such care. Revenue for federal and state supported beneficiaries is recorded at the interim contractual rates paid by the third-party payors. Differences between the Organization's interim contractual rates for such services and the cost of the care as defined by the Principles of Reimbursement governing the programs are reflected as contractual adjustments.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**Contributions**

Unconditional promises to give cash and contributions received are reported at fair value, and are reported as an increase in net assets. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Organization reports gifts of equipment and other long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization assigns values to services contributed by volunteers when such services would otherwise be performed by salaried personnel and certain other conditions are met. Donated supplies are reflected as contributions at their estimated value at date of receipt. These values are recorded as both revenue and expense in the accompanying financial statements.

**Capitalization and Depreciation**

Land, buildings and improvements, furnishings and equipment, leasehold improvements and vehicles are recorded at cost or market value at the date of the gift. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives using the straight-line method.

**Cash and Equivalents**

Cash and equivalents include highly liquid investments with original maturities of three months or less. CPI maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CPI has not experienced any losses in such accounts. Management believes CPI is not exposed to any significant risk with respect to these accounts.

**Deferred Expenses**

Bond issuance costs associated with the 1999B Maine Health and Higher Educational Facilities Authority (MHHEFA) bonds are being amortized by the straight-line method over the term of the bonds. Costs related to obtaining other financing are capitalized and amortized by the straight-line method over the term of the related loans.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a charge to 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 management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

**Accrued Insurance Reserve**

CPI is partially self-insured with respect to employee health insurance coverage. Healthplans, Inc. serves as the third-party administrator. ASG Risk Management, Inc. provides reinsurance at an individual claim level of \$75,000 and an estimated aggregate annual amount, including premiums, of approximately \$887,900 for 2011 and \$1,053,000 for 2010. CPI has estimated and recorded its obligations under this program. As experience develops, any deviations from estimated amounts will be recorded in current operations. CPI's medical insurance expense related to this plan was \$836,488 and \$602,916 for 2011 and 2010, respectively.

**Rental Income**

Rental income is recognized as rents become due. FOR is prohibited from increasing rents without U.S. Department of Housing and Urban Development (HUD) approval.

**Functional Allocation of Expenses**

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

**Income Taxes**

CPI and FOR are nonprofit organizations pursuant to Internal Revenue Code (Code) Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

**Subsequent Events**

For purposes of the preparation of these financial statements, the Organization has considered transactions or events occurring through October 21, 2011, the date the financial statements were available to be issued.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**2. Assets Whose Use Is Limited**

Assets whose use is limited consist of funds required by the terms of the HUD mortgage and the MHHEFA revenue bond and resident security deposits as follows:

	<u>2011</u>	<u>2010</u>
Community Partners, Inc.		
Bond debt	\$ <u>65,929</u>	\$ <u>62,098</u>
FOR Developmental Resources		
Tenant security deposits	1,602	1,667
Insurance escrow	3,232	3,229
Replacement reserve	48,906	38,701
Residual reserve	<u>7,039</u>	<u>7,032</u>
	<u>60,779</u>	<u>50,629</u>
	<b>126,708</b>	112,727
Less current portion	<u>70,763</u>	<u>66,994</u>
Noncurrent assets whose use is limited	<u>\$ 55,945</u>	<u>\$ 45,733</u>

Under the terms of the Regulatory Agreement governing the mortgage note payable to HUD, FOR is required to make deposits to reserve and escrow accounts to fund expected future costs. FOR also maintains a residual reserve account to deposit excess cash at year-end, if any, as defined by the Regulatory Agreement. FOR must obtain HUD approval for any withdrawals. These amounts are reported as assets whose use is limited.

Required deposits to the replacement reserve were \$1,168 per month through August 2010. Beginning September 2010, monthly deposits were \$2,000.

Withdrawals in the amount of \$13,000 were made in 2011 from the replacement reserve. No withdrawals were made during 2010.

**3. Grants**

Deferred grant revenue represents grant funds received for which qualifying expenditures have not yet been incurred. Final settlement of grant agreements is subject to audit by the grantor. Grants through the year ended June 30, 2007 have been audited by the grantor.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**4. Significant Concentration and Estimated Third-Party Payor Settlements**

CPI renders care to adults with developmental disabilities in nursing facilities and group homes. All of the residents in these facilities qualify for support through the MaineCare program. The "Principles of Reimbursement," which govern the program, provide for the annual retroactive adjustment of the prospective interim rates to reflect the allowable cost of care incurred. Effective April 1, 2010, the group homes are no longer subject to a settlement. 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. The financial statements reflect the estimated settlement 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. Net client resident service revenue increased approximately \$107,000 in 2011 as a result of final settlements. Net client resident service revenue was not materially impacted in 2010 as a result of final settlements. The State has audited cost reports filed through the year ended June 30, 2010, for the nursing facilities and through the year ended June 30, 2007 for the group homes.

The composition of net client service revenue from residential facilities is:

	<u>2011</u>	<u>2010</u>
Client service revenue	\$ <b>13,725,522</b>	\$13,654,228
Contractual adjustments	<u>(272,200)</u>	<u>(163,219)</u>
Net client service revenue from residential facilities	<u>\$ <b>13,453,322</b></u>	<u>\$13,491,009</u>

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

The Maine Claims Management System has been unable to systematically process refunds due to DHHS as a result of overpayments to providers since February 2005. As a result, CPI has \$192,746 and \$317,844 in amounts owed which are included in MaineCare credit balances on the combined balance sheets at June 30, 2011 and 2010, respectively.

Effective September 2010, DHHS implemented a new MaineCare claims processing system (MIHMS) which required CPI to change from semi-monthly to monthly billing. The new system has also been unable to consistently and systematically process MaineCare claims, resulting in delayed payments and an increase in accounts receivable.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**5. Line of Credit**

CPI has available a \$700,000 working capital line of credit with interest at the prime rate minus .50%, but not less than 4.0% (4.0% at June 30, 2011); collateralized by up to \$750,000 of accounts receivable subordinated by an Intercreditor Agreement with MHHEFA. There was \$225,000 outstanding at June 30, 2011. There was no balance outstanding at June 30, 2010. The line is subject to renewal on December 31, 2011.

CPI also has available a \$200,000 line of credit with interest at the prime rate minus .50%, but not less than 4.0% (4.0% at June 30, 2011); collateralized by a first security interest in stock owned or to be acquired granted via an Intercreditor Agreement with MHHEFA. There was no outstanding balance at June 30, 2011 and 2010. The line is subject to renewal on December 31, 2011.

**6. Long-Term Debt**

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
MHHEFA Revenue Bonds Series 1999B, due in monthly installments of principal and interest to trustee sufficient to make semiannual interest payments and retire the bonds when due. Principal payments are due in annual installments ranging from \$50,000 on July 1, 2011 to \$75,000 on July 1, 2019. The bonds bear interest at rates ranging from 4.75% to 6.0%. MHHEFA has, but has not exercised, the option to adjust the interest rate every two years based on prevailing market rates. The bonds are due July 2019; collateralized by substantially all CPI assets.	<b>\$ 452,100</b>	\$ 502,100
6.22% mortgage note, due in monthly installments of \$946, including interest, through August 2029; collateralized by land and building at one home.	<b>122,538</b>	126,041
6.5% mortgage note due in monthly installments of \$1,974, including interest, through December 2020 (terms were modified in December 2010); collateralized by land and building at one home.	<b>167,606</b>	176,680
9.25% HUD mortgage note, due in monthly installments of \$2,179, including interest, through October 2024; collateralized by all property at 15 Woodmont Street, Westbrook, Maine.	<b>199,945</b>	207,229

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
7.00% Finance Authority of Maine loan, due in monthly installments of \$854, including interest, collateralized by a building. The loan was fully paid during 2011.	-	48,515
Mortgage note due in monthly installments of \$1,637, including interest which is at 4.93% for five years then adjusted to the Federal Home Loan Bank rate plus 2.75% thereafter subject to adjustment every five years, through June 2031; collateralized by all property at 26 Old Lisbon Road, Lewiston, Maine.	<u>248,000</u>	<u>-</u>
	<u>1,190,189</u>	1,060,565
Less current portion	<u>82,487</u>	<u>240,000</u>
Long-term debt, excluding current portion	<u>\$1,107,702</u>	<u>\$ 820,565</u>

The Organization makes monthly payments required by the bond agreement into a debt service fund held by the bond trustee. This fund is used to make the semiannual payments as required by the MHHEFA Revenue Bonds Series 1999B to the bond holders. The balance in the debt service fund, which is reported as assets whose use is limited, represents the amounts paid to the bond trustee since the last semiannual bond payment.

Maturities on long-term debt for the next five years are:

2012	\$ 82,487
2013	89,000
2014	90,600
2015	97,300
2016	104,100

Interest expense was \$62,869 and \$72,869 in 2011 and 2010, respectively.

Interest capitalized for the Lewiston Ridge project during 2011 was \$5,566. There was no interest capitalized in 2010.

**7. Operating Leases**

The Organization leases certain buildings to operate the projects under operating leases with terms ranging from one to eight years with minimum annual rents ranging from \$6,000 to \$110,000. The Organization also leases copiers under a noncancellable 60-month cost-per-copy equipment operating lease whose leases expire at varying dates from April 2012 to February 2013. Minimum annual payments ranging from \$110 to \$2,200 are due in monthly installments of \$10 to \$160 under the terms of the leases.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

The Organization also leases other buildings to operate projects which are on month-to-month terms.

The future minimum lease payments for the terms of the leases are:

2012	\$ 234,000
2013	138,000
2014	128,000
2015	128,000
2016	128,000
Thereafter	<u>255,000</u>
	<u>\$ 1,011,000</u>

Total rental expense was \$466,937 and \$463,811 for 2011 and 2010, respectively.

**8. Contributed Services and Supplies**

Included in operating revenue and expenses is the estimated value of contributed services and supplies, the composition of which is:

	<u>2011</u>	<u>2010</u>
Services	\$ -	\$ 264
Supplies	<u>6,634</u>	<u>28,910</u>
Total	<u>\$ 6,634</u>	<u>\$ 29,174</u>

**9. Functional Expenses**

The Organization provides services to individuals with developmental disabilities. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Program services	\$ 13,325,697	\$ 13,522,920
Management and general	1,544,955	1,579,703
Fundraising	<u>94,324</u>	<u>47,223</u>
	<u>\$ 14,964,976</u>	<u>\$ 15,149,846</u>

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Notes to Combined Financial Statements**

**June 30, 2011 and 2010**

**10. Construction in Progress and Commitment**

The Organization has construction in progress of approximately \$532,000 as of June 30, 2011. Approximately \$522,000 of this amount is related to work performed at the Lewiston Ridge Project, a new group home built to replace and expand the former Old Lisbon Road site of which \$248,000 was financed with proceeds from a mortgage note and the remaining was funded through operations. The home was placed into service upon receiving the certificate of occupancy from the City of Lewiston on July 1, 2011.

The remaining construction in progress of approximately \$10,000 is related to the BrightBuilt project at the Victory Avenue home. The Organization received a grant from BrightBuilt Retrofit for \$10,000 and one year's support for interest payments on a loan up to \$90,000. To date, the Organization has received the \$10,000 grant and has entered into a commitment with a contractor for the project which is estimated to cost approximately \$102,000 and be completed in 2012. A loan commitment to fund the project costs was entered into in August 2011 with a loan term of 20 years and an interest rate at the Federal Home Loan Bank (FHLB) index plus 2.75% for five years at which point the rate will be adjusted to the current FHLB rate.

**11. Program Integrity Unit Audit**

During 2008, a limited number of records related to clients receiving services were provided to and audited by the Division of Program Integrity of DHHS. Audit results were communicated to the Organization via a letter dated September 23, 2008. In the letter, DHHS sanctioned the Organization for alleged noncompliance with certain MaineCare billing and recordkeeping requirements. DHHS extrapolated the test results on selected records which amounted to \$1,068,585, and requested that this amount be refunded to DHHS.

The Organization filed an informal review request with DHHS and, due to documentation provided by the Organization to DHHS, the requested refund amount was decreased to approximately \$129,900. As of June 30, 2009, management had recorded a liability to DHHS for \$129,900, which was included in estimated third-party payor settlements on the combined balance sheets. During 2010, the Organization was able to resolve the remaining disputed amount with a payment of approximately \$59,800. The difference of \$70,100 was recorded as a contractual adjustment in the combined statement of activities.

**12. Litigation**

The Organization is involved in litigation and investigations arising in the normal course of business. After consultation with legal counsel, management estimates that any potential liabilities arising from these investigations are within insurance coverage limits and that those matters will be resolved without a material adverse effect on the Organization's future financial position or results from operations. Management has not recorded any liabilities related to these investigations.

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

**Combining Balance Sheet**

**June 30, 2011**

**ASSETS**

	Community Partners, <u>Inc.</u>	FOR Developmental <u>Resources</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Current assets</b>				
Cash and equivalents	\$ 760,822	\$ 19,083	\$ -	\$ 779,905
Accounts receivable, net	3,139,109	-	(100,481)	3,038,628
Prepaid expenses and other assets	70,590	714	-	71,304
Assets whose use is limited, required for current liabilities	<u>65,929</u>	<u>4,834</u>	<u>-</u>	<u>70,763</u>
Total current assets	<u>4,036,450</u>	<u>24,631</u>	<u>(100,481)</u>	<u>3,960,600</u>
Assets whose use is limited, net of amount required for current liabilities	<u>-</u>	<u>55,945</u>	<u>-</u>	<u>55,945</u>
<b>Property and equipment, at cost</b>				
Land	214,517	11,518	-	226,035
Buildings and improvements	2,812,448	359,293	-	3,171,741
Furnishings and equipment	644,782	19,461	-	664,243
Leasehold improvements	345,365	-	-	345,365
Vehicles	687,187	-	-	687,187
Construction in progress	<u>531,897</u>	<u>-</u>	<u>-</u>	<u>531,897</u>
	5,236,196	390,272	-	5,626,468
Less accumulated depreciation	<u>2,994,982</u>	<u>330,697</u>	<u>-</u>	<u>3,325,679</u>
Net property and equipment	<u>2,241,214</u>	<u>59,575</u>	<u>-</u>	<u>2,300,789</u>
<b>Other assets</b>				
Deferred expenses, net of amortization	<u>20,152</u>	<u>-</u>	<u>-</u>	<u>20,152</u>
Total other assets	<u>20,152</u>	<u>-</u>	<u>-</u>	<u>20,152</u>
Total assets	<u>\$ 6,297,816</u>	<u>\$ 140,151</u>	<u>\$ (100,481)</u>	<u>\$ 6,337,486</u>

## LIABILITIES AND NET ASSETS (DEFICIT)

	Community Partners, <u>Inc.</u>	FOR Developmental <u>Resources</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Current liabilities</b>				
Current portion of long-term debt	\$ 74,500	\$ 7,987	\$ -	\$ 82,487
Line of Credit	225,000	-	-	225,000
Accounts payable	189,590	100,481	(100,481)	189,590
MaineCare credit balances	192,746	-	-	192,746
Deferred grant revenue	4,461	-	-	4,461
Estimated third-party payor settlements	495,289	-	-	495,289
Tenant security deposits	-	1,602	-	1,602
Accrued expenses and payroll withholdings	<u>1,407,553</u>	<u>1,777</u>	<u>-</u>	<u>1,409,330</u>
Total current liabilities	2,589,139	111,847	(100,481)	2,600,505
Long-term debt, excluding current portion	<u>915,744</u>	<u>191,958</u>	<u>-</u>	<u>1,107,702</u>
Total liabilities	<u>3,504,883</u>	<u>303,805</u>	<u>(100,481)</u>	<u>3,708,207</u>
<b>Net assets (deficit)</b>				
Unrestricted	2,791,137	(163,654)	-	2,627,483
Temporarily restricted for use in the Greenhill Farm program and other client use	<u>1,796</u>	<u>-</u>	<u>-</u>	<u>1,796</u>
Total net assets (deficit)	<u>2,792,933</u>	<u>(163,654)</u>	<u>-</u>	<u>2,629,279</u>
Total liabilities and net assets (deficit)	<u>\$ 6,297,816</u>	<u>\$ 140,151</u>	<u>\$ (100,481)</u>	<u>\$ 6,337,486</u>

**COMMUNITY PARTNERS, INC. AND  
FOR DEVELOPMENTAL RESOURCES**

Combining Schedule of Unrestricted Departmental Operations

Year Ended June 30, 2011

Description	Greenhill Farm	Old Lisbon Road	Licensed Assisted Living Homes	Independent Living Program	Supported Independent Living	Community Work Services	Community Inclusion Services	Independent Support Options	Fund Raising and Other	Allocated Costs	Central Office Expense	Subtotal	FOR Developmental Resources	Eliminations	Total
<b>Operating revenue</b>															
Net client revenue from residential facilities	\$ 888,269	\$ 2,570,156	\$ 3,940,291	\$ 361,762	\$ 5,635,094	\$ -	\$ -	\$ 57,750	\$ -	\$ -	\$ -	\$ 13,453,322	\$ -	\$ -	\$ 13,453,322
Community and work supports	110,598	-	-	43,512	-	89,888	916,750	10,191	-	-	-	1,170,939	-	(110,598)	1,060,341
Developmental training	-	225,910	-	-	-	-	-	-	-	-	-	225,910	-	-	225,910
DHHS grants	-	-	43,449	-	119,421	-	-	-	-	-	-	162,870	-	-	162,870
Client income	-	-	-	-	-	34,095	-	-	-	-	8,950	43,045	-	-	43,045
Contributed services and supplies	-	2,023	-	-	-	-	-	-	-	-	4,611	6,634	-	-	6,634
Other operating income	(367)	2,169	45,999	-	1,783	32,730	-	-	-	520	280	83,114	-	(20,015)	63,099
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	88,813	-	88,813
Gain (loss) on disposal of property and equipment	(446)	-	79	-	-	-	(2,370)	-	-	-	-	(2,737)	-	-	(2,737)
<b>Total operating revenue</b>	<b>998,054</b>	<b>2,800,258</b>	<b>4,029,818</b>	<b>405,274</b>	<b>5,756,298</b>	<b>156,713</b>	<b>914,380</b>	<b>67,941</b>	<b>-</b>	<b>520</b>	<b>13,841</b>	<b>15,143,097</b>	<b>88,813</b>	<b>(130,613)</b>	<b>15,101,297</b>
<b>Operating expenses</b>															
Salaries - staff	525,582	1,210,526	2,071,473	241,536	3,257,030	105,604	439,590	6,043	56,687	543,080	901,842	9,358,993	16,569	(16,569)	9,358,993
Salaries - clients	-	-	-	-	-	25,336	-	-	-	-	-	25,336	-	-	25,336
Payroll taxes and benefits	105,861	258,963	416,381	48,540	658,933	26,902	84,790	1,301	9,611	101,855	173,835	1,886,972	3,446	(3,446)	1,886,972
Staff training and travel	15,416	23,755	47,592	20,781	82,906	7,070	19,118	1,659	2,394	(63,673)	7,168	164,186	-	-	164,186
Medical supplies	3,968	149,744	21,794	81	15,532	-	1,060	-	-	-	1,687	193,866	-	-	193,866
Outside staffing	5,774	283,152	606	-	24,002	-	50	38,477	3,000	880	6,855	362,796	-	-	362,796
Client activities and workshop supplies	1,539	6,203	6,593	1,792	7,722	52	2,311	-	3,576	100	968	30,856	-	-	30,856
Plant operations and maintenance	30,078	69,071	137,658	2,270	118,058	1,128	10,951	171	100	5,674	55,321	430,480	32,344	-	462,824
Housekeeping and laundry	1,134	10,777	7,608	137	8,243	-	589	-	-	-	468	28,956	-	-	28,956
Dietary	20,922	27,445	74,936	796	113,708	-	1,849	-	-	-	4,043	243,699	-	-	243,699
General and administrative	53,288	163,800	190,750	21,891	274,926	567	49,223	3,253	14,254	2,522	211,867	986,341	11,487	-	997,828
Provision for bad debts	-	-	-	-	43,820	480	(115)	-	-	-	520	44,705	-	-	44,705
Special projects	-	-	-	-	-	-	-	-	4,702	-	-	4,702	-	-	4,702
Developmental training	110,598	225,910	-	-	-	-	-	-	-	-	-	336,508	-	(110,598)	225,910
Depreciation and amortization	26,116	66,890	61,950	-	44,937	-	7,253	-	-	-	46,117	253,263	6,619	-	259,882
Rents	1,106	2,193	63,566	2,651	196,046	-	60,321	-	-	12,027	129,027	466,937	-	-	466,937
Client transportation	21,193	21,370	46,132	-	33,121	78	15,131	-	-	-	-	137,025	-	-	137,025
Team leader allocation	-	-	64,347	7,147	171,531	7,147	21,441	9,909	-	(281,522)	-	-	-	-	-
Clinical allocation	-	-	98,547	52,249	134,547	-	30,877	4,203	-	(320,423)	-	-	-	-	-
Interest expense	2,934	16,706	15,888	-	7,850	-	-	-	-	-	626	44,004	18,865	-	62,869
Contributed services and supplies	-	2,023	-	-	-	-	-	-	-	-	4,611	6,634	-	-	6,634
<b>Total operating expenses</b>	<b>925,509</b>	<b>2,538,528</b>	<b>3,325,821</b>	<b>399,871</b>	<b>5,192,912</b>	<b>174,364</b>	<b>744,439</b>	<b>65,016</b>	<b>94,324</b>	<b>520</b>	<b>1,544,955</b>	<b>15,006,259</b>	<b>89,330</b>	<b>(130,613)</b>	<b>14,964,976</b>
Operating income (loss) before central office allocation	72,545	261,730	703,997	5,403	563,386	(17,651)	169,941	2,925	(94,324)	-	(1,531,114)	136,838	(517)	-	136,321
Central office allocation	98,246	283,374	387,477	42,126	594,275	22,370	84,186	6,674	12,386	-	(1,531,114)	-	-	-	-
<b>Operating income (loss)</b>	<b>(25,701)</b>	<b>(21,644)</b>	<b>316,520</b>	<b>(36,723)</b>	<b>(30,889)</b>	<b>(40,021)</b>	<b>85,755</b>	<b>(3,749)</b>	<b>(106,710)</b>	<b>-</b>	<b>-</b>	<b>136,838</b>	<b>(517)</b>	<b>-</b>	<b>136,321</b>
<b>Other income</b>															
Interest income	-	-	-	-	-	-	-	-	3,487	-	-	3,487	47	-	3,534
Contributions	-	3,650	-	-	-	16,759	1,444	-	49,619	-	-	71,472	-	-	71,472
Net assets released from restrictions	1,689	-	-	-	-	-	-	-	-	-	-	1,689	-	-	1,689
<b>Total other income</b>	<b>1,689</b>	<b>3,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,759</b>	<b>1,444</b>	<b>-</b>	<b>53,106</b>	<b>-</b>	<b>-</b>	<b>76,648</b>	<b>47</b>	<b>-</b>	<b>76,695</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ (24,012)</b>	<b>\$ (17,994)</b>	<b>\$ 316,520</b>	<b>\$ (36,723)</b>	<b>\$ (30,889)</b>	<b>\$ (23,262)</b>	<b>\$ 87,199</b>	<b>\$ (3,749)</b>	<b>\$ (53,604)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,486</b>	<b>\$ (470)</b>	<b>\$ -</b>	<b>\$ 213,016</b>

