

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

JUNE 30, 2019

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

JUNE 30, 2019

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NICHOLAS LAPIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of
Polus Center for Social and Economic Development, Inc
Petersham, Massachusetts

We have audited the accompanying financial statements of Polus Center for Social and Economic Development, Inc, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2019, and the activities and changes in net assets, functional expenses, and cash flows for the year 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 October 30, 2019 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 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 control over financial reporting and compliance.

Other Matters

The June 30, 2018 financial statements of Polus Center for Social and Economic Development, Inc were audited by other auditors whose report dated November 14, 2018, stated that the financial statements for the year ending June 30, 2018 present fairly in all material respects the financial position of Polus Center for Social and Economic Development, Inc. as of November 14, 2018, and statements of activities, functional expenses, and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

The schedules of organization supplemental information (Schedules A and B) are required by the Commonwealth of Massachusetts' Operational Services Division and are not a required part of the basic financial statements. These schedules were not subjected to auditing procedures, and therefore, we express no opinion on them.

Nicholas LaPier CPA, PC.

Nicholas LaPier, CPA, PC
October 30, 2019

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets		
Cash - operating	\$ 107,057	\$ 59,217
Contributions and receivables, net of allowance	271,043	235,686
Prepaid expenses	<u>4,366</u>	<u>3,904</u>
Total current assets	<u>382,466</u>	<u>298,807</u>
Property and equipment, net	<u>282,861</u>	<u>299,662</u>
Other assets		
Investments	<u>5,122</u>	<u>3,885</u>
Total other assets	<u>5,122</u>	<u>3,885</u>
Total assets	<u>\$ 670,449</u>	<u>\$ 602,354</u>

The accompanying notes are an integral part of these financial statements

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION (continued)

AS OF JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<i>LIABILITIES</i>		
Current liabilities		
Accounts payable	\$ 64,144	\$ 44,117
Line of credit	4,252	224,291
Accrued expenses and other current liabilities	39,798	29,831
Deferred revenue	168,926	47,305
Note payable, current portion	<u>12,624</u>	<u>5,712</u>
Total current liabilities	<u>289,744</u>	<u>351,256</u>
Long term liabilities		
Note payable, net of current portion	<u>270,617</u>	<u>167,241</u>
Total liabilities	<u>560,361</u>	<u>518,497</u>
<i>NET ASSETS</i>		
Without donor restrictions	103,480	76,525
With donor restrictions	<u>6,608</u>	<u>7,332</u>
Total net assets	<u>110,088</u>	<u>83,857</u>
Total liabilities and net assets	<u>\$ 670,449</u>	<u>\$ 602,354</u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2019 WITH SUMMARIZED FINANCIAL INFORMATION TOTALS FOR 2018

	Net Assets without Donor Restriction	Net Assets with Donor Restriction	2019 Total	Summarized Information 2018 Total
Support and revenue				
Federal grants	\$ 669,521	\$ -	\$ 669,521	\$ 807,501
Program support and services	420,440	-	420,440	393,076
Private grants	309,831	-	309,831	346,026
Contract revenue - public	216,412	-	216,412	277,304
Special events	17,831	-	17,831	25,474
Other income	2,506	-	2,506	12,157
Contributions	531	6,687	7,218	8,769
Investment returns	1,793	-	1,793	858
Rental income	24,800	-	24,800	25,950
Total support and revenue before releases	<u>1,663,665</u>	<u>6,687</u>	<u>1,670,352</u>	<u>1,897,115</u>
Net assets released from restrictions	<u>7,411</u>	<u>(7,411)</u>	<u>-</u>	<u>-</u>
Total support and revenue after releases	<u>1,671,076</u>	<u>(724)</u>	<u>1,670,352</u>	<u>1,897,115</u>
Expenses				
Program	1,456,471	-	1,456,471	1,734,083
Fundraising	10,903	-	10,903	7,479
Administration	176,747	-	176,747	152,055
Total expenses	<u>1,644,121</u>	<u>-</u>	<u>1,644,121</u>	<u>1,893,617</u>
Change in net assets	26,955	(724)	26,231	3,498
Net assets, beginning of year	<u>76,525</u>	<u>7,332</u>	<u>83,857</u>	<u>80,359</u>
Net assets, end of year	<u>\$ 103,480</u>	<u>\$ 6,608</u>	<u>\$ 110,088</u>	<u>\$ 83,857</u>

The accompanying notes are an integral part of these financial statements

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED TOTALS FOR 2018

	Program	Administrative	Fundraising	2019 Total	Summarized Information 2018 Total
PERSONNEL RELATED EXPENSES					
Salaries and wages	\$ 375,145	\$ 35,208	\$ -	\$ 410,353	\$ 408,673
Payroll taxes	46,885	6,684	-	53,569	50,020
Fringe benefits	44,552	805	-	45,357	40,202
Total personnel and related expenses	466,582	42,697	-	509,279	498,895
OTHER OPERATING EXPENSES					
Consultants - other	594,404	635	-	595,039	683,580
Program support	52,816	-	-	52,816	193,281
Provider Stipends	155,355	-	-	155,355	169,322
Staff travel	137,146	264	-	137,410	142,901
Program supplies	37,996	-	-	37,996	37,807
Audit fees	-	19,600	-	19,600	14,600
Fundraising expense	-	-	10,903	10,903	13,774
Interest	-	26,888	-	26,888	22,855
Leased vehicles	-	9,603	-	9,603	10,864
Utilities	-	9,271	-	9,271	15,336
Insurance - vehicle	-	4,539	-	4,539	7,522
Office expense	99	16,217	-	16,316	6,485
Bad debt expense	-	9,060	-	9,060	5,548
Staff Training	2,080	20	-	2,100	5,499
Repairs and maintenance	-	5,942	-	5,942	21,195

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES - (continued)
FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED TOTALS FOR 2018

	Program	Administrative	Fundraising	2019 Total	Summarized Information 2018 Total
Insurance - general	1,543	1,999	-	3,542	6,499
Direct Care consultants	4,095	-	-	4,095	3,290
Service charges	1,381	1,288	-	2,669	3,066
Depreciation	-	16,800	-	16,800	17,580
Leased office equipment	-	242	-	242	1,942
Advertising	-	557	-	557	1,675
Insurance - directors/officers	-	922	-	922	1,582
Property taxes	-	3,809	-	3,809	4,381
Auto expense	-	1,305	-	1,305	1,154
Printing and copying	10	5	-	15	739
Postage	-	627	-	627	724
Rent	-	-	-	-	692
Licenses and permits	-	505	-	505	539
Client transportation	2,964	-	-	2,964	300
Other expenses	-	3,952	-	3,952	-
Total expenses before depreciation	<u>\$ 1,456,471</u>	<u>\$ 176,747</u>	<u>\$ 10,903</u>	<u>\$ 1,644,121</u>	<u>\$ 1,893,627</u>

The accompanying notes are an integral part of these financial statements

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 26,231	\$ 3,498
Adjustments to reconcile change in net assets to net cash provide(used) by operating activities:		
Depreciation and amortization expense	16,800	17,571
Net unrealized gain on investments	(1,237)	(87)
Bad debt expense	9,060	5,548
Net changes in operating assets and liabilities:		
Accounts receivable	(44,417)	108,106
Notes receivable	-	14,579
Prepaid expenses	(462)	76
Accounts payable	20,027	(33,544)
Accrued expenses	9,967	447
Deferred revenue	121,621	(117,473)
Net cash provided(used) by operating activities	157,590	(1,279)
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	-	(10,749)
<i>Cash flows from financing activities:</i>		
Net receipts (payments) on line of credit	(220,038)	5,060
Payments on notes payable	110,288	(5,348)
Net cash used by financing activities	(109,750)	(288)
Net change in cash and cash equivalents	47,840	(12,316)
Cash and cash equivalents, beginning of year	59,217	71,533
Cash and cash equivalents, end of year	\$ 107,057	\$ 59,217
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 26,888	\$ 22,885

The accompanying notes are an integral part of these financial statements

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

I. NATURE OF BUSINESS

Polus Center for Social and Economic Development, Inc, (the “Organization”) is a non-profit organization for that designs and implements community-based human service programs, both in the United States and throughout the developing world. Since 1979 the Polus Center for Social and Economic Development, Inc 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. The “victim assistance” work continues throughout Central and South American, 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 service 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 care 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

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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.

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 \$9,060 and \$5,548 for the years ended June 30, 2019 and 2018, respectively.

Classification of Net Assets – The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets, including operating accounts, Not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulation May or will be met by actions of the Organization and/or the passage of time.

Classification of revenues and expenses – Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets

Contributions, including unconditional promises to give and grant awards, are recognized as revenues in the period made. Promises to give which are restricted by the donor to a specific purposed which has not been met as of the statement of financial position date are shown as increases in net assets with donor restrictions. When a donor restrictions expires, that is, when a stipulated time restriction ends or a purpose restriction in accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contributed Services –Donated rent and professional services are recorded as received. The Organization received donated facilities and professional services which amounted to \$975 for the year ended June 30, 2019. There were not donated facilities for the year ended June 30, 2018. A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization’s programs, principally in fund raising, curriculum development, long-range planning and administration. The value of this time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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.

Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization has adopted Accounting Standards Codification, “Accounting for Uncertainty in Income Taxes.” Accounting Standards Codification prescribes a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. Management has not identified any uncertain tax positions and, therefore, no liability has been recorded in the financial statements.

The Organization’s income tax filings are subject to audit by the Internal Revenue Service.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Contributions, Gifts, and Grants Receivable – Contributions and grant receivable represent amounts committed by donors that have not been received by the Organization.

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. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from their respective accounts and the resulting gain or loss is included in changes in net assets.

Routine maintenance, repairs and replacement costs are expensed as incurred. Expenditures which materially increase asset values or extend their useful lives are capitalized.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

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

Depreciation and Amortization – Depreciation and amortization is computed utilizing the straight-line method based upon the estimated useful lives of the respective assets from five to forty years.

Investments – Investment returns (including Investments are stated at fair value. Publicly traded securities are valued based upon quoted market prices at the close of business on the last day of the fiscal year. Unrealized gains (losses) are included in the change in net assets. Realized investment gains and losses are determined by using the average cost of the investment. Purchases and sales of investments are recorded as of the trade date.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities and changes in net assets.

Securities received as gifts are recorded at fair value at the date of the gift. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Reclassifications – Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have not had any impact on net income.

Foreign Currency Transactions – Cash held in foreign banks are translated at exchange rates in effect at the end of the accounting period. Gains and losses resulting from foreign currency transactions are included in income.

Subsequent Events – Management has evaluated subsequent events through October 30, 2019, the date which the financial statements were available to be issued.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

3. *PROPERTY AND EQUIPMENT, NET*

Property and equipment consist of the following at June 30,

	<u>2019</u>	<u>2018</u>
Land	\$ 60,000	\$ 60,000
Buildings	240,000	240,000
Building improvement	64,185	64,185
Equipment	185,400	185,400
Land improvement	<u>108,609</u>	<u>108,609</u>
Total property and equipment	658,194	658,194
Less: accumulated depreciation	<u>(375,333)</u>	<u>(358,532)</u>
Property and equipment, net	<u>\$ 282,861</u>	<u>\$ 299,662</u>

Depreciation expense for the years ending June 30, 2019 and 2018 was \$16,800 and \$17,571, respectively.

4. *INVESTMENTS*

Accounting Standards Codification provides the framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements.) The three levels of the fair value hierarchy under Accounting Standards Codification are described as follows:

- Level 1 valuations reflect quoted market or exchange prices for the actual or identical assets or liabilities in active markets.
- Level 2 valuations reflect inputs other than quoted prices in Level 1 which are observable. The inputs can include some or all of the following into a valuation model:
 - quoted prices on similar assets in active markets
 - quoted prices on actual assets that are not active
 - inputs other than quoted prices such as yield curves, volatilities, prepayments speeds inputs derived from market data
- Level 3 valuations reflect valuations in which one or more of the significant valuation inputs are not observable in an active market, there is limited if any market activity, and/or are based on management inputs into valuation model.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS (continued)

The Organization maintains policies and procedures to value instruments using the best and most relevant data available.

The adoption of Accounting Standards Codification was determined not to have any significant impact on the Organization's financial position and results of operation.

The following section describes the valuation methodologies the Organization uses to measure the financial instruments at fair value.

Equity funds/bonds – These usually consist of mutual funds and bonds which are valued using readily available market prices in an active market making them Level 1 assets

<u>Balance Sheet Line Item</u>	<u>Asset Category</u>	<u>Level 1</u>	<u>Net Balance 06/30/2019</u>
Common Stock	Equity funds	\$ 5,122	\$ 5,122
Total Investments		<u>\$ 5,122</u>	<u>\$ 5,122</u>

<u>Balance Sheet Line Item</u>	<u>Asset Category</u>	<u>Level 1</u>	<u>Net Balance 06/30/2018</u>
Common Stock	Equity funds	<u>\$ 3,885</u>	<u>\$ 3,885</u>
Total Investments		<u>\$ 3,885</u>	<u>\$ 3,885</u>

5. LINE OF CREDIT

The Organization has a line of credit with a financial institution which provides for a maximum borrowing of \$240,000. The line of credit is secured by all assets of the Organization. Interest rate is 1.50% over the Wall Street Journal rate with a floor of 4.75%. The line of credit renews annually upon review by the financial institution. There were outstanding balances of \$4,252 and \$224,291 as of June 30, 2019 and 2018, respectively. In October 2018, the Organization termed out \$120,000 from the original line of credit to a new installment loan with another financial institution. The line of credit is secured by a \$50,000 Certificate of Deposit and all assets of the Organization. The line of credit renews annually upon review by the financial institution.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

6. NOTE PAYABLE

	<u>2019</u>	<u>2018</u>
Mortgage note – An installment note due in monthly installments of \$1,412, including interest at 6.5%, payable through June, 2020, The Note is secured by the real estate.	\$ 167,241	\$ 172,953
Note payable – An installment note due in monthly installments of \$1,138, including interest at 6.5%, payable through June, 2038. The Note is secured by a Certificate of Deposit (restricted cash)	<u>116,000</u>	<u>-</u>
Less: amount due within one year	<u>12,624</u>	<u>5,712</u>
Long-term debt	<u>\$ 270,617</u>	<u>\$ 167,241</u>

Maturities of long-term debt are as follows:

<u>June 30,</u>	
2020	\$ 12,624
2021	13,469
2022	14,354
2023	15,302
2024	16,184
Thereafter	<u>211,308</u>
	<u>\$ 283,241</u>

Management has complied with the debt covenants associated with the above debt.

7. 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. Rent expense for the year ended June 30, 2018 was \$692. There was no rent expense for the year ended June 30, 2019.

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, 2019 and 2018 was \$9,603 and \$10,864, respectively.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

7. LEASES (continued)

Future minimum payments under operating leases are as follows:

Year ending June 30:	2020	<u>\$ 8,533</u>
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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for the following purposes or use as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Jordan/Wounded Angels	\$ 5,276	\$ 5,000
Walking United Fund	1,332	1,332
Penkhus Memorial	<u>-</u>	<u>1,000</u>
	<u>\$ 6,608</u>	<u>\$ 7,332</u>

9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions were released from donor restriction by incurring expenses and capital expenditures satisfying the restricted purpose specified by the donor. The net assets with donor restrictions released from restrictions for the year ended June 30, 2019 and 2018 were \$7,411 and \$3,587, respectively.

	<u>2019</u>	<u>2018</u>
Jordan/Wounded Angels	\$ 2,986	\$ -
Walking United Fund	-	18
Penkhus Memorial	1,300	1,158
Colombia	-	2,411
Syrian Art	1,125	-
DRC	<u>2,000</u>	<u>-</u>
	<u>\$ 7,411</u>	<u>\$ 3,587</u>

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

10. RENTAL INCOME AND EXPENSES

The Organization has entered into month-to-month lease agreements to rent its building for various monthly rates ranging from \$625 to \$1,150. Rent income for the years ended June 30, 2019 and 2018 was \$24,800 and \$25,950, respectively.

11. 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.

The Organization maintains money market funds that are not covered by insurance. The Organization has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes the Organization is not exposed to any significant concentrations of credit risk on these money market funds.

The Organization maintains cash balances at financial institutions which at times exceed the federally insured limits of \$250,000 per institution. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant concentration of credit risk on these cash balances.

12. PRIOR YEAR SUMMARIZED INFORMATION

The financial statements contain certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the entity's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

13. RECLASSIFICATION

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

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC

NOTES TO FINANCIAL STATEMENTS

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has approximately \$330,000 of financial assets available within one year of the statement of financial position date to meet its cash needs for general expenditures. These financial assets consist of cash of \$55,204 and receivables of \$271,042. Cash and receivables are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The receivables are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has several grants from both federal and state providers that management believes will provide sufficient income to cover operating expenses for the next fiscal year.

15. STATE SURPLUS REVENUE RETENTION

The Organization is subject to the Commonwealth of Massachusetts. Executive Office for Administration and Finance, Department of Procurement and General Services “Surplus Revenue Retention Policy” in accordance with the provisions of 808 CMR 1.19(3). In accordance with the formula prescribed by the Massachusetts Division of Purchased Services, the surplus (deficit) revenue retention calculated for fiscal year ended June 30, 2019 is as follows:

Balance 06/30/2018	\$ 376,625
Current year	<u>17,993</u>
Balance 06/30/2019	<u>\$ 394,618</u>

OTHER REPORTS

NICHOLAS LAPIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Polus Center for Social and Economic Development, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polus Center for Social and Economic Development, Inc's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polus Center for Social and Economic Development, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of Polus Center for Social and Economic Development, Inc'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Member of American Institute of C.P.A.'s ~ Member of Massachusetts Association of C.P.A.'s

Compliance and Other Matters

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

Purpose of this Report

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

Nicholas LaPier CPA, PC.

Nicholas LaPier, CPA, PC
October 30, 2019