

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)**

**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 statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

The summarized comparative information of Polus Center for Social and Economic Development, Inc. financial statements for the year ended June 30, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on November 8, 2017.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 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**

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 18 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.

*Spinelli CPA, P.C.*

Worcester, MA  
November 14, 2018

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)**

<b>ASSETS</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$ 59,217	\$ 71,533
Accounts Receivable	235,686	349,340
Current Portion of Note Receivable	-	13,510
Prepaid Expenses	<u>3,904</u>	<u>3,980</u>
Total Current Assets	<u>298,807</u>	<u>438,363</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>299,662</u>	<u>306,484</u>
<b>OTHER ASSETS</b>		
Note Receivable, Net of Current Portion	-	1,069
Investments	<u>3,885</u>	<u>3,798</u>
Total Other Assets	<u>3,885</u>	<u>4,867</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 602,354</u></u>	<u><u>\$ 749,714</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ 224,291	\$ 219,231
Accounts Payable	44,117	77,661
Accrued Expenses and Other Current Liabilities	29,831	29,384
Deferred Revenue	47,305	164,778
Current Portion of Notes Payable	<u>5,712</u>	<u>5,553</u>
Total Current Liabilities	<u>351,256</u>	<u>496,607</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable, Net of Current Portion	<u>167,241</u>	<u>172,748</u>
<b>TOTAL LIABILITIES</b>	<u>518,497</u>	<u>669,355</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	76,525	70,440
Temporarily Restricted Net Assets	<u>7,332</u>	<u>9,919</u>
Total Net Assets	<u>83,857</u>	<u>80,359</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 602,354</u></u>	<u><u>\$ 749,714</u></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, 2018**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)**

<b>REVENUE AND OTHER SUPPORT</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<b>Totals</b>	
			<u>2018</u>	<u>2017</u>
Federal Grants	\$ 807,501	\$ -	\$ 807,501	\$ 636,255
Residential Support and Services	393,076	-	393,076	352,414
Private Grants	346,026	-	346,026	12,538
Contract Revenue - Public	277,304	-	277,304	286,032
Special Events	25,474	-	25,474	12,991
Other Income	12,157	-	12,157	6,632
Contributions	7,769	1,000	8,769	29,098
Investment Returns	858	-	858	1,414
In-Kind Contributions	-	-	-	20,000
Net Assets Released from Restrictions	3,587	(3,587)	-	-
Rental Loss - Net	(26,558)	-	(26,558)	(16,534)
Total Revenue and Other Support	<u>1,847,194</u>	<u>(2,587)</u>	<u>1,844,607</u>	<u>1,340,840</u>
<b>EXPENSES</b>				
Program Services	1,681,575	-	1,681,575	1,187,757
Management and General	152,055	-	152,055	129,344
Fundraising	7,479	-	7,479	6,928
Total Expenses	<u>1,841,109</u>	<u>-</u>	<u>1,841,109</u>	<u>1,324,029</u>
<b>CHANGES IN NET ASSETS</b>	6,085	(2,587)	3,498	16,811
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>70,440</u>	<u>9,919</u>	<u>80,359</u>	<u>63,548</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 76,525</u>	<u>\$ 7,332</u>	<u>\$ 83,857</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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals 2018</u>	<u>2017</u>
<b>PERSONNEL RELATED EXPENSES</b>					
Salaries and Wages	\$ 360,334	\$ 48,339	\$ -	\$ 408,673	\$ 347,373
Payroll Taxes	42,730	7,290	-	50,020	40,243
Fringe Benefits	36,536	3,666	-	40,202	39,614
Total Personnel Related Expenses	<u>439,600</u>	<u>59,295</u>	<u>-</u>	<u>498,895</u>	<u>427,230</u>
<b>OTHER OPERATING EXPENSES</b>					
Consultants - Other	682,115	1,465	-	683,580	436,661
Program Support	193,281	-	-	193,281	47,286
Provider Stipends	169,322	-	-	169,322	175,361
Staff Travel	140,941	1,960	-	142,901	91,623
Program Supplies	37,484	323	-	37,807	34,717
Audit Fees	-	14,600	-	14,600	14,100
Fundraising Expense	6,295	-	7,479	13,774	6,928
Interest	-	13,506	-	13,506	10,675
Leased Vehicles	-	10,864	-	10,864	13,662
Utilities	-	8,382	-	8,382	8,235
Insurance - Vehicle	-	7,522	-	7,522	2,184
Office Expense	891	5,594	-	6,485	5,541
Bad Debt Expense	600	4,948	-	5,548	2,641
Staff Training	3,950	1,549	-	5,499	2,569
Repairs and Maintenance	-	5,328	-	5,328	863
Insurance - General	1,693	3,001	-	4,694	4,843
Direct Care Consultants	3,290	-	-	3,290	11,078
Service Charges	1,209	1,857	-	3,066	3,057
Depreciation	-	2,227	-	2,227	2,671
Leased Office Equipment	-	1,942	-	1,942	2,383
Advertising	-	1,675	-	1,675	365
Insurance - Directors /Officers	-	1,582	-	1,582	1,582
Real Estate/Property Taxes	-	1,191	-	1,191	957
Auto Expense	-	1,154	-	1,154	2,555
Printing and Copying	-	739	-	739	967
Postage	-	724	-	724	482
Rent	604	88	-	692	1,396
Licenses and Permits	-	539	-	539	542
Client Transportation	300	-	-	300	9,676
Other Expenses	-	-	-	-	1,199
Total Other Operating Expenses	<u>1,241,975</u>	<u>92,760</u>	<u>7,479</u>	<u>1,342,214</u>	<u>896,799</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,681,575</u></u>	<u><u>\$ 152,055</u></u>	<u><u>\$ 7,479</u></u>	<u><u>\$ 1,841,109</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 CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 3,498	\$ 16,811
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	17,571	17,586
Unrealized Gain on Investments	(87)	(193)
Bad Debt Expense	5,548	2,641
(Increase) Decrease in Assets:		
Accounts Receivable	108,106	(206,888)
Notes Receivable	14,579	9,821
Prepaid Expenses	76	1,912
Deposits	-	500
Increase (Decrease) in Liabilities:		
Accounts Payable	(33,544)	12,449
Accrued Expenses and Other Current Liabilities	447	5,352
Deferred Revenue	(117,473)	154,541
	<u>(1,279)</u>	<u>14,532</u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,279)</u>	<u>14,532</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Effect of Exchange Rate Changes on Cash	-	(621)
Purchase of Property and Equipment	(10,749)	(14,620)
	<u>(10,749)</u>	<u>(15,241)</u>
Net Cash Used in Investing Activities	<u>(10,749)</u>	<u>(15,241)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Receipts (Payments) on Line of Credit	5,060	20,555
Payments on Notes Payable	(5,348)	(5,008)
	<u>(288)</u>	<u>15,547</u>
Net Cash Provided by (Used in) Financing Activities	<u>(288)</u>	<u>15,547</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>(12,316)</u>	<u>14,838</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>71,533</u>	<u>56,695</u>
<b>CASH, END OF YEAR</b>	<u>\$ 59,217</u>	<u>\$ 71,533</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest Paid in Cash	<u>\$ 20,753</u>	<u>\$ 21,841</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, 2018 AND 2017**

**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, 2018 AND 2017**

**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, 2018 and 2017, there were unrestricted and temporarily restricted net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**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 \$5,548 and \$2,641 for the year ended June 30, 2018 and 2017, respectively.

**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, 2018 AND 2017**

**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 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.

**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 \$0 and \$20,000 for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017**

**NOTE 2 - NOTE RECEIVABLE**

Note receivable consist of the following:

	<u>2018</u>	<u>2017</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
Less: Current Portion	-	13,510
Notes Receivable, Net of Current Portion	<u>\$ -</u>	<u>\$ 1,069</u>

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2018 and 2017:

	<u>Estimated Useful Lives</u>	<u>2018</u>	<u>2017</u>
Land	-	\$ 60,000	\$ 60,000
Buildings	39 years	240,000	240,000
Building Improvements	20 years	64,185	53,436
Equipment	5 - 20 years	185,400	185,400
Land Improvements	15 years	108,609	108,609
		<u>658,194</u>	<u>647,445</u>
Less: Accumulated Depreciation		<u>358,532</u>	<u>340,961</u>
Property and Equipment, Net		<u>\$ 299,662</u>	<u>\$ 306,484</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$17,571 and \$17,586, respectively.

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 - INVESTMENTS**

Investments, which are stated at fair value, are composed of the following as of June 30, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Stock	<u>\$ -</u>	<u>\$ 3,885</u>	<u>\$ -</u>	<u>\$ 3,798</u>
			<u>2018</u>	<u>2017</u>
Net Investment Return:				
Interest and Dividend Income			\$ 770	\$ 600
Net Unrealized Gain (Loss) on Investments			<u>88</u>	<u>814</u>
Total Net Investment Return			<u>\$ 858</u>	<u>\$ 1,414</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, 2018 AND 2017**

**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, 2018 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 3,885	\$ -	\$ -	\$ 3,885

The fair value hierarchy at June 30, 2017 was as follows:

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

**NOTE 6 - LINE OF CREDIT**

The Organization has a demand line of credit with a bank which provides borrowings up to a maximum of \$240,000. As of June 30, 2018 and 2017, the Organization had an outstanding balance of \$224,291 and \$219,231, respectively. The interest rate is 1.50% over the Wall Street Journal rate with a floor of 4.75%. As of June 30, 2018, the rate was 6.50%. The line is secured by all assets of the Organization.

**NOTE 7 - NOTES PAYABLE**

As of June 30, 2018 and 2017 notes payable consist of:

	<u>2018</u>	<u>2017</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.	\$ 172,953	\$ 178,301
Less: Current Portion	<u>5,712</u>	<u>5,553</u>
Notes Payable, Net of Current Portion	<u>\$ 167,241</u>	<u>\$ 172,748</u>

Debt maturities are as follows:

Year ending June 30, 2019	\$ 5,712
2020	6,321
2021	6,745
2022	7,196
2023	7,678
Thereafter	<u>139,301</u>
	<u>\$ 172,953</u>

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 and 2017, was \$692 and \$1,396, respectively.

The Organization leases various vehicles on behalf of certain constituents under leases expiring through June 2020. Rental expense for these vehicles for years ended June 30, 2018 and 2017, was \$10,864 and \$13,662, respectively.

Future minimum payments under operating leases are as follows:

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

**NOTE 9 - RENTAL LOSS - NET**

Rental Loss - Net consists of the following:

	<u>2018</u>	<u>2017</u>
Rental Income	\$ 25,950	\$ 28,500
Expenses:		
Depreciation	15,343	14,915
Interest	9,349	10,427
Repairs and Maintenance	15,867	6,792
Utilities	6,954	6,495
Insurance	1,805	3,247
Real Estate Taxes	3,190	3,158
Total Expenses	52,508	45,034
Rental Loss - Net	\$ (26,558)	\$ (16,534)



**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or use as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Jordan/Wounded Angels	\$ 5,000	\$ 5,000
Walking United Fund	1,332	1,350
Penkhus Memorial	1,000	1,158
Columbia	-	2,411
	<u>\$ 7,332</u>	<u>\$ 9,919</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>2018</u>	<u>2017</u>
Columbia	\$ 2,411	\$ -
Penkhus Memorial	1,158	-
Walking United Fund	18	-
Jordan/Wounded Angels	-	1,000
Walking United Fund	-	1,000
	<u>\$ 3,587</u>	<u>\$ 2,000</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 - RECLASSIFICATIONS**

Certain reclassifications were made to prior year balances to conform to current year presentation with no effect on previously reported net assets.

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 14 - SUBSEQUENT EVENT**

The Organization has evaluated the financial statement impact of subsequent events occurring through November 14, 2018, 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.**

**SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2018**

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.**  
**SCHEDULE OF PROGRAM SERVICES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Search</u>	<u>AFC &amp; Employment Programs</u>	<u>Envision Work Project</u>	<u>Envision Success Project</u>	<u>International Programs</u>	<u>Total</u>
<b>PERSONNEL RELATED EXPENSES</b>						
Salaries and Wages	\$ 62,137	\$ 33,193	\$ 10,336	\$ 125,999	\$ 128,669	\$ 360,334
Payroll Taxes	7,143	4,066	1,011	17,575	12,935	42,730
Fringe Benefits	2,199	5,187	64	7,386	21,700	36,536
Total Personnel Related Expenses	71,479	42,446	11,411	150,960	163,304	439,600
<b>OTHER OPERATING EXPENSES</b>						
Consultants - Other	7,371	92,411	115	44,250	537,968	682,115
Program Support	36	-	126	1,133	191,986	193,281
Provider Stipends	12,923	145,665	-	10,734	-	169,322
Staff Travel	979	-	78	4,478	135,406	140,941
Program Supplies	309	165	229	3,248	33,533	37,484
Fundraising	-	-	-	-	6,295	6,295
Staff Training	-	500	-	460	2,990	3,950
Direct Care Consultants	-	3,290	-	-	-	3,290
Insurance - General	352	738	-	603	-	1,693
Service Charges	-	-	-	-	1,209	1,209
Office Expense	-	-	-	-	891	891
Rent	-	-	-	-	604	604
Bad Debt Expense	-	600	-	-	-	600
Client Transportation	-	-	-	300	-	300
Total Other Operating Expenses	21,970	243,369	548	65,206	910,882	1,241,975
<b>TOTAL PROGRAM SERVICES EXPENSES</b>	<b>\$ 93,449</b>	<b>\$ 285,815</b>	<b>\$ 11,959</b>	<b>\$ 216,166</b>	<b>\$ 1,074,186</b>	<b>\$ 1,681,575</b>

See Independent Auditors' Report on Supplementary Information

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

**SUPPLEMENTAL SCHEDULES**

**FOR THE YEAR ENDED JUNE 30, 2018**



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

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

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 Polus Center for Social and Economic Development, Inc. (the Organization), which comprise the statement of financial position as of and for the year ended June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be significant deficiencies as items 2018-001 and 2018-002.

### **Compliance and Other Matters**

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

### **Response to Findings**

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audited Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Spinelli, CPA, P.C.*

Worcester, MA  
November 14, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To The Board of Directors  
Polus Center for Social & Economic Development, Inc.  
Petersham, MA

**Report on Compliance for Each Major Federal Program**

We have audited Polus Center for Social and Economic Development Inc.'s (the Organization) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.



## Opinion on Each Major Federal Program

In our opinion, Polus Center for Social and Economic Development, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2018.

## Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Organization as of and for the year ended June 30, 2018, and have issued our report thereon dated November 14, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Spinelli, CPA, P.C.*

Worcester, MA  
November 14, 2018

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of State:</u>				
19.800	* S-PMWRA-13-GR-1099	Weapons Removal and Abatement	\$ 87,763	\$ 51,490
19.800	* S-PMWRA-16-GR-1087	Weapons Removal and Abatement	81,253	13,608
19.800	* S-PMWRA-17-GR-1017	Weapons Removal and Abatement	95,934	26,990
19.800	* S-PMWRA-17-CA-1086	Weapons Removal and Abatement	367,294	208,670
19.800	* S-PMWRA-18-GR-1008	Weapons Removal and Abatement	174,857	149,379
Total U.S. Department of State			<u>807,101</u>	<u>450,137</u>
<u>U.S. Department of Labor:</u>				
<i>Passed through from Employment Links, Inc.</i>				
Employment Services Cluster				
17.207	MI-26431-14-60-A-25	DEI - Disability Employment Initiative V	<u>43,734</u>	<u>-</u>
Total Employment Services Cluster			<u>43,734</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 850,835</u></u>	<u><u>\$ 450,137</u></u>

\* Denotes Major Program

See Independent Auditors' Report and Accompanying Notes to Schedule.

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2018**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Polus Center for Social and Economic Development, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures of federal awards are recorded on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The Organization passes certain federal awards received to other not-for-profit agencies (subrecipients).

As a subrecipient, the Organization has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section I: Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major program compliance:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Number(s) and Name of Federal Program or Cluster

CFDA 19.800, U.S. Department of State Weapons Removal and Abatement
---

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$	750,000
Is the auditee qualified as a low risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## **Section II: Financial Statement Findings**

### **Finding - 2018-001:**

**Cause of Condition:** One individual is primarily responsible for the accounting functions of the Organization. During our examination of the preprocess payroll registers, electronic funds transfers, cash disbursements and bank statements we found that some of the documents lacked an approval signature of the review and approval of the documentation.

**Effect:** Potential risks to internal controls.

**Recommendation:** The review and approval of accounting processes should be better documented through defined segregation of duties and documents clearly marked with an approval signature and a date when reviewed.

**Response:** Management will revise and implement accounting procedures that include an additional level of review and approval.

### **Finding - 2018-002:**

**Cause of Condition:** Journal entries are prepared and entered into the accounting system by one person with no evidence of review.

**Effect:** Risk of error and inadequate support.

**Recommendation:** We recommend all journal entries be supported by appropriate documentation. Good documentation serves as an accounting record as well as additional insight for other users. We recommend journal entries be reviewed with their backup and initialed by a second person at least monthly.

**Response:** Management will revise and implement accounting procedures that include an additional level of review and approval.

### **Section III: Federal Awards Findings**

None reported

### **Section IV: Prior Year Audit - Financial Statement Findings**

#### **Finding - 2017-001:**

Partially corrected this fiscal year; will complete planned action during the next fiscal year.

#### **Finding - 2017-002:**

Planned corrective action completed this fiscal year.

#### **Finding - 2017-003:**

Planned corrective action completed this fiscal year.

### **Section V: Prior Year Audit - Federal Awards Findings**

None reported