CITY OF BLOOMINGTON, COMMON COUNCIL
JACK HOPKINS SOCIAL SERVICES FUNDING COMMITTEE
2014 GRANT APPLICATION

AGENCY INFORMATION

Lead Agency Name: Stone Belt Arc, Inc.

Is Lead Agency a 501(c)(3)

- (●) yes
- ( ) no

Number of Employees

Full -time: 334 Part-time: 159 Volunteers: 45

Address: 2815 E 10th Street

Bloomington, IN

Zip Code: 47408

Phone: 812-332-2168, ext. 249

Agency E-mail: lgreen@stonebelt.org

Website: www.stonebelt.org

President of Board of Directors: Trish Ierino

Executive Director: Leslie Green

Title: Chief Executive Officer

Phone: 812-332-2168, ext. 249

E-Mail: lgreen@stonebelt.org

Name of Person to Present Proposal to the Committee
(If not the Executive Director):

Title:

Phone:

E-Mail:

Name of Grant Writer: Lori Garraghty

Phone: 812-332-2168, ext. 314

E-mail: lgarraghty@stonebelt.org

Agency's Mission Statement (150 words or less**)**

Stone Belt provides resources and supports to individuals with disabilities and their families. We believe in the uniqueness, worth and right to self-determination of every individual. It is our mission, in partnership with the community, to prepare, empower and support individuals with developmental disabilities and their families to participate fully in the life of the community. Our work includes educational programs, employment services (job coaching, placement, and on-site manufacturing), residential programs (group homes and supported living), and psychological and clinical health services (through our Milestones Clinic). Services are provided with a person-centered, customized approach that focuses on the person's capabilities and interests. Our beliefs are self-determination is essential; learning creates empowerment; all people have contributions to make; home life must be self-directed; emplo

PROJECT INFORMATION

Project Name	Energy efficient windows for six Stone Belt group homes
Is this a collaborative project?	○ yes ◉ no
If a collaborative project, list name(s) of non-lead agency partner(s)	
Address where project will be housed	2815 East 10th Street
Total Cost of Project	$99,560.10
Requested JHSSF Funding	$65,560
Other Funds Expected for this Project (Source, Amount and Confirmed or Pending)	Stone Belt Physical Improvements Budget; $34,000; Confirmed
Number of Total Clients Served by this Project in 2014	37
Total Number of City Residents Served by this Project in 2014	37
Is this a request for operational funds?	○ yes ◉ no
If "yes," indicate whether the request is for a pilot project, bridge funding or a collaborative project.	○ pilot ○ bridge ○ collaborative
Please indicate the period in which you intend to draw down funds, if granted	○ July-September 2014 ◉ October-December 2014

Please describe when you plan to submit your claims for reimbursement and what steps precede a complete draw down of funds.

Stone Belt will submit all claims by December 6, 2014. There are no necessary steps required before drawing down funds.

If completion of your project depends on other anticipated funding, please describe when those funds are expected to be received.

Do you own or have site control of the property on which the project is to take place?

- (•) yes
- ( ) no
- ( ) n/a

Is the property zoned for your intended use?

- (•) yes
- ( ) no
- ( ) n/a

If "no," please explain.

If permits, variances, or other forms of approval are required for your project, please indicate whether the approval has been received. If it has not been received, please indicate the entity from which the permitting or approval is sought and the length of time it takes to secure the permit or approval. *NOTE: Funds will not be disbursed until all requisite variances or approvals are obtained..*

Due to limited funds, the Committee may recommend partial funding for a program. In the event the Committee is unable to meet your full request, will you be able to proceed with partial funding?

- (●) yes
- ( ) no

If "yes," please provide an itemized list of program elements, ranked by priority and cost.

Priority #1 (Item and Cost)	1635 S. Maxwell St, 16 windows, $17,360.95
Priority #2 (Item and Cost)	4417 Blackstone Ct, 12 windows, $14,493.85
Priority #3 (Item and Cost)	1006 W 11th St, 14 windows, $15,825.75
Priority #4 (Item and Cost)	214 E Southern Dr, 16 windows, $17,259.30
Priority #5 (Item and Cost)	713 E Miller Dr, 16 windows, $17,259.30
Priority #6 (Item and Cost)	4100 E Deckard Dr, 16 windows, $17,360.95
Priority #7 (Item and Cost)	

PROJECT SYNOPSIS (250 words or less)
Please provide a brief overview of your project. Assume that this synopsis will be used in a summary of your proposal.

Stone Belt requests $65,560 for the purchase and installation of 90 energy efficient windows as replacements for older windows in 6 group homes within the city limits. The Blackstone group home was built in 1976. The other five group homes were built between 1989 and 1993 and are between 21 and 25 years old. Replacing the older windows will reduce the heating and cooling costs, provide lower HVAC costs by reducing the peak heating and cooling loads, provide improved comfort by reducing hot and cold drafts through each house, reduce condensation on the interior of the windows, and ultimately decrease the housing costs for the 37 people with developmental disabilities living in the homes. Stone Belt anticipates these accessible homes will be in demand for many years regardless of funding or program model changes.

CRITERIA

In the spaces below, please explain how your project meets the Jack Hopkins Funding criteria. Assume that your responses will be used in a summary of your proposal.

NEED (200 words or less)
Explain how your project addresses a previously-identified priority for social services funding as documented in the Service Community Assessment of Needs, the City of Bloomington, Housing and Neighborhood Development Department's 2010-2014 Consolidated Plan, or any other community-wide survey of social services needs.

Affordable housing is a significant need for clients served by Stone Belt. The U.S. Department of Housing and Urban Development considers spending more than 30 percent of one's income on housing indicates a person is cost burdened. According to the national study Priced out in 2012 by the Technical Assistance Collaborative, individuals with disabilities spend as much as 86% of their SSI on housing in the Bloomington Metropolitan Statistical Area.
HAND's 2010-2014 Consolidated Plan states "affordable housing continues to be among the city's highest priorities." The 2012 SCAN document indicates that 49% of renters in the area spend more than the recommended 30% of their income on housing costs. Of those in the lowest earning's category (less than $15,001 annually), 38% report having major problems with affording housing. Most of our clients earn far less than the $15,001. In fact most people with disabilities rely on Social Security and SSI (supplemental security income) for a major portion of their living expenses. Therefore, affording the average $714 median monthly rent in the area, as indicated in the SCAN report, is cost prohibitive.
We see housing affordability and accessibility as major challenges for the clients we support.

ONE-TIME INVESTMENT (100 words or less)
Jack Hopkins Funds are intended to be a one-time investment. If you are requesting operational funds, explain if the request is for pilot or bridge funding and please explain your plan for future funding.

Once the windows are replaced in the houses, there will not be other capital costs for windows. Monthly utility costs will be decreased, and these savings will help to hold down overall housing costs for the residents.

FISCAL LEVERAGING (100 words or less)
Describe how your project will leverage other resources, such as other funds, in-kind contributions, etc.

[~]94% of our revenue for providing services for individuals with developmental disabilities comes from Indiana's FSSA through Medicaid. In 2010, the State initiated Medicaid rate reductions that resulted in a $750,000 decrease in program revenues, returning service rates to 2002 levels. In January 2014, the rates were only partially restored. Because of prolonged, severe cuts, our ability to provide all the needed home upgrades is severely hampered as we maintain high quality programs with reduced resources. We are dedicated to maintaining these homes, and have set aside $34,000 in funds to supplement the SSF grant.

LONG-TERM BENEFITS (200 words or less)
Explain how your program will have broad and long-lasting benefits for our community.

According to the Efficient Windows Collaborative (a coalition of government agencies, research organizations, and manufacturers), upgrading to energy efficient windows in the six homes will save an estimated $30,000 over the next ten years in energy expenses, if utility costs remain constant. Each year, these reduced utility costs will allow us to keep housing costs lower for our clients. Stone Belt is dedicated to providing affordable group home living to individuals with disabilities. Affordable, accessible housing will remain a demand in the city, and these homes will help alleviate the shortage. The Jack Hopkins Social Service funds will help maintain sustainable, ongoing affordable housing for individuals with disabilities.

2014 JHSSF Narrative: Energy Efficient Windows for Six Group Homes
Submitted by Stone Belt Arc

Agency Description

Stone Belt is a nonprofit organization that provides education and support for people with disabilities. We are the oldest and largest agency of our kind in South Central Indiana. We provide residential, employment, manufacturing, life skills training, family support, child development and psychological services to help people actively participate in their community.

Incorporated in 1959 by a group of parents who wanted local services for their children with disabilties, Stone Belt now provides support to over 2,400 people annually in South Central Indiana. We operate 17 facilities to serve individuals throughout their entire lifespan. Our core services are provided to individuals with developmental disabilties, such as cognitive and intellectual challenges, autism, downs syndrome, and cerebral palsy. We also serve children at risk of having disabilities and children with emotional disabilities. We have a wide array of services to meet individual wants and needs: group homes and apartment living; classroom and community-based instruction; as well as community employment and agency-based vocational training. Our programs, each of which is accredited by CARF and Praesidium and credentialed by the State, are regularly cited as exemplary.

Services are provided with a person-centered, customized approach that focuses on the person's capabilities and interests. Stone Belt has earned a very positive reputation for assisting individuals with developmental disabilities, especially those with challenging behaviors, to be meaningfully included in community life through our residential, employment and clinical services.

In addition to supporting children, adolescents and adults with developmental disabilities, we see our role as assisting the larger support networks which exist for these individuals, including family members, guardians and advocates. This group represents the second tier of clientele.

Nature of the Project

Stone Belt is requesting $65,560 from the Jack Hopkins Social Services Funding Committee for the one time purchase and installation of energy efficient windows for our six group homes located in the City of Bloomington. Each home requires a mixture of the three sizes of window. “Location” numbers (noted on the signed estimate from Tommy D’s Windows, Doors, and More, Inc.) refers to the location on the home’s design schematic and not the physical location of each home.

All windows being installed are ENERGY STAR® qualified and meet energy performance criteria set by the Department of Energy and Environmental Protection Agency. Each sized window also has a U-Factor of 0.29, indicating a resistance to heat flow and better insulating properties. With a Solar Heat Gain Coefficient (SHGC) of 0.32, winter solar heat gains will help offset winter heating needs.

Tommy D’s Windows, Doors, and More, Inc., a respected locally-owned company in Bloomington since 1995, has the knowledge and capacity to meet the projected completion dates. Stone Belt has the staff and experience to manage these projects.

Benefits of Energy Efficient Windows

During the summer, non-energy efficient windows can represent a major source of unwanted heat loss, discomfort and condensation problems. During the cooler months, non-energy efficient windows can be a source of unwanted heat gain. High-performance windows not only provide reduced annual heating and cooling bills; they reduce the peak heating and cooling loads as well.

The peak load for a structure is the maximum requirement for heating or cooling at one time. These loads determine the size of the furnace, heat pump, air conditioner, and fans that must be installed. Reducing peak load may allow us to install a smaller heating or cooling system, which would again save money on the long-term utility costs.

Evidence of the Prospects for Long-Term Success

According to the Efficient Windows Collaborative (a coalition of government agencies, research organizations, and manufacturers), upgrading to energy efficient windows in the six homes will save an estimated $30,000 over the next ten years in energy expenses, if utility costs remain constant. If energy costs rise over time, the estimated savings will also increase.

Indications of Success

Affordable housing is a significant need for individuals with disabilities served by Stone Belt. The U.S. Department of Housing and Urban Development considers spending more than 30 percent of one's income on housing indicates a person is cost burdened. According to the national study *Priced out in 2012* by the Technical Assistance Collaborative, individuals with disabilities spend as much as 86% of their SSI on housing in the Bloomington Metropolitan Statistical Area. The majority of Stone Belt clients are at or significantly below the federal poverty line.

HAND's 2010-2014 Consolidated Plan states "affordable housing continues to be among the city's highest priorities." (pg 21) The 2012 SCAN document indicates that 49% of renters in the area spend more than the recommended 30% of their income on housing costs. Of those in the lowest earning's category (less than $15,001 annually), 38% report having major problems with affording housing. Most of our clients earn far less than the $15,001. In fact most people with disabilities rely on Social Security and SSI (supplemental security income) for a major portion of their living expenses. Therefore, affording the average $714 median monthly rent in the area, as indicated in the SCAN report, is cost prohibitive. We see housing affordability and accessibility as major challenges for the clients we support.

Successful installation will result in lower electric bills in each of the group homes, helping lower the living expenses for 37 low-income individuals with disabilities.

2014 JHSSF Project Budget: Energy Efficient Windows for Six Group Homes
Submitted by Stone Belt Arc

EXPENSES

ITEM	COST	QUANTITY	TOTAL
Anderson Classic Window, 4'x 4'	$665.95	42	$27,979.90
Anderson Classic Window, 4'x 4' 11 7/8"	$767.60	42	$32,239.20
Anderson Classic Window, 2' 10 1/8" x 2' 11 15/16"	$558.50	6	$3,351

Labor	$36,000

TOTAL	$99,560.10

REVENUE SOURCES

Stone Belt Physical Improvements Budget	$34,000
Jack Hopkins Social Services Funding	$65,560

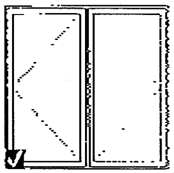
TOTAL	$99,560

Andersen Windows - Abbreviated Quote Report

Project Name: WARD BROWN → Please call 812-360-8897 once recieved.

Quote #: 5588 Print Date: 03/31/2014 Quote Date: 03/31/2014 iQ Version: 14.0

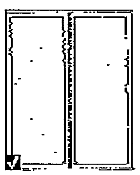
Dealer: TOMMY D'S WINDOWS, DOORS & MORE 3148 S. STATE ROAD 446 BLOOMINGTON, IN 812-330-8898 Sales Rep: AUSTIN LUNDQUIST Created By:	Customer: STONE BELT Billing Address: Phone: Fax: Contact: Trade ID: Promotion Code:

	Item	Qty	Item Size (Operation)	Location	Unit Price	Ext. Price
	0001	42	C24 (LR)	1	$ 665.95	$ 27969.90

RO Size = 4' 0 1/2" W x 4' 0 1/2" H Unit Size = 4' 0" W x 4' 0" H

Unit, White/Clear Pine, LR Handing, (All Sash) High Performance Low-E4 Glass (Includes 4 9/16" Factory Applied Clear Pine Complete Unit Extension Jambs)
  Insect Screen, Stone
  Hardware Pack, PSC, Andersen Classic Series - Stone

Zone: North-Central
U-Factor: 0.29, SHGC: 0.32, ENERGY STAR® Qualified: Yes

	Item	Qty	Item Size (Operation)	Location	Unit Price	Ext. Price
	0002	42	C25 (LR)	3	$ 767.60	$ 32239.20

RO Size = 4' 0 1/2" W x 5' 0 3/8" H Unit Size = 4' 0" W x 4' 11 7/8" H

Unit, White/Clear Pine, LR Handing, (All Sash) High Performance Low-E4 Glass (Includes 4 9/16" Factory Applied Clear Pine Complete Unit Extension Jambs)
  Insect Screen, Stone
  Hardware Pack, PSC, Andersen Classic Series - Stone

Zone: North-Central
U-Factor: 0.29, SHGC: 0.32, ENERGY STAR® Qualified: Yes

STONE BELT ARC, INC.

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

AND

INDEPENDENT AUDITOR'S REPORT

STONE BELT ARC, INC.

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

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Bradley Associates
Healthcare Advisors and CPAs

To the Board of Directors of
Stone Belt Arc, Inc.

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Stone Belt Arc, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of Stone Belt Arc, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors of
Stone Belt Arc, Inc.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state and local awards, as required by *Audits of States, Local Governments, and Non-Profit Organizations* and *Indiana State Board of Accounts Guidelines for Examination of Entities receiving Financial Assistance from Governmental Sources,* is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, on our consideration of Stone Belt Arc, Inc.'s internal control over financial reporting and 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 the 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 Stone Belt Arc, Inc.'s internal control over financial reporting and compliance.

Blankley Associates

October 17, 2013

STONE BELT ARC, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	$ 1,509,848	$ 1,812,258
Medicaid accounts receivable	633,174	670,727
Government services receivable	60,453	48,472
Accounts receivable	33,677	37,513
Other accounts receivable	84,043	80,066
Milestones health clinic receivable net of allowance for doubtful accounts of $43,241 and $50,287, respectively	68,222	68,603
Inventory	24,432	15,503
Prepaid expenses	131,705	184,105
Total current assets	2,545,554	2,917,247
Assets whose use is limited:		
Funds held by trustee pursuant to bond indenture	170,956	170,956
Board designated funds	259,857	244,665
	430,813	415,621
Property and equipment	10,530,125	10,403,588
Accumulated depreciation	(7,284,768)	(6,941,589)
	3,245,357	3,461,999
Other assets:		
Funds held in endowment	183,547	170,960
Deferred financing costs, net	65,749	71,445
	249,296	242,405
Total assets	$ 6,471,020	$ 7,037,272

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

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities:		
Current maturities of long-term debt	$ 224,802	$ 223,663
Accounts payable	180,570	122,174
Accrued salaries and related liabilities	604,078	585,547
Accrued health insurance	245,000	111,100
Total current liabilities	1,254,450	1,042,484
Long-term liabilities:		
Long-term debt less current maturities	2,183,183	2,405,194
Total long-term liabilities	2,183,183	2,405,194
Total liabilities	3,437,633	3,447,678
Net assets:		
Unrestricted	2,880,112	3,436,319
Temporarily restricted	8,250	8,250
Permanently restricted	145,025	145,025
Total net assets	3,033,387	3,589,594
Total liabilities and net assets	$6,471,020	$7,037,272

STONE BELT ARC, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Public support:		
County funds	$ 405,600	$ 400,000
United Way	40,745	39,318
Contributions and other support	176,600	142,833
In-kind contributions	108,829	116,829
Total public support	731,774	698,980
Service revenue:		
Day program	836,988	924,290
Residential program	13,001,359	13,175,508
Contract income	419,967	420,640
Net clinic patient service revenue	1,112,961	1,081,465
Other	27,521	18,528
Total service revenue	15,398,796	15,620,431
Other income:		
Interest	838	2,613
Realized gain on investments	12,063	15,895
Cancellation of reserve for settlement	-	70,000
Other	65,451	29,003
Total other income	78,352	117,511
Total unrestricted public support, service revenue and other income	16,208,922	16,436,922
Expenses:		
Salaries, wages and benefits	13,403,367	13,122,776
Depreciation and amortization	348,875	439,132
Interest	17,931	24,927
Leases	259,930	289,429
Bad debt	173,591	208,983
Other	2,577,052	2,360,193
Total expenses	16,780,746	16,445,440
Change in unrestricted net assets from operations	(571,824)	(8,518)

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

STONE BELT ARC, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012
(CONTINUED)

	2013	2012
Change in net unrealized gain (loss) on investments	15,617	(11,111)
Change in unrestricted net assets	(556,207)	(19,629)
Change in temporarily restricted net assets	-	8,250
Change in restricted net assets	-	300
Net assets, beginning of year	3,589,594	3,600,673
Net assets, end of year	$ 3,033,387	$ 3,589,594

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

STONE BELT ARC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Net cash provided by operating activities:		
Cash received from public support	$ 622,945	$ 582,151
Cash received from service revenue	15,251,017	15,461,582
Cash received from other sources	65,451	99,003
Interest received	838	2,613
Cash paid to suppliers and employees	(15,877,222)	(15,756,909)
Interest paid	(17,931)	(24,927)
Net cash provided by operating activities	45,098	363,513
Net cash (used) by investing activities:		
Capital expenditures	(126,537)	(309,761)
Change in board designated funds	(99)	(101)
Net cash (used) by investing activities	(126,636)	(309,862)
Net cash (used) by financing activities:		
Principal payment of debt	(220,872)	(197,216)
Principal payment of capital lease obligations	-	(77,610)
Proceeds from issuance of debt	-	131,020
Net cash (used) by financing activities	(220,872)	(143,806)
Net (decrease) in cash and cash equivalents	(302,410)	(90,155)
Cash and cash equivalents at beginning of year	1,812,258	1,902,413
Cash and cash equivalents at end of year	$ 1,509,848	$ 1,812,258

The accompanying notes are an integral part of these financial statements

STONE BELT ARC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012
(CONTINUED)

	2013	2012
Reconciliation of change in unrestricted net assets to net cash provided by operating activities:		
Change in unrestricted net assets	$ (556,207)	$ (19,629)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	348,875	439,132
Bad debt	173,591	208,983
Realized (gain) on investments	(12,063)	(15,895)
Unrealized (gain) loss on investments	(15,617)	11,111
Decrease in Medicaid accounts receivable	37,553	8,189
(Increase) decrease in government services receivable	(11,981)	16,054
Decrease in accounts receivable	3,836	3,738
(Increase) decrease in other accounts receivable	(3,977)	21,172
(Increase) in Milestones health clinic receivable	(173,210)	(208,002)
(Increase) decrease in inventory	(8,929)	6,070
Decrease (increase) in prepaid expenses	52,400	(51,786)
Decrease in prepaid pension	-	31,149
Increase (decrease) in accounts payable	58,396	(129,292)
Increase in accrued salaries and related liabilities	18,531	74,083
Increase (decrease) in accrued health insurance	133,900	(31,564)
Net cash provided by operating activities	$ 45,098	$ 363,513

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

1 - Summary of Significant Accounting Policies

Organization

Stone Belt Arc, Inc. (Agency) is a not-for-profit organization whose mission and principal activities are to prepare, empower and support persons with developmental disabilities and their families to participate fully in the life of the community.

The Agency serves children and adults with developmental disabilities and children at risk for developmental disabilities in a seven-county area in south central Indiana. Work Services provides training and employment experience in a manufacturing setting. Employment and Personal Resources provides training on general skills with a concentration in seeking, obtaining and holding a job in the community. Community Living Services provides supervised residential services in a variety of settings from 24-hour supervision to semi-independent support for apartment living. Transportation services represent the costs of transporting clients between facilities and employment locations and maintenance of the transportation facilities.

Financial Statement Presentation

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Temporarily restricted net assets consist of income from funds held by a community foundation. Permanently restricted net assets consist of the funds held by a community foundation to be held indefinitely. The Agency had $145,025 of permanently restricted net assets and $8,250 of temporarily restricted net assets as of June 30, 2013 and 2012, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include monies held in various checking and savings accounts. The Agency maintains these deposits with banks which, at times, may exceed federally insured limits. The Agency has not experienced any loss in these accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The accounts receivable balance represents the unpaid amounts billed to companies and third-party payers that management expects to collect. Contractual adjustments, discounts, and an allowance for doubtful accounts are recorded to report receivables for services at net realizable value. Past due receivables are determined based on contractual terms. The Agency does not accrue interest on any of its accounts receivables.

1 - Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by management based on the Agency's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed in accordance with the Agency's collection policy.

Inventory

Inventory consists of subcontract raw materials and other miscellaneous accessories. Inventory is determined by a physical count and is stated at the lower of cost or market. Costs of all inventory are determined using the weighted-average method.

Assets Whose Use is Limited

Assets whose use is limited are comprised of funds held by a Trustee pursuant to bond indenture and funds designated by the Board of Directors. At June 30, 2013 and 2012 the funds held by Trustee pursuant to bond indenture totaled $170,956 respectively. At June 30, 2013 and 2012 funds designated by the Board of Directors totaled $259,857 and $244,665, respectively.

Property and Equipment

Property and equipment are stated at cost, or for donations, at fair market value at the date of donation, and include expenditures for new additions and repairs that substantially increase the useful lives of existing property and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against operations for the period.

Depreciation, computed using the straight-line method, is provided by annual charges to expense over estimated useful lives as follows:

	Years
Furniture, machinery and equipment	3 - 10
Buildings and improvements	10 - 40
Vehicles	5 - 7

1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Other Assets

Other assets include funds held in two separate endowment funds established for the benefit of the Agency. These funds are measured at fair value on the balance sheet. Also included are deferred financing costs related to the issuance of the Indiana Health Facility Financing Authority Variable Rate Demand Revenue Bonds series 2005 in February, 2005.

Public Support

The Agency receives funds from Monroe County and the United Way. These amounts are recognized as revenue on the accrual basis.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted. During the years ended June 30, 2013 and 2012, the Agency did not receive any temporarily or permanently restricted support.

In-kind Contributions

In addition to receiving cash contributions, the Agency receives in-kind contributions from various donors. It is the policy of the Agency to record the estimated fair market value of certain in-kind donations as contribution revenue in its financial statements, and similarly increase expenses by a like amount. For the years ended June 30, 2013 and 2012, the value of the in-kind donations the Agency received was $108,829 and $116,829, respectively.

1 - Summary of Significant Accounting Policies (Continued)

Service Revenue

The Agency contracts with various State agencies to provide a wide variety of services to persons with disabilities. The Agency vouchers the State agencies monthly based on current activity and the original amount of the grant or contract. Revenue is recognized as services are performed. These vouchers and grants are subject to periodic audit by the State. No estimated settlements have been recorded for periods not audited by the State as such adjustments, if any, cannot reasonably be determined.

The Agency provides services to individuals on the Community Integration and Habilitation (CIH) and Family Support (FS) waivers. The services are provided at statewide hourly rates in accordance with an approved budget. There is a three month authorization period in which an individual can receive services up to limitations within their budgets.

Services provided under the Medicaid waiver programs are subject to periodic audit by a Medicaid audit contractor. The Agency's Medicaid waiver programs have not been audited in several years. No estimated settlements have been recorded for periods not audited by the Medicaid audit contractor as such adjustments, if any, cannot reasonably be determined.

Residential services rendered to Medicaid program beneficiaries in group home settings are paid at prospectively determined per diem rates. The Agency submits annual cost reports to determine its Medicaid rates for group homes. These reports are subject to periodic audit by the Medicaid audit contractor.

At June 30, 2013, group home Medicaid cost reports have been audited through fiscal year 2008. One group home's report has been audited through April 30, 2010. No estimated settlements have been recorded for periods not audited by the Medicaid audit contractor as such adjustments, if any, cannot reasonably be determined.

Laws and regulations governing the Medicaid 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 Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

Revenue from Medicaid programs accounted for approximately 95% of the Agency's total service revenue as of June 30, 2013 and 2012.

1 - Summary of Significant Accounting Policies (Continued)

Service Revenue (Continued)

The State of Indiana is in the process of redesigning Medicaid waivers in an attempt to eliminate waiting lists for services. Any changes to the design of the Medicaid waiver programs may have a material impact on programs and their related revenues. It is uncertain at this time if these changes will have a positive or negative impact on the financial condition of the Agency.

Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by the Agency. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Agency's liquidity, financial condition and results of operations.

Net Clinic Patient Service Revenue

The Agency has agreements with patients and third-party payors that provide for payments to the Agency at amounts different from its established rates. Payment arrangements include sliding fee scales and discounted charges. Net clinic patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for services provided by the Agency. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Agency's liquidity, financial condition, and results of operations.

Federal and State Income Taxes

Stone Belt Arc, Inc. has been granted exemption from taxation as a not-for-profit organization under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. Accordingly, no expense has been recognized for income taxes in the accompanying financial statements.

The Agency has evaluated its tax position for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2010, 2011, 2012, and 2013 tax years. However, the Agency is not currently under audit nor has it been contacted by any jurisdictions. Based on the evaluations of the Agency's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2013 and 2012.

1 - Summary of Significant Accounting Policies (Continued)

Performance Indicator

The performance indicator is change in unrestricted net assets from operations. Changes in unrestricted net assets that are excluded from the performance indicator include change in net unrealized gain on investments.

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.

2 - Board Designated Funds

The cost and fair market value of marketable securities recorded as board designated funds on the Statements of Financial Position as of June 30, 2013 and June 30, 2012 is as follows:

June 30, 2013	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Cash & cash equivalents	$106,710	$ -	$ -	$106,710
Fixed income	60,129		(630)	59,499
Equity securities	76,800	16,933	(85)	93,648
Total board designated funds	$243,639	$16,933	$(715)	$259,857

June 30, 2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Cash & cash equivalents	$105,794	$ -	$ -	$105,794
Fixed income	53,282	1,025		54,307
Equity securities	77,785	7,693	(914)	84,564
Total board designated funds	$236,861	$8,718	$(914)	$244,665

3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2013	2012
Land	$ 461,431	$ 461,431
Buildings and leasehold improvements	4,692,412	4,671,123
Group home building and improvements	1,999,956	1,989,263
Furniture, machinery, vehicles, and equipment	3,376,326	3,281,771
	10,530,125	10,403,588
Accumulated depreciation	(7,284,768)	(6,941,589)
	$ 3,245,357	$ 3,461,999

Depreciation expense for the years ended June 30, 2013 and 2012 was $342,361 and $433,436, respectively.

4 - Funds Held in Endowment

The Agency's board of directors has delegated the stewardship of investing and managing some of the endowment funds to Community Foundation of Bloomington and Monroe County, Inc (The Foundation). The endowment consists of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The cost and fair market value of marketable securities recorded as funds held in endowment on the Statements of Financial Position at June 30, 2013 and June 30, 2012 is as follows:

June 30, 2013	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Cash & cash equivalents	$ 3,360	$ -	$ -	$ 3,360
Fixed income	59,203	-	(533)	58,670
Equity securities	107,446	14,142	(71)	121,517
Total funds held in endowment	$170,009	$14,142	$(604)	$183,547

4 - Funds Held in Endowment (Continued)

June 30, 2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Cash & cash equivalents	$ 2,667	$ -	$ -	$ 2,667
Fixed income	53,491	850	-	54,341
Equity securities	108,292	6,421	(761)	113,952
Total funds held in endowment	$164,450	$7,271	$(761)	$170,960

Interpretation of Law

The Foundation shall hold the Fund, and all contributions to the Fund, subject to the provisions of the applicable Indiana laws and the Foundation's Articles of Incorporation and Bylaws. The Foundation's Board of Directors shall monitor the distribution of the Fund to ensure it is used exclusively for charitable or other exempt purposes (within the meaning of Code section 170 (c)(1) or (2)(B)), and shall have all powers of modification and removal specified in United States Treasury Regulations Section 1.170A-9(3)(11)(v)(B).

Spending Policy

The Foundation's policy is to make available for distribution up to 4.5% of the average fund's balance. The average fund balance is based on the quarter end balance for each fund over sixteen quarters. However, the Foundation must preserve the historic dollar value (principal) of each fund. If and when that is not possible, and if the founding donor has indicated a preference for greater flexibility in payouts, ordinary income only may be granted, equaling up to 3.5% of the average total fund value. The Foundation has not made any distributions to the Agency during the years ended June 30, 2013 and 2012.

4 - Funds Held in Endowment (Continued)

Investment Policy

The Foundation fund's general objectives are to maximize return of the portfolio with reasonable and prudent levels of risk, to grow principal through a total return approach, and to out-perform inflation. The performance goal is to exceed, net of fees, the total return generated by the composite index. Other indices in which the Fund is measured include the S&P 500 Index and the Lehman Brothers Aggregate Bond Index. The portfolio offers both equity and fixed income investments that are diversified among asset classes and investment styles, minimizing the risk of large losses. As a long-term perspective is used for investments, the asset allocation policy is weighted toward equity investments. The chart below details the target and acceptable ranges for asset allocation:

Asset Class	Target
Equities	82%
Fixed Income	17%
Cash Equivalents	1%
Total	100%

Changes in Endowment Net Assets

The following details the changes in endowment net assets for the year ended June 30, 2013 and 2012:

	2013	2012
Endowment net assets, beginning of year	$170,960	$160,210
Net appreciation (realized and unrealized)	12,587	10,650
Contributions	-	100
Endowment net assets, end of year	$183,547	$170,960

Net Asset Composition of Funds Held by Community Foundation

The following details the net asset composition of the endowment fund for the years ended June 30:

	2013	2012
Permanently restricted	$145,025	$145,025
Unrestricted	38,522	25,935
Endowment fund net assets	$183,547	$170,960

5 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are observable inputs other than those in Level 1; and Level 3 inputs are unobservable inputs, and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. No Level 2 or Level 3 inputs were used, as the Agency was able to measure fair value using Level 1 inputs, which generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

June 30, 2013	Fair Value	Level 1 – Quoted Prices In Active Markets For Identical Assets
Board Designated		
Cash & cash equivalents	$106,710	$106,710
Fixed income	59,499	59,499
Equity securities	93,648	93,648
Total Board Designated	$259,857	$259,857
Funds Held in Endowment		
Cash & cash equivalents	$ 3,360	$ 3,360
Fixed income	58,670	58,670
Equity securities	121,517	121,517
Total Funds Held in Endowment	$183,547	$183,547
Total Fair Value Measurement	$443,404	$443,404

5 - Fair Value Measurements (Continued)

Level 1 Fair Value Measurements (Continued

June 30, 2012	Fair Value	Level 1 – Quoted Prices In Active Markets For Identical Assets
Board Designated		
Cash & cash equivalents	$105,794	$105,794
Fixed income	54,307	54,307
Equity securities	84,564	84,564
Total Board Designated	$244,665	$244,665
Funds Held in Endowment		
Cash & cash equivalents	$ 2,667	$ 2,667
Fixed income	54,341	54,341
Equity securities	113,952	113,952
Total Funds Held in Endowment	$170,960	$170,960
Total Fair Value Measurement	$415,625	$415,625

6 - Line of Credit

The Agency entered into a line of credit agreement on April 4, 2012 for $250,000. There was no money borrowed against this line-of-credit as of June 30, 2013 and June 30, 2012. The line-of-credit is collateralized by substantially all of the Agency's assets.

7 - Long-Term Debt

Long-term debt consisted of the following at June 30:

	2013	2012
Indiana Health Facility Financing Authority Variable Rate Demand Revenue Bonds, series 2005, payable in increasing increments through February 2025	$2,235,000	$2,415,000
Note payable – 5.99% fixed rate, payable in monthly payments of $1,938 including interest, final payment due June 2016, collateralized by vehicles	65,614	82,837
Note payable – 4.95% fixed rate, payable in monthly payments of $2,474 including interest, final payment due June 2017, collateralized by vehicles	107,371	131,020
Total	2,407,985	2,628,857
Current maturities	(224,802)	(223,663)
Total long-term liabilities	$2,183,183	$2,405,194

Maturities of long-term debt are as follows at June 30:

	Long-Term Debt
2014	$ 224,802
2015	227,306
2016	229,948
2017	208,893
2018	180,000
Thereafter	1,337,036
	$2,407,985

7 - Long-Term Debt (Continued)

The Agency issued $3,200,000 of Indiana Health Facility Financing Authority Variable Rate Demand Revenue Bonds series 2005 in February, 2005. These bonds mature on February 1, 2025. The bonds are guaranteed by an irrevocable letter of credit from a bank. The proceeds from the issuance of these bonds financed the purchase of the Adams Street building, construction of improvements at the Agency's headquarters, and paid off the remaining balance of the Series 1998 bonds.

Interest on these bonds may be determined at a weekly rate mode or an adjustable rate mode or fixed rate mode at the Agency's discretion subject to obtaining opinions of bond counsel and compliance with certain requirements of the bond indenture. Currently, the interest is being determined in a weekly rate mode. The interest rate of the series 2005 bond at June 30, 2013 was 0.17%.

Under the terms of the bonds, the Agency is required to maintain certain deposits with a trustee. These deposits consist of monthly payments of $15,000 a month in addition to interest and transaction fees. These funds are included with funds held by trustee pursuant to bond indenture in the Statements of Financial Position.

The bonds are secured by a security agreement, a real estate mortgage, and contain certain restrictive covenants. As of June 30, 2013, the Agency is in violation of the covenant requiring a debt service coverage ratio of not less than 1.10 to 1.00 at the end of each fiscal year. The bank issued a temporary waiver of this violation through the year ending June 30, 2013. The Agency is in compliance with all other covenants as of June 30, 2013.

8 - Capital Lease Obligations

Computer equipment and a payroll system subject to capital lease obligations are included in property and equipment. Depreciation of assets under capital leases charged to expense during the years ended June 30, 2013 and 2012 was $0 and $78,869, respectively. The following is a summary of property held under capital leases included in property and equipment as of June 30:

	2013	2012
Computer and payroll equipment	$ 251,841	$ 251,841
Accumulated depreciation	(251,841)	(251,841)
	$ -	$ -

There are no capital lease obligations at June 30, 2013 and 2012.

9 - Restricted Net Assets

The Agency was the recipient of an endowment fund established with the Community Foundation of Bloomington and Monroe County. The fund was established in November 2001 by the family of a previous executive director of the Agency. Periodic contributions are made to the fund. Under the terms of the endowment, the Agency does not have access to any of the funds donated to the endowment. This amount has been reported as permanently restricted net assets on the Statements of Financial Position. On a yearly basis, the Agency has the option to receive any income generated from the donations (up to 5% of average total fund value), but also has the option to return the proceeds to the corpus of the fund. Any income generated from the donated funds has been reported as unrestricted net assets on the Statements of Financial Position.

An endowment fund was established in June 2008 to invest $100,451 of funds donated to the Agency. The donor requested that the initial contribution be permanently restricted and that all earnings be given to the Agency. The initial investment has been reported as permanently restricted net assets on the Statements of Financial Position. Investment income or loss (including realized gains and losses on investments, and dividends) is included in the change in unrestricted net assets from operations. Unrealized gains and losses on the investment are excluded from the change in unrestricted net assets from operations.

10 - Retirement Plan

Starting in July 2009, the Agency implemented an employer matching contribution. Employees are eligible to join the plan after six months of continuous service to the Agency. Vesting of the portion contributed by the Agency plus earnings thereon is based on years of continuous full-time service. A participant is fully vested after three years of continuous service. The non-vested balance is forfeited upon termination. Forfeitures are used to reduce the Agency's contribution. During the year ended June 30, 2012, the employer match was eliminated. The Agency made no contributions for the years ended June 30, 2013 and 2012.

11 - Self-Insured Health Plan

Stone Belt Inc.'s health plan is self-insured by the Agency. A third-party claims administrator has been retained to process all benefit claims. Claims are processed and presented for payment on a weekly basis. The plan purchased individual excess risk insurance to cover individual health claims in excess of a predetermined amount. In addition, the Plan has insured an aggregate stop loss for a predetermined amount. If claims exceed this amount, then an insurance company reimburses the claims in excess of these predetermined amounts. The Agency has reported a liability of $245,000 and $111,100 for incurred but not reported claims as of June 30, 2013 and 2012, respectively. This liability is included in accrued expenses on the Statements of Financial Position.

12 - Commitments

Non-cancelable operating leases, primarily for office equipment, expire over the next two years. Approximate future minimum lease payments required under the above operating leases as of June 30, 2013 are as follows:

2014	$110,898
2015	35,100
	$145,998

13 - Concentrations of Credit Risks

The Agency is located in Bloomington, Indiana. The Agency provides services to individuals and companies which are billed in arrears at least monthly. The majority of individual services are provided under grant contracts or provider agreements with state agencies. Companies are provided credit in the normal course of business without collateral. Accounts receivable by payor was as follows at June 30:

	2013	2012
Medicaid	72%	74%
Government	7	5
Subcontract	4	4
Clinic	8	8
Other Receivables	9	9
	100%	100%

14 - Functional Expenses

The Agency provides a full range of services to mentally and physically disabled individuals within its geographic location. Expenses related to providing these services are as follows for the years ended June 30:

	2013	2012
Program services	$14,393,979	$14,159,140
General and administrative	2,204,339	2,093,837
Fundraising	182,428	192,463
	$16,780,746	$16,445,440

15 - Subsequent Events

Subsequent events have been evaluated through October 17, 2013, which is the date the financial statements were available to be issued. Management has not evaluated subsequent events after October 17, 2013.

ACCOMPANYING INFORMATION

STONE BELT ARC, INC.

SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS

YEAR ENDED JUNE 30, 2013

Grantor	Expenditures
Monroe county funds	$405,600
Total state and local funds included in public support	$405,600

1 - Basis of Presentation

The accompanying schedule of expenditures of state and local awards (the Schedule) includes the state, and local grant activity of Stone Belt Arc, Inc. under programs of the state and local governments for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Stone Belt Arc, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stone Belt Arc, Inc.

2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Our report on our audit of the basic financial statements of Stone Belt Arc, Inc. for the year ended June 30, 2013 appears on page 1.

INDEPENDENT AUDITOR'S 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*

Board of Directors
Stone Belt Arc, Inc.

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 Stone Belt Arc, Inc. (a nonprofit agency), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stone Belt Arc, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stone Belt Arc, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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.

Our consideration of the internal control 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 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 Stone Belt Arc, Inc.'s financial statements are free of 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 statements 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*.

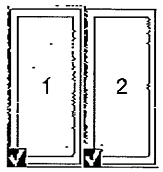
Purpose of this Report

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bradley Associates

Indianapolis, Indiana
October 17, 2013

Item	Qty	Item Size (Operation)	Location	Unit Price	Ext. Price
0003	6	CR13-2 (L-R)	2	$ 558.50	$ 3351.00



RO Size = 2' 10 5/8" W x 3' 0 1/2" H Unit Size = 2' 10 1/8" W x 2' 11 15/16" H

Composite Unit, White/Clear Pine, High Performance Low-E4 Glass, No Grille(s), Perimeter Extension Jambs 4 9/16" Clear Pine Complete Unit, Factory (Direct) Applied, Mulling Location: Factory (Direct), Mull Type: Narrow Mull, Mull Priority: Vertical
Insect Screen, Stone
Hardware Pack, PSC, Andersen Classic Series - White
Perimeter Extension Jambs, Clear Pine, 4 9/16", Factory (Direct) Applied, Complete Unit

Zone: North-Central

Unit	U-Factor	SHGC	ENERGY STAR® Qualified
1	0.29	0.32	Yes
2	0.29	0.32	Yes

PROJECT PRICE ADJUSTMENTS	AMOUNT
ADDER TO INSTALL WINDOWS	$ 36,000.00

This is only an estimate!

Customer Signature

Total Load Factor: 23.892

Subtotal	$ 99,560.10
Tax (0.000%)	$ 0.00
Grand Total	$ 99,560.10

Dealer Signature

**** All graphics viewed from the exterior**

**** Rough opening dimensions are minimums and may need to be increased to allow for use of building wraps or flashings or sill panning or brackets or fasteners or other items.**

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Data is current as of September 2013. This data may change over time due to ongoing product changes or updated test results or requirements. Ratings for all sizes are specified by NFRC for testing and certification. Ratings may vary depending on the use of tempered glass or different grille options or glass for high altitudes etc.

Project Comments: