

**FLLAC EDUCATIONAL COLLABORATIVE**

**Financial Statements and  
Independent Auditors' Reports**

**For the Year Ended June 30, 2014**

# FLLAC EDUCATIONAL COLLABORATIVE

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### INDEPENDENT AUDITORS' REPORT

To the Executive Board of Directors  
FLLAC Educational Collaborative  
Westminster, Massachusetts

#### Report on the Financial Statements

We have audited the accompanying financial statements of FLLAC Educational Collaborative (the Collaborative), which comprise the statements of net assets as of June 30, 2014, and the related statements of revenue and expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

To the Executive Board of Directors  
FLLAC Educational Collaborative

## **INDEPENDENT AUDITORS' REPORT** (continued)

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of FLLAC Educational Collaborative as of June 30, 2014, and the respective changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Report on Prior Year Audit*

The financial statements of the Collaborative for the year ended June 30, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on December 12, 2013.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Executive Board of Directors  
FLLAC Educational Collaborative

**INDEPENDENT AUDITORS' REPORT (continued)**

*Other Information*

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Collaborative's basic financial statements. The Schedule of Revenue and Expenses - Budget and Actual for the year ended June 30, 2014 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenue and Expenses - Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.

*Robert C. Alario, Certified Public Accountants, P.C.*

Worcester, Massachusetts  
December 18, 2014

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Management's Discussion and Analysis**

This discussion and analysis of the FLLAC Educational Collaborative's financial performance provides an overview of its financial activities for the fiscal years ended June 30, 2014 and 2013. This information should be read in conjunction with the Collaborative's financial statements.

**The Collaborative**

The Collaborative is a regional public multi-service agency authorized by State statute to develop, manage and provide services to local educational agencies. More specifically, the Collaborative creates programs and provides services for children with a wide range of special education needs. Pursuant to the provisions of Massachusetts General Laws, Chapter 40, Section 4E as most recently amended, the Collaborative is an Agreement entered into in 1975 by the school committees of Fitchburg, Leominster and Clinton acting for and on behalf of their respective cities, towns or regional school districts. This agreement has been reaffirmed over time adding Lunenburg, Gardner, West Boylston, the Ayer Shirley Regional School District, the Wachusett Regional School District and the Ashburnham/Westminster Regional School Districts as members. It was last reaffirmed and modified in 2011, adding the town of Winchendon.

**Financial Highlights**

- The assets of the Collaborative exceeded its liabilities at June 30, 2014 and 2013 by \$500,652 and \$598,460, respectively.
- The Collaborative's net assets decreased by \$97,808 and increased by \$385,948 for the years ended June 30, 2014 and 2013, respectively.
- No provision was made in the budget to reflect non-cash activities, such as depreciation. Depreciation for the year ended June 30, 2014 and 2013 was \$8,532 and \$8,533, respectively.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Management's Discussion and Analysis (continued)**

**Using This Annual Report**

This annual report consists of a series of financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments (GASB No. 34), FLLAC Educational Collaborative is considered a special purpose governmental entity. All of the financial activity of the Collaborative is recorded in the general fund. In accordance with GASB No. 34 the Collaborative issues a Statement of Net Assets and a Statement of Revenue and Expenses and a Statement of Cash Flows. These statements provide information about the financial activities of FLLAC Educational Collaborative as a whole.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements comprise four components: 1) statements of net assets, 2) statements of revenue and expenses, 3) statements of cash flows, and 4) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The **statements of net assets** presents information on all of the Collaborative's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Collaborative is improving or deteriorating.

The **statements of revenue and expenses** presents information showing how the Collaborative's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The **statements of cash flows** presents changes in cash resulting from operating, financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of either the earnings event, when an obligation arises, or depreciation of capital assets.

The three financial statements can be found on pages 10 through 12 of this report.

The **notes to the basic financial statements** provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found beginning on page 13 of this report.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Management's Discussion and Analysis (continued)**

**Financial Analysis**

As noted earlier, over time net assets may serve as a useful indicator of an organization's financial position. The Collaborative's assets exceeded liabilities by \$500,652 and \$598,460 at June 30, 2014 and 2013, respectively.

**Collaborative's Net Assets**

<b>Description</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Total Assets	\$1,261,886	\$1,221,811
Total Liabilities	<u>761,234</u>	<u>623,351</u>
Total Net Assets	<u>\$ 500,652</u>	<u>\$ 598,460</u>

Key elements of the governmental activities which increased (decreased) the Collaborative's net assets are as follows:

**Collaborative's Changes in Net Assets**

<b>Description</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Revenues:		
Program Revenue:		
Tuition, Fees, Grants and Other Operating Revenue	\$6,070,161	\$6,378,529
Other Revenue	<u>686</u>	<u>203</u>
Total Revenue	<u>6,070,847</u>	<u>6,378,732</u>
Expenses:		
Educational Services and Operations	<u>6,168,655</u>	<u>5,992,784</u>
Total Expenses	<u>6,168,655</u>	<u>5,992,784</u>
(Decrease) Increase in Net Assets	(97,808)	385,948
Net Assets, Beginning of Year	<u>598,460</u>	<u>212,512</u>
Net Assets, End of Year	<u>\$ 500,652</u>	<u>\$ 598,460</u>



**FLLAC EDUCATIONAL COLLABORATIVE**  
**Management's Discussion and Analysis (continued)**

**Financial Analysis (continued)**

At the end of the years ended June 30, 2014 and 2013, the net assets of \$500,652 and \$598,460 were unrestricted. As a measure of liquidity, it may be useful to compare unrestricted net assets to total expenditures and transfers for the current year. Unrestricted net assets represents 8.1% of total expenditures for the year ended June 30, 2014 and 10.0% for the year ended June 30, 2013. There were no transfers.

Key factors in the change in net assets are as follows:

- Expenditures for operations, including transportation, payroll and pension-on-behalf payments were \$172,804 lower than budgeted for the year ended June 30, 2014 and \$132,928 lower than budgeted for the year ended June 30, 2013.
- Tuition and service fees revenue was \$562,643 and \$679 less than budgeted and total operating revenue was \$271,086 less than and \$255,907 more than budgeted for the years ended June 30, 2014 and 2013, respectively.

State payments-on-behalf of the teacher retirement program totaling \$136,297 and \$90,433 were made directly by the Commonwealth for the benefit of Collaborative teachers for the years ended June 30, 2014 and 2013, respectively.

**Budgetary Highlights**

The approved budget of the Collaborative for the 2014 fiscal year end anticipated revenue of \$6.2 million. The budget anticipated that, with full use of services, there would be an overall increase in net assets of approximately \$400. The actual result was an decrease in net assets of approximately \$98,000. The net assets coming into the fiscal year end 2014 are \$500,652. The goal for the net assets is to be able to cover 2 to 3 months operational costs including payroll; currently the target is \$1.4 million. While we do not expect to realize this figure in the near future, we use it for budget planning as the point at which we would consider a budget based on a charge to fund balance. The tuition structure for the fiscal year end 2014 budget was based on enrollment projections consistent with recent use trends.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Management's Discussion and Analysis (continued)**

**DESE Required Information**

Under Massachusetts General Law and its regulations pertaining to collaborative's, FLLAC Educational Collaborative must disclose certain information. For the year ended June 30, 2014, refer to the following information:

- (1) The Collaborative did not enter into any transactions with related for-profit or non-profit organizations.
- (2) The Collaborative leases office and classroom space as described in Footnote #7 of the Financial Statements.
- (3) The names, duties and total compensation of the five most highly compensated employees are disclosed below:

<b>Employee Name</b>	<b>Position</b>	<b>Total Compensation</b>
Richard Murphy	Executive Director	\$ 117,300
Gary MacCallum	Principal	94,008
Steven Bicchieri	Program Director	91,290
Jean Sauer	Teacher/Consultant	86,719
Julie Bragg	Program Supervisor/Counselor	84,185

- (4) The Collaborative expended the following amounts on administration and overhead:  
  
The total amount expended on administration and overhead for fiscal year 2014 was \$459,341. This amount was for payroll and payroll related, administration and occupancy, the detail of which is reported as administrative expenses on the Statement of Revenue and Expenses.
- (5) The Collaborative did not hold any accounts that may be spent at the discretion of another person or entity.
- (6) The Collaborative did not expend any funds on services for individuals age 22 or older.
- (7) The Collaborative makes all information from audits available publicly online through their individual website.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Management's Discussion and Analysis (continued)**

**Requests for Information**

This financial report is designed to provide the reader with a general overview of finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the business office of the FLLAC Educational Collaborative.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Statements Of Net Assets**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 619,460	\$ 973,918
Accounts Receivable	547,421	184,120
Prepaid Expenses and Deposits	<u>71,541</u>	<u>31,777</u>
Total Current Assets	<u>1,238,423</u>	<u>1,189,815</u>
<b>Equipment, Net</b>	<u>23,464</u>	<u>31,996</u>
<b>Total Assets</b>	<u>1,261,886</u>	<u>1,221,811</u>
 <b>Current Liabilities:</b>		
Accrued Expenses	519,947	475,187
Accounts Payable	115,917	80,837
Deferred Revenue	<u>125,371</u>	<u>67,327</u>
Total Current Liabilities	<u>761,234</u>	<u>623,351</u>
 <b>Contingencies</b>	 -	 -
 <b>Net Assets:</b>		
Unrestricted	<u>500,652</u>	<u>598,460</u>
<b>Total Net Assets</b>	<u>\$ 500,652</u>	<u>\$ 598,460</u>

See independent auditors' report and accompanying notes to financial statements.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Statements Of Revenue And Expenses**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenue</b>		
Tuition and Service Fees	\$ 5,642,936	\$ 6,031,664
Grants and Contributions	117,288	115,461
Transportation Fees	133,640	100,971
Pension-on-Behalf Payments	136,297	90,433
Assessments	40,000	40,000
Other Revenue	629	154
	<hr/>	<hr/>
Total Operating Revenue	6,070,790	6,378,683
	<hr/>	<hr/>
<b>Operating Expenses</b>		
Program Expenses:		
Payroll, Benefits and Contractors	5,116,999	4,980,933
Occupancy	208,268	208,578
Instruction and Transportation	192,839	160,732
Pension-on-Behalf Payments	136,297	90,433
Administration	54,910	58,178
	<hr/>	<hr/>
Total Program Expenses	5,709,314	5,498,854
	<hr/>	<hr/>
Administrative Expenses:		
Payroll, Benefits and Contractors	350,698	347,340
Administration	76,642	113,343
Occupancy	32,002	33,247
	<hr/>	<hr/>
Total Administrative Expenses	459,341	493,930
	<hr/>	<hr/>
Total Operating Expenses	6,168,655	5,992,784
	<hr/>	<hr/>
Operating Income (Loss)	(97,865)	385,899
	<hr/>	<hr/>
Other Income:		
Interest Income	57	49
	<hr/>	<hr/>
<b>Changes In Net Assets</b>	(97,808)	385,948
	<hr/>	<hr/>
<b>Net Assets, Beginning Of Year</b>	598,460	212,512
	<hr/>	<hr/>
<b>Net Assets, End Of Year</b>	<u>\$ 500,652</u>	<u>\$ 598,460</u>

See independent auditors' report and accompanying notes to financial statements.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Received from Tuitions and Service Fees	\$ 5,337,679	\$ 6,056,812
Received from Grants and Contributions	117,288	115,461
Received from Transportation Fees	133,640	100,971
Received from Assessments	40,000	40,000
Received from Other Revenue	629	154
Paid to Employees and Professional Contractors for Services	(5,422,938)	(5,297,848)
Paid to Suppliers for Goods and Services	<u>(560,813)</u>	<u>(637,199)</u>
 Net Cash Provided by (Used In) Operating Activities	 <u>(354,515)</u>	 <u>378,351</u>
<b>Cash Flows from Investing Activities:</b>		
Interest Income	<u>57</u>	<u>49</u>
 Net Cash Provided by Investing Activities	 <u>57</u>	 <u>49</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(354,458)</b>	<b>378,400</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>973,918</u></b>	<b><u>595,518</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 619,460</u></b>	<b><u>\$ 973,918</u></b>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	<u>\$ (97,865)</u>	<u>\$ 385,899</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	8,532	8,533
Changes in Assets and Liabilities:		
Accounts Receivable	(363,302)	21,304
Prepaid Assets	(39,764)	(9,751)
Accrued Expenses	44,760	30,425
Accounts Payable	35,080	(61,903)
Deferred Revenue	<u>58,044</u>	<u>3,844</u>
 Total Adjustments	 <u>(256,650)</u>	 <u>(7,548)</u>
 Net Cash Provided by (Used In) Operating Activities	 <u>\$ (354,515)</u>	 <u>\$ 378,351</u>
<b>Non-Cash Transactions:</b>		
Pension-on-Behalf Payments Made by the Commonwealth of Massachusetts	<u>\$ 136,297</u>	<u>\$ 90,433</u>

See independent auditors' report and accompanying notes to financial statements.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Notes to Financial Statements**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - FLLAC Educational Collaborative (the Collaborative), is an association of school committees formed for the purpose of conducting education programs and services to complement and strengthen the school programs of member school committees and increase educational opportunities for children. The Collaborative provides pre-school, elementary and secondary education for students ages 3 to 21 with significant disabilities. The Collaborative is governed by an Executive Board of Directors comprised of Superintendents or their designees from each member school committee. For financial reporting purposes, the Collaborative is a stand-alone entity, not a component unit of another entity and there are no component units included in its financial statements. The Collaborative was formed by agreement on November 11, 1975. The agreement is changed from time to time to accommodate member changes and the most recent agreement is dated May 12, 2011.

**Basis of Accounting** - These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net assets (or cost recovery), financial position and cash flows. Revenues are recognized when earned, and expenses are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Financial Statement Presentation** - The Collaborative presents information regarding its financial position and activities according to three classifications of net assets described as follows:

**Unrestricted** - All resources over which the Collaborative has discretionary control. The Executive Board of Directors of the Collaborative may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

**Temporarily Restricted** - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

**Permanently Restricted** - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income and appreciation may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments and relevant state law.

At June 30, 2014 and 2013, all net assets are unrestricted.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Notes to Financial Statements**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents** - For purposes of reporting cash flows, the Collaborative considers cash on hand, cash on deposit, money market funds and certificates of deposits with a maturity of three months or less to be cash equivalents.

**Accounts Receivable** - Accounts receivable consists primarily of tuition due from Collaborative members. Management has determined that all amounts are collectible. As such, no allowance for uncollectible accounts is considered necessary.

**Equipment** - Equipment is capitalized when the initial cost is \$5,000 or greater and the estimated useful life is in excess of two years. Assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Deferred Revenue** - Deferred revenue consists of funds received in advance for tuition and service credits for paid tuition not yet used.

**Revenue and Expenses** - The principal operating revenues of the Collaborative are tuitions, fees and assessments from Collaborative members. Tuition charges are based on the enrollments from their respective communities. Operating expenses for the Collaborative include the cost of employees and contractors, occupancy, instruction and transportation, administration and pension-on-behalf payments.

**Income Tax Status** - The Collaborative is a governmental organization recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) and is exempt from federal and state income taxes and is not liable to file a report on its income. Accordingly, no provision for income taxes is made in the financial statements.

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

**Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Budgetary Information** - The annual budget for the Collaborative is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Schedule of Revenue and Expenses - Budget and Actual does not include the Collaborative's pension-on-behalf amounts in revenue or expenses.



**FLLAC EDUCATIONAL COLLABORATIVE**  
**Notes to Financial Statements**  
**June 30, 2014**

**2. CONCENTRATION OF CUSTODIAL CREDIT RISK**

Up until April 1, 2014, the Collaborative utilized the City of Leominster as a custodian for some of its operating funds. Under this arrangement, the Collaborative's funds are deposited to a City of Leominster bank account and payroll checks are withdrawn against this same account. The Collaborative's funds are accounted for separately by the City of Leominster. Funds held in the custodian account at June 30, 2014 and 2013 totaled \$14,901 and \$169,721, respectively, and are included in cash.

At June 30, 2014 and 2013, the remaining cash and cash equivalents were not at credit risk.

**3. EQUIPMENT**

Equipment consists of the following at June 30:

	<u>Estimated Useful Lives</u>	<u>2014</u>	<u>2013</u>
Vehicles	5 years	\$ 53,327	\$ 53,327
Less: Accumulated Depreciation	.	<u>(29,863)</u>	<u>(21,331)</u>
Equipment, Net		<u>\$ 23,464</u>	<u>\$ 31,996</u>

Depreciation expense for the year ended June 30, 2014 and 2013 was \$8,532 and \$8,533, respectively.

**4. LINE OF CREDIT**

At June 30, 2014 and 2013, the Collaborative has a \$350,000 line of credit with a bank. The line is on a revolving basis, payable on demand, and secured by all assets of the Collaborative. The interest rate is variable, with floor rate of 4.25%. At June 30, 2014 and 2013, there were no outstanding amounts on this line.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Notes to Financial Statements**  
**June 30, 2014**

**5. EMPLOYEE BENEFIT PLANS**

The Collaborative's employees participate in the Massachusetts Teachers or State Retirement Plan, a statewide multiple-employer public employee retirement system covering all employees of local school districts within the Commonwealth of Massachusetts. These retirement systems are cost sharing public employee retirement systems with one exception: all risks and costs are not shared by the Collaborative but are the liability of the Commonwealth of Massachusetts. These systems are funded primarily through state and employee contributions, and the Collaborative has no legal obligation for paying benefits. As discussed below, the Collaborative in certain situations does make limited contributions on behalf of certain employees.

All employees who are employed for one half or more of the standard workload at a comparable rate of pay are eligible to participate in the retirement system. Participants have a vested right to retirement benefits at age 55 with at least 10 years of service. Employees who are employed at less than half time have the option to be enrolled in an OBRA (Omnibus Budget Reconciliation Act) plan through the City of Leominster.

Contributions by the employees are a percentage of gross earnings, depending on the length of service, and are withheld by the Collaborative. The Collaborative has no other liability under the plan. State statutes require the Collaborative to pay the Commonwealth's contribution on any portion of a participant's salary that exceeds the statutory minimum salary. The Collaborative has no liability to pay benefits for these participants.

The Collaborative contributes 5.6% of gross earnings for those employees enrolled in the Massachusetts State Retirement Plan. Contributions to provide benefits under the plan are made by the Collaborative under the "pay-as-you-go" method by contributing monthly the amount determined by the Commonwealth's Division of Public Employee Retirement Administration. The contributions to the Massachusetts State Retirement Plan for the years ended June 30, 2014 and 2013 was \$76,716 and \$77,887 respectively.

The Commonwealth of Massachusetts makes a contribution to the Massachusetts Teachers' Retirement Board on behalf of educators employed in the Commonwealth who participate in the Massachusetts Teachers' Retirement System. The amount of these "on-behalf" payments contributed to the plan was \$136,297 and \$90,433 for the years ended June 30, 2014 and 2013 respectively.

The entity does not provide for the Commonwealth's contribution in preparing the annual budget and has not recorded this amount in the Schedule of Revenue and Expenses - Budget to Actual.

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Notes to Financial Statements**  
**June 30, 2014**

**6. LIABILITY FOR COMPENSATED ABSENCES**

Teachers will be credited with fifteen paid sick days per year. Unused sick leave will accumulate to an unlimited amount carried forward from year to year. Teacher Assistants and Therapy Assistants will be credited with nine paid sick days per year effective after thirty working days. Unused sick leave will accumulate to a maximum of ninety days. Prior to thirty working days, assistants will be credited with one day paid sick leave. Sick time is charged to operations when taken by the employees of the Collaborative.

The Executive Director is allowed to carry over five days of vacation to the following year. Vacation pay is charged to operations when taken by the employees. The liability for unused vacation pay at June 30, 2014 and 2013 was approximately \$2,100 and \$2,350, respectively.

**7. COMMITMENTS**

The Collaborative leases classroom space from a member municipality, a related party, under an operating lease which expires August 30, 2014. Lease expense was \$42,000 for the years ended June 30, 2014 and 2013, respectively. The Collaborative rents additional classroom space under tenant-at-will agreements. No commitments are recognized.

The Collaborative leases certain office equipment under operating leases which expire at various times. Lease payments were \$2,412 and \$4,873 during the fiscal years ended June 30, 2014 and 2013, respectively.

The Collaborative leases office space under an operating lease which expires in 2014. Lease payments were \$20,457 and \$20,301 during the fiscal years ended June 30, 2014 and 2013, respectively.

Minimum future lease payments under these leases due over the remainder of the lease terms are as follows:

	<b>Classroom Space</b>	<b>Office Space</b>	<b>Total</b>
Year ended June 30, 2015	<u>\$ 12,000</u>	<u>\$ 3,400</u>	<u>\$ 15,400</u>

**FLLAC EDUCATIONAL COLLABORATIVE**  
**Notes to Financial Statements**  
**June 30, 2014**

**8. RELATED PARTY TRANSACTIONS**

The Collaborative rents classroom space from member municipalities at several locations as a tenant-at-will. Rent expense for these locations was \$132,000 and \$126,000 for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, \$12,000 was due on these arrangements.

**9. CONTINGENCIES**

In the normal course of operations, the Collaborative may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Collaborative.

**10. SUBSEQUENT EVENTS**

The Collaborative has evaluated the financial statement impact of subsequent events occurring through December 18, 2014, the date the financial statements were available to be issued. The Collaborative is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

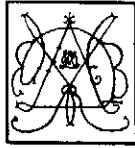
**Required Supplementary Information (Unaudited)**

**FLLAC EDUCATIONAL COLLABORATIVE**

**Schedule of Revenue and Expenses - Budget and Actual  
(Unaudited)  
For the Year Ended June 30, 2014**

	<b><u>Approved Budget</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
<b>Operating Revenue:</b>			
Tuitions and Service Fees	\$ 6,205,579	\$ 5,642,936	\$ (562,643)
Grants and Contributions	-	117,288	117,288
Transportation Fees	-	133,640	133,640
Assessments	-	40,000	40,000
Other Revenue	<u>-</u>	<u>629</u>	<u>629</u>
 Total Revenue	 <u>6,205,579</u>	 <u>5,934,493</u>	 <u>(271,086)</u>
<b>Operating Expenses:</b>			
Payroll, Benefits and Contractors	5,627,161	5,467,697	159,464
Occupancy	308,731	240,270	68,461
Instruction and Transportation	104,825	192,839	(88,014)
Administration	<u>164,445</u>	<u>131,552</u>	<u>32,893</u>
 Total Expenditures	 <u>6,205,162</u>	 <u>6,032,358</u>	 <u>172,804</u>
 Operating Income	 <u>\$ 417</u>	 <u>\$ (97,865)</u>	 <u>\$ (98,282)</u>

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### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Executive Board of Directors  
FLLAC Educational Collaborative  
Westminster, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FLLAC Educational Collaborative (the Collaborative), which comprise the statement of net assets as of June 30, 2014, and the related statements of revenue and expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated December 18, 2014.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Executive Board of Directors  
FLLAC Educational Collaborative

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

(continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other

*Robert C. Alario, Certified Public Accountants, P.C.*

Worcester, Massachusetts  
December 18, 2014