

**COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES**

Financial Statements

June 30, 2009

**COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES**

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June 30, 2009

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Kevin P. Martin & Associates, P.C.

Independent Auditors' Report

To the Board of Directors of
Community Workshops, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of Community Workshops, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Community Workshops, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Community Workshops, Inc.'s 2008 financial statements and, in our report dated November 11, 2008, we expressed an unqualified opinion on those financial statements. The prior year comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Workshops, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009, on our consideration of Community Workshops, 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* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Kevin P. Martin & Associates, P.C.".

Braintree, Massachusetts
November 5, 2009



Kevin P. Martin & Associates, P.C.

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 of
Community Workshops, Inc.
Boston, Massachusetts

We have audited the financial statements of Community Workshops, Inc. (a nonprofit organization) (the Corporation) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 5, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Miriam P. Martini & Company P.C.

Braintree, Massachusetts
November 5, 2009



Kevin P. Martin & Associates, P.C.

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors of
Community Workshops, Inc.
Boston, Massachusetts

Compliance

We have audited the compliance of Community Workshops, Inc. (a nonprofit organization) (the Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2009. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Corporation'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. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on each of its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Braintree, Massachusetts
November 5, 2009

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Statement of Financial Position

As of June 30, 2009 with Comparative Totals as of June 30, 2008

Current Assets	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 682,514	\$ 633,461
Accounts receivable, net	359,982	450,780
Pledge receivable	65,000	-
Prepaid expenses	34,765	26,874
Inventory	<u>24,338</u>	<u>-</u>
Total current assets	<u>1,166,599</u>	<u>1,111,115</u>
Fixed Assets		
Leasehold improvements	2,253,961	2,249,227
Furniture and equipment	<u>668,657</u>	<u>607,867</u>
Total fixed assets	2,922,618	2,857,094
Less: accumulated depreciation	<u>(2,464,027)</u>	<u>(2,348,177)</u>
Total net fixed assets	<u>458,591</u>	<u>508,917</u>
Restricted cash (donor stipulated)	<u>7,768</u>	<u>7,768</u>
Total Assets	\$ <u><u>1,632,958</u></u>	\$ <u><u>1,627,800</u></u>

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

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Statement of Financial Position - continued

As of June 30, 2009 with Comparative Totals as of June 30, 2008

Current Liabilities	<u>2009</u>	<u>2008</u>
Accounts payable	\$ 65,227	\$ 85,219
Accrued expenses	188,793	188,002
Deferred revenue	41,436	40,958
Customer advances	<u>8,875</u>	<u>12,982</u>
 Total current liabilities	 <u>304,331</u>	 <u>327,161</u>
 Total liabilities	 <u>304,331</u>	 <u>327,161</u>
 Net Assets		
Unrestricted	1,178,675	1,242,193
Temporarily restricted	142,184	50,678
Permanently restricted	<u>7,768</u>	<u>7,768</u>
 Total net assets	 <u>1,328,627</u>	 <u>1,300,639</u>
 Total Liabilities and Net Assets	 <u>\$ 1,632,958</u>	 <u>\$ 1,627,800</u>

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

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Statement of Activities

For the Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Revenue and Support					
Contributions	\$ 84,096	\$ 153,489	\$ -	\$ 237,585	\$ 172,191
Contributions - related party	341,762	-	-	341,762	345,784
Program service fees and grants	1,676,422	-	-	1,676,422	1,615,243
Investment revenue	2,373	297	-	2,670	13,952
Revenue from commercial products and services	979,191	-	-	979,191	1,349,903
Rental revenue (net of \$133,993 of rental expenses)	130,616	-	-	130,616	113,440
Other income	1,119	-	-	1,119	7,825
Net assets released from restrictions	62,280	(62,280)	-	-	-
Total revenue and support	3,277,859	91,506	-	3,369,365	3,618,338
Expenses					
Administration	426,454	-	-	426,454	397,255
Fundraising	93,200	-	-	93,200	94,362
Program services	2,821,723	-	-	2,821,723	3,074,980
Total expenses	3,341,377	-	-	3,341,377	3,566,597
Change in Net Assets	(63,518)	91,506	-	27,988	51,741
Net Assets at Beginning of Year	1,242,193	50,678	7,768	1,300,639	1,248,898
Net Assets at End of Year	\$ 1,178,675	\$ 142,184	\$ 7,768	\$ 1,328,627	\$ 1,300,639

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

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Statement of Cash Flows

For the Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

Cash Flows from Operating Activities	<u>2009</u>	<u>2008</u>
Change in Net Assets	\$ 27,988	\$ 51,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,850	104,988
Decrease (increase) in assets		
Accounts receivable	90,798	22,459
Pledge receivable	(65,000)	-
Prepaid expenses	(7,891)	3,209
Inventory	(24,338)	-
Increase (decrease) in liabilities		
Accounts payable	(19,992)	33,424
Accrued expenses	791	48,244
Deferred revenue	478	(5,169)
Customer advances	(4,107)	(25,650)
Net Cash Provided by Operating Activities	<u>114,577</u>	<u>233,246</u>
 Cash Flows from Investing Activities		
Purchase of fixed assets	<u>(65,524)</u>	<u>(93,647)</u>
Net Cash Used in Investing Activities	<u>(65,524)</u>	<u>(93,647)</u>
 Cash Flows from Financing Activities		
Repayment of notes payable	<u>-</u>	<u>(41,618)</u>
Net Cash (Used in) Provided by Financing Activities	<u>-</u>	<u>(41,618)</u>
 Net Increase in Cash and Cash Equivalents	49,053	97,981
Cash and Cash Equivalents - Beginning	<u>633,461</u>	<u>535,480</u>
Cash and Cash Equivalents - Ending	<u>\$ 682,514</u>	<u>\$ 633,461</u>
 Supplement Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 872</u>

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

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Statement of Functional Expenses

For the Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	<u>Administration</u>	<u>Fundraising</u>	<u>Program Services</u>	<u>2009 Total</u>	<u>2008 Total</u>
Functional Expenses					
Salaries and benefits - staff	\$ 329,783	54,330	1,360,632	\$ 1,744,745	\$ 1,798,114
Salaries and benefits - clients	-	-	559,165	559,165	598,795
Occupancy	12,687	-	165,023	177,710	173,195
Operating expenses	78,727	38,870	626,310	743,907	891,505
Depreciation	<u>5,257</u>	<u>-</u>	<u>110,593</u>	<u>115,850</u>	<u>104,988</u>
Total Functional Expenses	<u>\$ 426,454</u>	<u>\$ 93,200</u>	<u>\$ 2,821,723</u>	<u>\$ 3,341,377</u>	<u>\$ 3,566,597</u>

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

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

Community Workshops, Inc. (the Corporation) is a Massachusetts non-profit corporation which provides a broad array of assessment, job training and employment related supports to individuals from the greater Boston area. The individuals served experience a wide array of barriers to self-sufficiency including disabilities, homelessness and other factors related to persistent poverty. The Corporation, which was organized in 1877, is accredited by the Commission of Accreditation for Rehabilitation Facilities. The majority of the Corporation's services are provided to Greater Boston residents.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Corporation's ongoing efforts.

(c) Revenue Recognition

The Corporation earns revenue as follows:

Program Service Fees - Program service fee revenue is earned and recognized by the Corporation when units or services are provided under various contracts funded primarily by governmental agencies. Contracts consist of unit-rate which contain ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Billings on the contracts are subject to final approval by the governmental agencies.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(c) Revenue Recognition - continued

Contributions - Contributions are recorded as support at the date of donation, pledge or dates stated in award letters as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

Rental - Rental income is derived from commercial tenant rent from sub-lease relationships. Rental revenue is recognized as occupancy is provided. Deferred revenue represents rental payments received prior to year-end for the following fiscal period. These amounts are recognized as income during the subsequent fiscal period.

Commercial Products and Services - Commercial products and service fees are recognized as products are delivered and services are rendered at rates established by parties under contractual arrangements.

Substantially all of the Corporation's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2009, the Corporation derived approximately 27% of its total revenue from corporations and individual donors, 29% from the Commonwealth of Massachusetts, 34% from U.S. governmental agencies and 10% from a related party, the Georgianna Goddard Eaton Memorial Fund (Eaton Fund, see Note 7). All revenue is recorded at the estimated net realizable amounts.

(d) Accounts Receivable

The Corporation carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Corporation evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2009, the allowance for doubtful accounts was \$30,000.

The Corporation does not have a policy to accrue interest on account receivables. Program service fee receivables are written off upon notification by the government entity that amounts are uncollectible. Commercial product and service receivables are written off after collection efforts have failed, including collection agencies and small claims court.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(d) Accounts Receivable - continued

The Corporation has no policies requiring collateral or other security to secure the accounts receivable. During the year ended June 30, 2009, the Corporation's trade receivables were due as follows: approximately 27% from commercial corporate contractors, 48% due from U.S. governmental agencies, 24% due from the Commonwealth of Massachusetts and 1% from a related party, the Georgianna Goddard Eaton Memorial Fund (Eaton Fund, see Note 7).

(e) Contribution Receivable

Unconditional promises to give (contribution receivables) are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. As of June 30, 2009, management estimated the allowance to be immaterial. Subsequent to year-end, the entire contribution receivable amounting to \$65,000 as of June 30, 2009, was paid in full.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional. Unconditional promises to give are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Accretion of the discount is included in contribution revenues.

(f) Statement of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Payroll and associated costs are allocated to functions based upon clients served and time analysis. Occupancy costs are allocated based upon square footage.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(g) Standards of Accounting and Reporting

The Corporation's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) and the statement of activities displays the amounts of change in each of those classes of net assets.

The three classes of net assets applicable to the Corporation are presented as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Included in unrestricted net assets are board designated resources of \$50,000 to be used for public relation purposes. The funds are held in cash and are included with cash and cash equivalents on the statement of financial position.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions and investment income whose restrictions are met in the same reporting period are recorded as temporarily restricted income and as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed restrictions that the Corporation maintain them permanently. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

(h) Property, Equipment and Depreciation

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation is expensed for leasehold improvements over the life of the lease or its useful life, whichever is shorter. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. In absence of original cost records, appraisals of historical cost or fair value at the date of receipt have been recorded. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Corporation computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	5-20 years
Furniture and equipment	3-10 years

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(i) *Income Taxes*

The Corporation qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to income tax. The Corporation is not a private foundation under Section 509(a)(1). The Corporation did not engage in any unrelated business income activities for the year ended June 30, 2009. As such, no unrelated business income tax liability was recorded.

The Corporation has elected to defer the application of FASB interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48) as permitted by FSP FIN 48-3, until the fiscal year ending June 30, 2010. FIN 48 requires that a tax position be recognized or derecognized based on a more than likely or not threshold. This applies to positions taken or expected to be taken in the tax return. The Corporation regularly assesses the potential settlement outcomes resulting from income tax examinations. The Corporation does not anticipate that the provisions of FIN 48 will have any significant impact on its financial statements. However, additional disclosures may be required of situations, if any, where the Corporation's tax positions are considered uncertain. Currently, the FASB is deliberating the manner and extent to which not-for-profit organizations such as the Corporation will need to apply the provisions of FIN 48.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements

Effective July 1, 2008, the Corporation determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in the accordance with generally accepted accounting principles for *Fair Value Measurements*(formally known as Statement of Financial Accounting Standard (“SFAS”) SFAS No. 157, “*Fair Value Measurements*” (“SFAS No. 157”).

Level 1: Quoted prices in active markets for identical assets or liabilities. The Corporation currently has no Level 1 assets or liabilities that are measured at fair value on a recurring basis.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company’s Level 2 inputs include donated fixed assets.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. The Corporation currently has no Level 3 assets or liabilities that are measured at fair value on a recurring basis.

Pursuant to the Financial Accounting Standards Boards (“FASB”) Staff Position No. 157-2, “*Effective Date of FASB Statement No.157*”, the effective date of SFAS No. 157 for certain non-financial assets and liabilities that are measured at fair value but are recognized or disclosed at fair value on a non-recurring basis has been deferred to fiscal years beginning after November 15, 2008. The Corporation is primarily impacted by this deferral as it relates to non-financial assets and liabilities initially measured at fair value measurements in impairment testing. The Corporation will adopt these remaining provisions of SFAS No. 157 effective July 1, 2009. The Corporation does not expect the impact to be significant on its financial position, results of operations and cash flows.

The following table represents the fair value hierarchy for those financial assets measured at fair value on a recurring basis as of June 30, 2009.

	Fair Value Measurements on a Recurring Basis as of			
	June 30, 2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
In-kind donation	\$ -	\$ 5,726	\$ -	\$ 5,726
	<u>\$ -</u>	<u>\$ 5,726</u>	<u>\$ -</u>	<u>\$ 5,726</u>

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements - continued

The Corporation's financial instruments include cash and cash equivalents, accounts receivables, contributions receivable, accounts payable, accrued expenses and deferred revenue. The carrying amount of these financial instruments approximates their fair value due to their short maturities.

(k) Unemployment Taxes

The Corporation is on the reimbursement method for unemployment costs with the Commonwealth of Massachusetts.

(l) Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Corporation maintains its cash deposit balances in banks located in Massachusetts. Cash and deposit balances maintained with Bank of America amounted to \$453,450 at June 30, 2009, which exceeded the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Cash reserves held at Charles Schwab Institutional of \$280,926 (U.S. money market reserves) were not insured with FDIC at June 30, 2009.

(m) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists primarily of finished products held for sale. The Company evaluates inventory levels and expected usage on a periodic basis and records a valuation allowance as required. As of June 30, 2009, the allowance for obsolescence was immaterial.

(n) Advertising Costs

The Corporation expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2009.

(o) Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Fundraising

Fundraising relates to activities of raising general and specific contributions and grants to the Corporation. Fundraising expenses as a percentage of total contributions and grants was 16% for the year ended June 30, 2009. The ratio of expenses to amounts raised is computed using the actual expenses and related revenue on an accrual basis.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies - continued

(q) Donated items

Donations of furniture and equipment amounted to \$5,726 for the year ended June 30, 2009. Amounts are reflected as contributions in the accompanying financial statements. Amounts are recorded at fair value on the date of receipt.

(s) Summarized Financial Information for 2008

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, there is no presentation of statement of cash flows or statement of functional expenses for the year ended June 30, 2008. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information is derived.

(2) Restricted Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Donor restrictions limit the use of the resources within the particular purposes listed below.

<u>Nature of Restriction</u>	<u>Amount</u>
Project Expansion Efforts	\$ 50,000
Cafeteria at Work, Inc site	39,549
Sterns Grant - Housing Assistance for Homeless Women	23,983
Cowen Fund - Trainee Emergency Assistance	16,109
Project Support	7,500
Vincent Mulford Foundation - Housing Assistance for Homeless Men	3,530
Assistive Technology - Equipment and Software	<u>1,513</u>
	\$ <u>142,184</u>

(b) Permanently Restricted Net Assets

Permanently restricted net assets represent donations with stipulations that they be invested to provide a permanent source of income to defray costs of general operations. The permanently restricted donations are being held in cash equivalents. These amounts have been classified as other assets on the statement of financial position. As of June 30, 2009, permanently restricted funds consisted of the Frank M. Ferrin Fund.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(3) Property and Equipment

Property and equipment consists of the following as of June 30, 2009:

Leasehold improvements	\$ 2,253,961
Furniture and equipment	<u>668,657</u>
	<u>\$ 2,922,618</u>

Depreciation amounted to \$115,850 for the year ended June 30, 2009.

(4) Line of Credit

The Corporation has available a demand line of credit with Bank of America of \$300,000 to be drawn upon as needed, with interest at the prime lending rate, or 5% as of June 30, 2009. The line is guaranteed by the Eaton Fund. There were no outstanding borrowings as of June 30, 2009.

(5) Operating Lease Commitments

(a) Lessor

The Corporation sublets a portion of its facilities to tenants under operating leases that expire at various dates through fiscal year 2012. These leases were accounted for as operating leases. Rental income amounted to \$261,530 for the year ended June 30, 2009 and includes a deferred rent receivable of \$5,844 resulting from the excess of the straight-line amortization of rental revenue on the leases over actual cash payments.

The minimum annual operating non-cancelable sub-lease commitments on property for the Corporation are as follows:

2010	\$ 122,763
2011	148,487
2012	77,166

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(5) Operating Lease Commitments - continued

(b) Lessee

The Corporation leases its facilities from the Eaton Fund. The lease agreement requires monthly rental amounts including payments to reimburse the landlord for the real estate taxes on the building. The lease is a 20-year lease with three consecutive 10-year renewal options.

In addition, the Corporation leases equipment under operating lease agreements with expiration dates through 2012.

The minimum annual operating non-cancelable lease commitments on property and equipment for the Corporation are as follows:

2010	\$ 147,930
2011	137,328
2012	101,163

Rent expense for the year ended June 30, 2009 was \$153,504.

(6) Retirement Plan - 401(k)

The Corporation has a retirement plan under Section 401(k) of the Internal Revenue Code. Under this plan eligible employees may make tax deferred contributions into self administered individual retirement accounts. An employee who is at least 21 years of age is eligible to participate in the plan after 3 months of full time service. After one year of employment the Corporation will match this contribution up to a maximum of 4% of the employee's earnings. The Corporation contributed \$37,709 in matching funds and administrative fees for the year ended June 30, 2009.

(7) Related Party Transactions

The Eaton Fund and the Corporation share a common board member. The Eaton Fund has established the Corporation as a preferred beneficiary of its trust.

Rent Expense - The Corporation rents its facilities from the Eaton Fund. Rent expense for the year amounted to \$130,000.

Contributions - The Eaton Fund contributed a total of \$341,762 to the Corporation. Of this amount \$26,486 was for payment of real estate taxes owed by the Corporation under its lease agreement with Eaton Fund and \$39,279 was for payment of grant writer's salary.

Debt Guarantees - The Corporation's line of credit with Bank of America is guaranteed by the Eaton Fund.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(8) Commitments and Contingencies

The Corporation receives a portion of its funding from government agencies under cost reimbursement programs. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Corporation's operations are concentrated in the social service provider field. As such, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

- United States Department of Labor
- United States Department of Housing and Urban Development
- United States Department of Health and Human Services
- United States Department of Education
- United States Department of Agriculture
- Massachusetts Rehabilitation Commission
- Massachusetts Department of Mental Retardation
- Massachusetts Operational Services Division
- City of Boston

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by, the United States Departments or Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES

Notes to Financial Statements

June 30, 2009

(9) Schedule of Federal Awards

Determination of federal major programs was made using a risk based approach. For the fiscal year ended June 30, 2009, the Corporation qualified as a low-risk auditee. The major programs tested are disclosed as such in the schedule of findings and questioned costs.

(10) Subsequent Events

Subsequent to year-end, the Corporation settled a legal matter amounting to approximately \$15,000, which was paid for with insurance proceeds. Except for the subsequent event disclosed, the Corporation's management has performed an evaluation of subsequent events through November 5, 2009, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2009 that required recognition or disclosure in these financial statements, except as described above.

**COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES**

Schedule of Findings and Questioned Costs

June 30, 2009

(1) Summary of Auditors' Results

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? _____ yes X no

Reportable Condition(s) Identified
Not Considered to be Material Weaknesses? _____ yes X none

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards:

Internal Control Over Major Programs:

Material Weakness(es) Identified? _____ yes X no

Reportable Condition(s) Identified
Not Considered to be Material Weaknesses? _____ yes X none

Type of Auditors' Report Issued on Compliance:
for Major Programs: Unqualified

Any Audit Findings Disclosed that are Required
to be Reported in Accordance with
Circular A-133, Section .510(a)? _____ yes X no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.234 S	Projects with Industry
10.561	Supplemental Nutrition Assistance Program

Dollar Threshold Used to Distinguish
Between Type A and Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? X yes _____ no

**COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES**

Schedule of Findings and Questioned Costs - Continued

June 30, 2009

(2) Financial Statement Findings

No significant deficiencies or material weaknesses reported.

(3) Federal Award Findings and Questioned Costs

No significant deficiencies or material weaknesses reported.

(4) Status of Prior Year Findings

No significant deficiencies or material weaknesses reported.



Kevin P. Martin & Associates, P.C.

**Independent Auditors' Report on
Schedule of Expenditures of Federal Awards**

To the Board of Directors of
Community Workshops, Inc.
Boston, Massachusetts

We have audited the basic financial statements of Community Workshops, Inc. for the year ended June 30, 2009. That audit was performed for the purpose of forming an opinion on the basic financial statements of Community Workshops, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin P. Martin & Associates, P.C.

Braintree, Massachusetts
November 5, 2009

**COMMUNITY WORKSHOPS, INC.
d/b/a COMMUNITY WORK SERVICES**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Major Program:			
U.S. Department of Education:			
<i>Projects with Industry - Office of Special Education and Rehabilitative Services</i>			
			\$ 180,095
	84.234 S		<u>180,095</u>
U.S. Department of Agriculture, Food and Nutritional Services:			
<i>Passed through EDIC / Boston</i>			
Supplemental Nutrition Assistance Program			
			132,639
	10.561		<u>132,639</u>
Total Major Program			\$ <u>312,734</u>
Non Major Programs:			
U.S. Department of Education:			
<i>Passed through the Massachusetts Rehabilitation Commission</i>			
Rehabilitation Services - Vocational Rehabilitation Grants to States			
		SC MRC 2008 5003004 SC MRC 2008 5004236	\$ 325,505
			<u>26,398</u>
	84.126		<u>351,903</u>
U.S. Department of Labor:			
<i>Passed through Boston Private Industry Council</i>			
Disability Employment Policy Development			
		042676661	8,098
	17.720		<u>8,098</u>
U.S. Department of Housing and Urban Development:			
<i>Passed through EDIC / Department of Transitional Assistance</i>			
Community Development Block Grants			
			20,711
			<u>7,743</u>
	14.218		<u>28,454</u>
<i>Passed through the City of Boston - Department of Neighborhood Development</i>			
Supportive Housing Program			
			133,024
	14.235		<u>133,024</u>
			<u>161,478</u>
U.S. Department of Health and Human Services			
<i>Passed through the Massachusetts Department of Transitional Assistance</i>			
Temporary Assistance for Needy Families			
			27,812
	93.558		<u>27,812</u>
Total Non Major Programs			\$ <u>549,291</u>
Total Expenditures of Federal Awards			\$ <u>862,025</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Workshops, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.