

**POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.**

FINANCIAL STATEMENTS

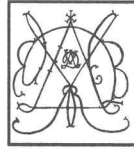
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Polus Center for Social and Economic Development, Inc.
Petersham, MA

Report on the Financial Statements

We have audited the accompanying financial statements of Polus Center for Social and Economic Development, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, 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.

Auditors' 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 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 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 Organization'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 Polus Center for Social and Economic Development, Inc. as of June 30, 2016 and 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of Polus Center for Social and Economic Development, Inc.'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 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 Polus Center for Social and Economic Development, Inc.'s internal control over financial reporting and compliance.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and 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.

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

Leominster, MA
November 7, 2016

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 56,695	\$ 57,234
Accounts Receivable	145,093	204,091
Note Receivable, Current Portion	10,835	-
Inventory	-	2,649
Prepaid Expenses	5,892	6,644
	<u>218,515</u>	<u>270,618</u>
Total Current Assets		
PROPERTY AND EQUIPMENT, NET	<u>309,450</u>	<u>373,846</u>
OTHER ASSETS		
Note Receivable, Net of Current Portion	13,565	-
Investments	2,984	2,357
Deposits	500	8,350
	<u>17,049</u>	<u>10,707</u>
Total Other Assets		
TOTAL ASSETS	<u>\$ 545,014</u>	<u>\$ 655,171</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 198,676	\$ 269,486
Accounts Payable	66,575	68,082
Accrued Expenses and Other Current Liabilities	22,669	33,379
Deferred Revenue	10,237	25,929
Current Portion of Notes Payable	5,204	4,878
	<u>303,361</u>	<u>401,754</u>
Total Current Liabilities		
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	<u>178,105</u>	<u>183,089</u>
TOTAL LIABILITIES	<u>481,466</u>	<u>584,843</u>
NET ASSETS		
Unrestricted Net Assets	61,348	69,328
Temporarily Restricted Net Assets	2,200	1,000
	<u>63,548</u>	<u>70,328</u>
Total Net Assets		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 545,014</u>	<u>\$ 655,171</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Federal Grants	\$ 683,698	\$ -	\$ 683,698
Residential Support and Services	289,125	-	289,125
Contract Revenue - Public	283,828	-	283,828
Private Grants	61,894	-	61,894
Special Events	18,849	-	18,849
Café and Other Revenue	14,585	-	14,585
In-Kind Contributions	9,554	-	9,554
Contributions	7,011	1,200	8,211
Nonotuck Collaboration Income	4,067	-	4,067
Investment Returns	861	-	861
Rental Loss - Net	(15,245)	-	(15,245)
Gain on Disposal of Assets	30,206	-	30,206
Other Income	7,383	-	7,383
	<u>1,395,816</u>	<u>1,200</u>	<u>1,397,016</u>
Total Revenue and Other Support			
	<u>1,395,816</u>	<u>1,200</u>	<u>1,397,016</u>
EXPENSES			
Program Services	1,217,722	-	1,217,722
Management and General	180,872	-	180,872
Fundraising	5,202	-	5,202
	<u>1,403,796</u>	<u>-</u>	<u>1,403,796</u>
Total Expenses			
	<u>1,403,796</u>	<u>-</u>	<u>1,403,796</u>
CHANGES IN NET ASSETS	(7,980)	1,200	(6,780)
NET ASSETS, BEGINNING OF YEAR	<u>69,328</u>	<u>1,000</u>	<u>70,328</u>
NET ASSETS, END OF YEAR	<u>\$ 61,348</u>	<u>\$ 2,200</u>	<u>\$ 63,548</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Residential Support and Services	\$ 2,085,695	\$ -	\$ 2,085,695
Federal Grants	343,231	-	343,231
Nonotuck Collaboration Income	275,000	-	275,000
Contract Revenue - Public	139,548	-	139,548
Private Grants	108,161	-	108,161
Café and Other Revenue	75,990	-	75,990
In-Kind Contributions	10,600	-	10,600
Contributions	6,820	-	6,820
Special Events	5,120	-	5,120
Investment Returns	104	-	104
Rental Loss - Net	(18,601)	-	(18,601)
Loss on Disposal of Assets	(10,472)	-	(10,472)
Net Assets Released From Restrictions	20,778	(20,778)	-
	<u>3,041,974</u>	<u>(20,778)</u>	<u>3,021,196</u>
Total Unrestricted Revenue and Other Support			
EXPENSES			
Program Services	2,585,931	-	2,585,931
Management and General	357,296	-	357,296
Fundraising	1,770	-	1,770
	<u>2,944,997</u>	<u>-</u>	<u>2,944,997</u>
Total Expenses			
CHANGES IN NET ASSETS	96,977	(20,778)	76,199
NET ASSETS, BEGINNING OF YEAR	<u>(27,649)</u>	<u>21,778</u>	<u>(5,871)</u>
NET ASSETS, END OF YEAR	<u>\$ 69,328</u>	<u>\$ 1,000</u>	<u>\$ 70,328</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Support Services Management and General</u>	<u>Fundraising</u>	<u>Total Program and Support Services</u>
PERSONNEL RELATED EXPENSES				
Salaries and Wages	\$ 291,371	\$ 57,492	\$ -	\$ 348,863
Fringe Benefits	37,932	9,927	-	47,859
Payroll Taxes	30,143	5,716	-	35,859
	<hr/>	<hr/>	<hr/>	<hr/>
Total Personnel Related Expenses	359,446	73,135	-	432,581
OTHER OPERATING EXPENSES				
Consultants - Other	289,253	974	-	290,227
Provider Stipends	168,271	-	-	168,271
Staff Travel	130,903	541	-	131,444
Program Support	113,868	-	-	113,868
Program Supplies	81,282	429	-	81,711
Leased Vehicles	-	17,338	-	17,338
Rent	9,000	8,300	-	17,300
Audit Fees	-	15,900	-	15,900
Interest	-	12,928	-	12,928
Utilities	3,615	9,185	-	12,800
Insurance - General	3,035	6,887	-	9,922
Cost of Café Sales	9,101	-	-	9,101
Client Transportation	9,623	49	-	9,672
Service Charges	1,328	5,364	-	6,692
Office Expense	182	5,355	-	5,537
Fundraising Expense	-	-	5,202	5,202
Repairs and Maintenance	1,091	3,623	-	4,714
Insurance - Vehicle	-	4,237	-	4,237
Direct Care Consultants	1,824	2,100	-	3,924
Staff Training	3,684	225	-	3,909
Leased Office Equipment	-	2,817	-	2,817
Legal Fees	-	2,500	-	2,500
Advertising	1,700	280	-	1,980
Insurance - Directors /Officers	-	1,591	-	1,591
Licenses and Permits	603	625	-	1,228
Auto Expense	-	1,167	-	1,167
Bad Debt Expense	-	656	-	656
Postage	3	635	-	638
Real Estate/Property Taxes	-	534	-	534
Printing and Copying	72	205	-	277
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	1,187,884	177,581	5,202	1,370,667
Depreciation	29,838	3,291	-	33,129
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TOTAL EXPENSES	\$ 1,217,722	\$ 180,872	\$ 5,202	\$ 1,403,796

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

		<u>Support Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Program and Support Services</u>	
PERSONNEL RELATED EXPENSES					
Salaries and Wages	\$ 532,899	\$ 164,622	\$ -	\$ 697,521	
Fringe Benefits	69,184	22,006	-	91,190	
Payroll Taxes	66,795	19,281	-	86,076	
	668,878	205,909	-	874,787	
Total Personnel Related Expenses	668,878	205,909	-	874,787	
OTHER OPERATING EXPENSES					
Provider Stipends	1,097,733	-	-	1,097,733	
Consultants - Other	187,965	17,506	-	205,471	
Direct Care Consultants	139,067	-	-	139,067	
Program Support	94,830	-	-	94,830	
Program Supplies	74,643	1,395	-	76,038	
Staff Travel	61,853	1,312	-	63,165	
Client Transportation	58,001	-	-	58,001	
Rent	42,760	15,000	-	57,760	
Cost of Café Sales	36,640	-	-	36,640	
Leased Vehicles	20,257	11,395	-	31,652	
Utilities	14,353	13,325	-	27,678	
Interest	-	21,811	-	21,811	
Audit Fees	-	19,100	-	19,100	
Licenses and Permits	15,258	515	-	15,773	
Insurance - General	8,498	5,233	-	13,731	
Office Expense	3,694	6,920	-	10,614	
Insurance - Vehicle	7,048	3,160	-	10,208	
Staff Training	3,414	5,355	-	8,769	
Auto Expense	3,985	3,771	-	7,756	
Service Charges	2,102	4,154	-	6,256	
Business Expense	3,655	1,575	-	5,230	
Legal Fees	400	4,600	-	5,000	
Social Events	4,621	40	-	4,661	
Leased Office Equipment	-	4,335	-	4,335	
Repairs and Maintenance	2,034	1,051	-	3,085	
Postage	968	1,917	-	2,885	
Printing and Copying	1,602	165	-	1,767	
Fundraising Expense	-	-	1,770	1,770	
Insurance - Directors / Officers	-	1,600	-	1,600	
Advertising	354	759	-	1,113	
Real Estate / Property Taxes	-	667	-	667	
Conferences	285	125	-	410	
	2,554,898	352,695	1,770	2,909,363	
Total Expenses Before Depreciation	2,554,898	352,695	1,770	2,909,363	
Depreciation	31,033	4,601	-	35,634	
	31,033	4,601	-	35,634	
TOTAL EXPENSES	\$ 2,585,931	\$ 357,296	\$ 1,770	\$ 2,944,997	

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (6,780)	\$ 76,199
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	47,539	49,931
Unrealized (Gain) Loss on Investments	(627)	(21)
(Gain) Loss on Disposal of Assets	(30,206)	10,472
Bad Debt Expense	656	-
(Increase) Decrease in Assets:		
Accounts Receivable	58,342	(77,185)
Notes Receivable	(24,400)	-
Inventory	2,649	2,400
Prepaid Expenses	752	10,229
Deposits	7,850	7,994
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,506)	28,184
Accrued Expenses and Other Current Liabilities	(10,711)	(223)
Deferred Revenue	(15,692)	(76,986)
	27,866	30,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Property and Equipment	50,063	-
Purchase of Property and Equipment	(3,000)	(3,100)
	47,063	(3,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments on Line of Credit	(70,810)	(37,503)
Payments on Notes Payable	(4,658)	(4,393)
	(75,468)	(41,896)
NET DECREASE IN CASH	(539)	(14,002)
CASH, BEGINNING OF YEAR	57,234	71,236
CASH, END OF YEAR	\$ 56,695	\$ 57,234
SUPPLEMENTAL DISCLOSURE:		
Interest Paid in Cash	\$ 22,672	\$ 32,622

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Polus Center for Social and Economic Development, Inc. (the Organization) is a non-profit organization that designs and implements community-based human service programs, both in the United States and throughout the developing world. Since 1979 the Polus Center has been dedicated to creating social and economic opportunities for persons with disabilities and other vulnerable groups to become valued citizens within their communities. Services include economic projects which assist people with disabilities to participate in meaningful work and community activities; training and consulting services; and international development.

The Organization works internationally to address the devastating impact of landmines and other explosive remnants of war (ERW's) on communities and the challenges that people with disabilities confront on a daily basis, and addresses the needs of landmine victims and people with disabilities. This "victim assistance" work continues throughout Central and South America, as well as various development projects for vulnerable people in Africa and the Middle East. In 2005 the Organization founded the Coffeelands Trust, which collaborates with the coffee industry to assist people living in coffee regions around the world who have been victims of conflict and war.

Using a locally-based, holistic approach to project development insures that people with disabilities are included in all aspects of program design and implementation. Projects have included prosthetic clinics in Central and South America, a wheelchair manufacturing facility in Nicaragua, and outreach to indigenous people living in rural areas such as the Amazons and Central Highland regions of Peru. The Organization also actively works with refugees and children who are victims of the conflict in Syria through a prosthetic training program in Jordan, the development of children's prosthetic services in Iraq, and continued support of coffee farmers who have been displaced and injured by conflict in Colombia.

The primary goal throughout the world and in the United States is to identify and implement individualized solutions for survivors of conflict and other vulnerable people and their families, such as rehabilitation, small business mini-grants, vocational training and employment, as well as fostering systemic change through awareness building, capacity building, training, and development of sustainable programs and systems.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unrestricted - All resources over which the Organization has discretionary control. The Board of Directors of the Organization 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, 2016 and 2015, there were unrestricted and temporarily restricted net assets.

Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid instruments with initial maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at net realizable value. No allowance for doubtful accounts is provided at June 30, 2016 and 2015 as the Organization expects all amounts to be collected.

Inventory - Inventory, which consists mainly of coffee, food, gift items and café supplies, is stated at the lower of cost or market value determined by the first-in, first-out method.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The Organization carries marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor stipulations or law.

Property and Equipment - Property and equipment are carried at cost or at fair value as of the date of the gift. The Organization capitalizes all assets with a cost or market value greater than \$1,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over the assets' estimated useful life.

Contributions, Gifts and Grants - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value on the date of the gift.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. The Organization received donated facilities and professional services which amounted to \$9,554 and \$10,600 for the years ended June 30, 2016 and 2015, respectively.

Donated Services and Materials - A number of volunteers have donated significant amounts of their time in the Organization's program services. These services are not recorded because the services provided did not require specialized skills. Donated rent and professional services are recorded as received.

Functional Expenses - The expenses incurred to provide the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status - The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. There are no unrecognized tax benefits and tax returns remain subject to examination by major tax jurisdictions for the standard three year statute of limitations.

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 the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and 2015:

	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</u>
Land	-	\$ 60,000	\$ 60,000
Buildings	39 years	240,000	240,000
Building Improvements	20 years	40,771	40,771
Equipment	5 - 20 years	185,400	203,396
Leasehold Improvements	5 years	-	140,528
Land Improvements	15 years	106,654	106,654
		<u>632,825</u>	<u>791,349</u>
Less: Accumulated Depreciation		<u>(323,375)</u>	<u>(417,503)</u>
Property and Equipment, Net		<u>\$ 309,450</u>	<u>\$ 373,846</u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 - NOTE RECEIVABLE

Notes receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Note receivable, secured by a first security interest in assets located in Clinton, Massachusetts, due in monthly installments of \$537 including interest at 5% at August 10, 2016 and every two weeks thereafter until the principal and interest is fully paid.	\$ 24,400	\$ -
Less: Current Portion	10,835	-
Notes Receivable, Net of Current Portion	\$ 13,565	\$ -

NOTE 4 - INVESTMENTS

Investments, which are stated at fair value, are composed of the following at June 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Stock	\$ -	\$ 2,984	\$ -	\$ 2,357
Net Investment Return:			<u>2016</u>	<u>2015</u>
Interest and Dividend Income			\$ 173	\$ 165
Net Unrealized Gain (Loss) on Investments			688	(61)
Total Net Investment Return			\$ 861	\$ 104

NOTE 5 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurement involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Fair Value Hierarchy - The Organization groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuations are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3: Valuations are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2016 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,984	\$ -	\$ -	\$ 2,984

The fair value hierarchy at June 30, 2015 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,357	\$ -	\$ -	\$ 2,357

NOTE 6 - LINE OF CREDIT

The Organization has a demand line of credit with a bank which provides borrowings up to a maximum of \$500,000. At June 30, 2016 and 2015, the Organization had an outstanding balance of \$198,676 and \$269,486, respectively. The interest rate is 1.50% over the Wall Street Journal rate with a floor of 4.75%. The rate at June 30, 2016 and 2015 was 4.75%. The line is secured by all assets of the Organization.

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NOTE 7 - NOTES PAYABLE

At June 30, 2016 and 2015 notes payable consist of:

	<u>2016</u>	<u>2015</u>
Mortgage note payable to a bank, secured by real estate, due in monthly payments of \$1,412 including interest at 6.5%, due June 2020.	\$ 183,309	\$ 187,967
Less: Current Portion	(5,204)	(4,878)
Notes Payable, Net of Current Portion	\$ 178,105	\$ 183,089

Debt maturities are as follows:

Year ending June 30, 2017	\$ 5,204
2018	5,553
2019	5,925
2020	6,321
2021	6,745
Thereafter	153,561
	\$ 183,309

NOTE 8 - LEASES

The Organization leases residential and office space in several locations for program and administrative sites. Total rent expense, which includes tenant-at-will locations, for the years ended June 30, 2016 and 2015, was \$17,300 and \$57,760, respectively.

The Organization also leases vehicles on behalf of certain constituents. Total lease expense for these vehicles for years ended June 30, 2016 and 2015, was \$18,586 and \$31,652, respectively. Future minimum payments due on all leases at June 30, 2016 are as follows:

	<u>Amount</u>
Year ending June 30, 2017	\$ 12,360
2018	\$ 7,788
2019	\$ 7,139

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 - PENSION PLAN

The Organization offers a contributory retirement-savings plan (the Plan) under Section 401(k) of the Internal Revenue Code. Substantially all full-time and part-time employees working at least 1,000 hours per year are entitled to participate in the Plan. The Organization does not make matching contributions at this time. The plan is no longer available to employees as of December 31, 2015.

NOTE 10 - RENTAL LOSS - NET

Rental Loss - Net consists of the following:

	<u>2016</u>	<u>2015</u>
Rental Income	\$ 29,450	\$ 31,200
Expenses:		
Depreciation	14,410	14,297
Interest	10,567	11,799
Repairs and Maintenance	6,452	6,578
Utilities	6,518	10,168
Real Estate Taxes	3,203	3,514
Insurance	3,302	3,185
Office Expense	244	260
Total Expenses	44,695	49,801
Rental Loss - Net	\$ (15,245)	\$ (18,601)

NOTE 11 - RESTRICTION OF NET ASSETS

Temporarily restricted net assets are available for the following purposes or use at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Nicaraguan Relief Program	\$ 1,000	\$ 1,000
Walking United Fund	1,200	-
	\$ 2,200	\$ 1,000

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 - SUBSEQUENT EVENT

The Organization has evaluated the financial statement impact of subsequent events occurring through November 7, 2016, the date that the financial statement were available to be issued. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

NOTE 13 - CONCENTRATION OF CREDIT RISK

The Organization receives a substantial amount of its support and revenue from federal grants. A significant reduction in the level of this support and revenue, if this were to occur, may have an adverse effect on the programs and activities of the Organization.

NOTE 14 - SURPLUS REVENUE RETENTION

A nonprofit provider is allowed to retain an annual net surplus of up to 5% of gross revenues derived from delivering services to clients of the Commonwealth of Massachusetts, beginning with the fiscal year ended June 30, 1993. The cumulative amount retained may not exceed 20% of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retention net assets. A current year surplus which exceeds the 5% level or a cumulative surplus exceeding the 20% amount may be: 1) reinvested in program services as stipulated by the purchasing agencies; 2) recouped or; 3) used by the Commonwealth to reduce the price of future contracts.

Following is the surplus amount as of June 30, 2016:

Surplus revenue retention, June 30, 2015	\$ 421,769
Plus - current year revenue retention surplus	<u>(79,134)</u>
Surplus revenue retention, June 30, 2016	<u><u>\$ 342,635</u></u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
SCHEDULE OF PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Boston Residential & Community Support</u>	<u>Worcester Residential & Community Support</u>	<u>Northshore Residential & Community Support</u>	<u>New Hampshire Residential & Community Support</u>	<u>International Programs</u>	<u>Economic Development</u>	<u>Total Program Services</u>		
PERSONNEL RELATED EXPENSES									
Salaries and Wages	\$ 125,956	\$ 31,882	\$ -	\$ 317	\$ 116,257	\$ 16,959	\$ 291,371		
Payroll Taxes	12,744	3,519	-	28	11,411	2,441	30,143		
Fringe Benefits	12,270	4,758	-	-	21,427	(523)	37,932		
Total Personnel Related Expenses	<u>150,970</u>	<u>40,159</u>	<u>-</u>	<u>345</u>	<u>149,095</u>	<u>18,877</u>	<u>359,446</u>		
OTHER OPERATING EXPENSES									
Consultants - Other	6,200	90,900	-	-	192,153	-	289,253		
Provider Stipends	4,624	159,938	-	3,709	-	-	168,271		
Staff Travel	5,622	-	-	-	125,205	76	130,903		
Program Support	7,349	-	-	-	106,519	-	113,868		
Program Supplies	3,706	24	-	-	75,549	2,003	81,282		
Client Transportation	-	-	9,097	526	-	-	9,623		
Cost of Café Sales	-	-	-	-	-	9,101	9,101		
Rent	-	-	-	-	-	9,000	9,000		
Staff Training	3,075	500	-	-	-	109	3,684		
Utilities	247	75	-	-	-	3,293	3,615		
Insurance - General	1,345	603	-	-	-	1,087	3,035		
Direct Care Consultants	-	-	-	1,824	-	-	1,824		
Advertising	-	-	-	-	1,700	-	1,700		
Service Charges	-	-	-	-	365	963	1,328		
Repairs and Maintenance	-	-	-	-	-	1,091	1,091		
Licenses and Permits	-	-	-	-	-	603	603		
Office Expense	-	-	-	-	-	182	182		
Printing and Copying	11	40	-	-	21	-	72		
Postage	-	-	-	-	-	3	3		
Total Expenses Before Depreciation	<u>183,149</u>	<u>292,239</u>	<u>9,097</u>	<u>6,404</u>	<u>650,607</u>	<u>46,388</u>	<u>1,187,884</u>		
Depreciation	-	-	-	-	-	29,838	29,838		
TOTAL PROGRAM SERVICES EXPENSES	<u>\$ 183,149</u>	<u>\$ 292,239</u>	<u>\$ 9,097</u>	<u>\$ 6,404</u>	<u>\$ 650,607</u>	<u>\$ 76,226</u>	<u>\$ 1,217,722</u>		

See Independent Auditors' Report on Supplementary Information