

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

FINANCIAL STATEMENTS

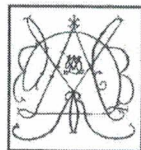
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 8, 2017 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 8, 2017

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 71,533	\$ 56,695
Accounts Receivable	349,340	145,093
Current Portion of Note Receivable	13,510	10,835
Prepaid Expenses	3,980	5,892
Total Current Assets	438,363	218,515
PROPERTY AND EQUIPMENT, NET	306,484	309,450
OTHER ASSETS		
Note Receivable, Net of Current Portion	1,069	13,565
Investments	3,798	2,984
Deposits	-	500
Total Other Assets	4,867	17,049
TOTAL ASSETS	\$ 749,714	\$ 545,014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 219,231	\$ 198,676
Accounts Payable	79,024	66,575
Accrued Expenses and Other Current Liabilities	28,021	22,669
Deferred Revenue	164,778	10,237
Current Portion of Notes Payable	5,553	5,204
Total Current Liabilities	496,607	303,361
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	172,748	178,105
TOTAL LIABILITIES	669,355	481,466
NET ASSETS		
Unrestricted Net Assets	70,440	61,348
Temporarily Restricted Net Assets	9,919	2,200
Total Net Assets	80,359	63,548
TOTAL LIABILITIES AND NET ASSETS	\$ 749,714	\$ 545,014

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Federal Grants	\$ 636,255	\$ -	\$ 636,255
Residential Support and Services	352,414	-	352,414
Contract Revenue - Public	286,032	-	286,032
Contributions	21,790	7,308	29,098
In- Kind Contributions	20,000	-	20,000
Special Events	12,991	-	12,991
Private Grants	10,127	2,411	12,538
Other Income	6,632	-	6,632
Investment Returns	1,414	-	1,414
Rental Loss - Net	(16,534)	-	(16,534)
Net Assets Released from Restrictions	2,000	(2,000)	-
Total Revenue and Other Support	<u>1,333,121</u>	<u>7,719</u>	<u>1,340,840</u>
EXPENSES			
Program Services	1,187,757	-	1,187,757
Management and General	129,344	-	129,344
Fundraising	6,928	-	6,928
Total Expenses	<u>1,324,029</u>	<u>-</u>	<u>1,324,029</u>
CHANGES IN NET ASSETS	9,092	7,719	16,811
NET ASSETS, BEGINNING OF YEAR	<u>61,348</u>	<u>2,200</u>	<u>63,548</u>
NET ASSETS, END OF YEAR	<u>\$ 70,440</u>	<u>\$ 9,919</u>	<u>\$ 80,359</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
Gain on Disposal of Assets	30,206	-	30,206
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
Other Income	11,450	-	11,450
Investment Returns	861	-	861
Rental Loss - Net	(15,245)	-	(15,245)
	<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>
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

		<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	\$ 311,249	\$ 36,124	\$ -	\$ 347,373
Fringe Benefits	39,120	494	-	39,614
Payroll Taxes	34,870	5,373	-	40,243
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Total Personnel Related Expenses	385,239	41,991	-	427,230
OTHER OPERATING EXPENSES				
Consultants - Other	430,614	6,047	-	436,661
Provider Stipends	175,361	-	-	175,361
Staff Travel	89,135	2,488	-	91,623
Program Support	47,286	-	-	47,286
Program Supplies	34,657	60	-	34,717
Audit Fees	-	14,100	-	14,100
Leased Vehicles	552	13,110	-	13,662
Direct Care Consultants	8,278	2,800	-	11,078
Interest	-	10,675	-	10,675
Client Transportation	9,676	-	-	9,676
Utilities	-	8,235	-	8,235
Office Expense	420	5,121	-	5,541
Fundraising Expense	-	-	6,928	6,928
Insurance - General	927	3,916	-	4,843
Staff Training	873	1,696	-	2,569
Service Charges	-	3,057	-	3,057
Depreciation	-	2,671	-	2,671
Bad Debt Expense	2,641	-	-	2,641
Auto Expense	-	2,555	-	2,555
Leased Office Equipment	-	2,383	-	2,383
Insurance - Vehicle	-	2,184	-	2,184
Insurance - Directors /Officers	-	1,582	-	1,582
Rent	974	422	-	1,396
Other Expenses	1,124	75	-	1,199
Printing and Copying	-	967	-	967
Real Estate/Property Taxes	-	957	-	957
Repairs and Maintenance	-	863	-	863
Licenses and Permits	-	542	-	542
Postage	-	482	-	482
Advertising	-	365	-	365
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Operating Expenses	802,518	87,353	6,928	896,799
TOTAL EXPENSES	<u><u>\$ 1,187,757</u></u>	<u><u>\$ 129,344</u></u>	<u><u>\$ 6,928</u></u>	<u><u>\$ 1,324,029</u></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>Support Services</u>			<u>Total Program and Support Services</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</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
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Total Personnel Related Expenses	359,446	73,135	-	432,581
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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
Depreciation	29,838	3,291	-	33,129
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
Client Transportation	9,623	49	-	9,672
Cost of Café Sales	9,101	-	-	9,101
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 Other Operating Expenses	858,276	107,737	5,202	971,215
	<hr/>	<hr/>	<hr/>	<hr/>
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 16,811	\$ (6,780)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	17,586	47,539
Unrealized Gain on Investments	(193)	(627)
Gain on Disposal of Assets	-	(30,206)
Bad Debt Expense	2,641	656
(Increase) Decrease in Assets:		
Accounts Receivable	(206,888)	58,342
Notes Receivable	9,821	(24,400)
Prepaid Expenses	1,912	752
Deposits	500	7,850
Inventory	-	2,649
Increase (Decrease) in Liabilities:		
Accounts Payable	12,449	(1,506)
Accrued Expenses and Other Current Liabilities	5,352	(10,711)
Deferred Revenue	154,541	(15,692)
Net Cash Provided by Operating Activities	<u>14,532</u>	<u>27,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Property and Equipment	-	50,063
Effect of Exchange Rate Changes on Cash	(621)	-
Purchase of Property and Equipment	<u>(14,620)</u>	<u>(3,000)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(15,241)</u>	<u>47,063</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Receipts (Payments) on Line of Credit	20,555	(70,810)
Payments on Notes Payable	<u>(5,008)</u>	<u>(4,658)</u>
Net Cash Provided by (Used in) Financing Activities	<u>15,547</u>	<u>(75,468)</u>
NET INCREASE (DECREASE) IN CASH	14,838	(539)
CASH, BEGINNING OF YEAR	<u>56,695</u>	<u>57,234</u>
CASH, END OF YEAR	<u>\$ 71,533</u>	<u>\$ 56,695</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid in Cash	<u>\$ 21,841</u>	<u>\$ 22,672</u>

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

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

The Polus Center also provides training, consulting, and program design/implementation in the areas of professional skills development and career planning for adults and youth with disabilities, especially people who are legally blind. This includes internships, workplace skill training and career exploration as well as capacity building for organizations providing career services for people with disabilities.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

As of June 30, 2017 and 2016, there were unrestricted and temporarily restricted net assets.

Accounts Receivable - Accounts receivable consist mostly of unpaid billings. Accounts receivable considered uncollectible are charged as bad debt expense in the year they are deemed uncollectible. Bad debt expense was \$2,641 and \$656 for the year ended June 30, 2017 and 2016, respectively.

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 returns (including gains and losses on investments, interest and dividends) are 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.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The Organization received donated facilities and professional services which amounted to \$20,000 and \$9,554 for the years ended June 30, 2017 and 2016, respectively.

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 on the schedule of functional expenses.

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.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - NOTE RECEIVABLE

Note receivable consist of the following:

	<u>2017</u>	<u>2016</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% beginning August, 2016 and every two weeks thereafter until the principal and interest is fully paid.	\$ 14,579	24,400
Less: Current Portion	13,510	10,835
Notes Receivable, Net of Current Portion	\$ 1,069	13,565

Maturities for note receivable are as follows:

Year ending June 30, 2018	\$ 13,510	
2019	\$ 1,069	

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	<u>Estimated Useful Lives</u>	<u>2017</u>	<u>2016</u>
Land	-	\$ 60,000	\$ 60,000
Buildings	39 years	240,000	240,000
Building Improvements	20 years	53,436	40,771
Equipment	5 - 20 years	185,400	185,400
Land Improvements	15 years	108,609	106,654
		647,445	632,825
Less: Accumulated Depreciation		340,961	323,375
Property and Equipment, Net		\$ 306,484	\$ 309,450

Depreciation expense for the years ended June 30, 2017 and 2016 was \$17,586 and \$47,539, respectively.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 - INVESTMENTS

Investments, which are stated at fair value, are composed of the following as of June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Stock	<u>\$ -</u>	<u>\$ 3,798</u>	<u>\$ -</u>	<u>\$ 2,984</u>
			<u>2017</u>	<u>2016</u>
Net Investment Return:				
Interest and Dividend Income			\$ 600	\$ 173
Net Unrealized Gain (Loss) on Investments			<u>814</u>	<u>688</u>
Total Net Investment Return			<u>\$ 1,414</u>	<u>\$ 861</u>

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:

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.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of June 30, 2017 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 3,798	\$ -	\$ -	\$ 3,798

The fair value hierarchy at June 30, 2016 was as follows:

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

NOTE 6 - LINE OF CREDIT

The Organization has a demand line of credit with a bank which provides borrowings up to a maximum of \$400,000. As of June 30, 2017 and 2016, the Organization had an outstanding balance of \$219,231 and \$198,676, respectively. The interest rate is 1.50% over the Wall Street Journal rate with a floor of 4.75%. The rate as of June 30, 2017 and 2016 was 5.75% and 4.75%, respectively. The line is secured by all assets of the Organization.

NOTE 7 - NOTES PAYABLE

As of June 30, 2017 and 2016 notes payable consist of:

	<u>2017</u>	<u>2016</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.	\$ 178,301	\$ 183,309
Less: Current Portion	<u>5,553</u>	<u>5,204</u>
Notes Payable, Net of Current Portion	<u>\$ 172,748</u>	<u>\$ 178,105</u>

Debt maturities are as follows:

Year ending June 30, 2018	\$ 5,553
2019	5,925
2020	6,321
2021	6,745
2022	7,196
Thereafter	<u>146,561</u>
	<u>\$ 178,301</u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016, was \$1,396 and \$17,300, respectively.

The Organization also leases vehicles on behalf of certain constituents. Total lease expense for these vehicles for years ended June 30, 2017 and 2016, was \$13,662 and \$18,586, respectively. Future minimum payments due on all leases at June 30, 2017 are as follows:

Year ending June 30, 2018	\$	17,097
2019	\$	16,448
2020	\$	8,533

NOTE 9 - RENTAL LOSS - NET

Rental Loss - Net consists of the following:

	<u>2017</u>	<u>2016</u>
Rental Income	\$ 28,500	\$ 29,450
Expenses:		
Depreciation	14,915	14,410
Interest	10,427	10,567
Repairs and Maintenance	6,792	6,452
Utilities	6,495	6,518
Insurance	3,247	3,302
Real Estate Taxes	3,158	3,203
Office Expense	-	243
Total Expenses	<u>45,034</u>	<u>44,695</u>
Rental Loss - Net	<u>\$ (16,534)</u>	<u>\$ (15,245)</u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or use as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Jordan/Wounded Angels	\$ 6,000	\$ 1,000
Colombia	2,411	-
Penkhus Memorial	1,158	-
Walking United Fund	350	1,200
	<u>\$ 9,919</u>	<u>\$ 2,200</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Jordan/Wounded Angels	\$ 1,000	\$ -
Walking United Fund	1,000	-
	<u>\$ 2,000</u>	<u>\$ -</u>

NOTE 12 - CONCENTRATION OF 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 13 - SUBSEQUENT EVENT

The Organization has evaluated the financial statement impact of subsequent events occurring through November 8, 2017, the date that the financial statements were available to be issued. The management of the Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017:

Surplus revenue retention, June 30, 2016	\$ 342,635
Plus - current year revenue retention surplus	<u>12,649</u>
Surplus revenue retention, June 30, 2017	<u><u>\$ 355,284</u></u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
SCHEDULE OF PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Project Search</u>	<u>AFC & Employment Programs</u>	<u>MCB Career Exploration Training</u>	<u>Envision Success Project</u>	<u>International Programs</u>	<u>Total</u>
PERSONNEL RELATED EXPENSES						
Salaries and Wages	\$ 109,802	\$ 39,389	\$ 1,696	\$ 31,917	\$ 128,445	\$ 311,249
Payroll Taxes	13,269	3,917	-	4,358	13,326	34,870
Fringe Benefits	8,248	5,950	-	1,801	23,121	39,120
Total Personnel Related Expenses	131,319	49,256	1,696	38,076	164,892	385,239
OTHER OPERATING EXPENSES						
Consultants - Other	-	93,368	7,691	32,145	297,410	430,614
Provider Stipends	15,107	157,875	1,200	1,179	-	175,361
Staff Travel	3,285	752	559	1,697	82,842	89,135
Program Support	1,200	-	99	274	45,713	47,286
Program Supplies	7,953	185	145	2,053	24,321	34,657
Client Transportation	-	563	730	8,383	-	9,676
Direct Care Consultants	8,278	-	-	-	-	8,278
Bad Debt Expense	-	2,641	-	-	-	2,641
Other Expense	-	500	-	-	624	1,124
Rent	-	-	-	-	974	974
Insurance - General	-	927	-	-	-	927
Staff Training	643	40	-	190	-	873
Leased Vehicles	-	-	552	-	-	552
Office Expense	-	-	-	-	420	420
Total Other Operating Expenses	36,466	256,851	10,976	45,921	452,304	802,518
TOTAL PROGRAM SERVICES EXPENSES	\$ 167,785	\$ 306,107	\$ 12,672	\$ 83,997	\$ 617,196	\$ 1,187,757

See Independent Auditors' Report on Supplementary Information