

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

Financial Statements

June 30, 2013

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

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June 30, 2013

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Community Workshops, Inc. (a nonprofit organization), (the Corporation), which comprise the statement of financial position as of June 30, 2013, 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 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2013, 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

We have previously audited the Corporation's 2012 financial statements, and our report dated November 14, 2012, expressed an unmodified opinion on those audited financial statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013, on our consideration of the Corporation'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 the Corporation's internal control over financial reporting and compliance.



November 13, 2013



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, 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 Community Workshops, Inc. (a nonprofit organization), (the Corporation), which comprise the statement of financial position as of June 30, 2013, 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 13, 2013.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nimir P. Martini & Associates, P.C." The signature is written in a cursive, flowing style.

November 13, 2013



**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Community Workshops, Inc.'s (a nonprofit organization), (the Corporation), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2013. The Corporation'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 its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation'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 *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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 *OMB Circular A-133*, 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 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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



November 13, 2013

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

Statement of Financial Position

As of June 30, 2013 with Comparative Totals as of June 30, 2012

Current Assets	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 209,802	\$ 290,276
Accounts receivable, net	387,727	520,111
Contribution receivable	75,000	75,000
Prepaid expenses	52,474	47,391
Inventory	<u>8,850</u>	<u>-</u>
Total current assets	<u>733,853</u>	<u>932,778</u>
 Fixed Assets		
Leasehold improvements	2,863,702	2,442,467
Furniture and equipment	<u>965,824</u>	<u>948,756</u>
Total fixed assets	3,829,526	3,391,223
Less: accumulated depreciation	<u>(2,958,516)</u>	<u>(2,824,848)</u>
Total net fixed assets	<u>871,010</u>	<u>566,375</u>
 Other Assets		
Restricted cash (donor stipulated)	<u>7,768</u>	<u>7,768</u>
Total other assets	<u>7,768</u>	<u>7,768</u>
 Total Assets	 \$ <u><u>1,612,631</u></u>	 \$ <u><u>1,506,921</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, 2013 with Comparative Totals as of June 30, 2012

Current Liabilities	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 74,408	\$ 85,613
Accrued expenses	262,432	258,074
Note payable, current	48,416	-
Deferred revenue	<u>76,363</u>	<u>25,908</u>
Total current liabilities	<u>461,619</u>	<u>369,595</u>
 Long Term Liabilities		
Note payable, long term	<u>153,486</u>	<u>-</u>
Total long term liabilities	<u>153,486</u>	<u>-</u>
Total liabilities	<u>615,105</u>	<u>369,595</u>
 Net Assets		
Unrestricted	865,089	999,453
Temporarily restricted	124,669	130,105
Permanently restricted	<u>7,768</u>	<u>7,768</u>
Total net assets	<u>997,526</u>	<u>1,137,326</u>
 Total Liabilities and Net Assets	 <u>\$ 1,612,631</u>	 <u>\$ 1,506,921</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, 2013 with Comparative Totals for the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Revenue and Support					
Contributions	\$ 203,946	\$ 177,280	\$ -	\$ 381,226	\$ 514,120
Contributions - related party	332,565	219,182	-	551,747	304,308
Program service fees and grants	1,500,508	-	-	1,500,508	1,562,754
Investment revenue	382	-	-	382	982
Revenue from commercial products and services	1,022,839	-	-	1,022,839	1,308,855
Rental revenue (net of \$50,511 of rental expenses)	127,863	-	-	127,863	202,459
Other revenue	4,543	-	-	4,543	28,609
Net assets released from restrictions	401,898	(401,898)	-	-	-
Total revenue and support	<u>3,594,544</u>	<u>(5,436)</u>	<u>-</u>	<u>3,589,108</u>	<u>3,922,087</u>
Expenses					
Administration	385,486	-	-	385,486	404,505
Fundraising	241,222	-	-	241,222	230,470
Program services	3,102,200	-	-	3,102,200	3,485,046
Total expenses	<u>3,728,908</u>	<u>-</u>	<u>-</u>	<u>3,728,908</u>	<u>4,120,021</u>
Change in Net Assets	(134,364)	(5,436)	-	(139,800)	(197,934)
Net Assets at Beginning of Year	<u>999,453</u>	<u>130,105</u>	<u>7,768</u>	<u>1,137,326</u>	<u>1,335,260</u>
Net Assets at End of Year	<u>\$ 865,089</u>	<u>\$ 124,669</u>	<u>\$ 7,768</u>	<u>\$ 997,526</u>	<u>\$ 1,137,326</u>

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, 2013 with Comparative Totals for the Year Ended June 30, 2012

Cash Flows from Operating Activities	<u>2013</u>	<u>2012</u>
Change in Net Assets	\$ (139,800)	\$ (197,934)
Adjustments to reconcile change in net assets to net cash provided by (used in)		
Depreciation	133,668	126,462
Donation of fixed assets	-	(25,839)
Decrease (increase) in assets		
Accounts receivable, net	132,384	(13,846)
Other assets	-	10,783
Prepaid expenses	(5,083)	(16,154)
Inventory	(8,850)	26,103
Increase (decrease) in liabilities		
Accounts payable	(11,205)	(35,265)
Accrued expenses	4,358	20,808
Deferred revenue	50,455	4,112
Net Cash Provided by (Used in) Operating Activities	<u>155,927</u>	<u>(100,770)</u>
 Cash Flows from Investing Activities		
Purchase of fixed assets	<u>(438,303)</u>	<u>(164,122)</u>
Net Cash Used in Investing Activities	<u>(438,303)</u>	<u>(164,122)</u>
 Cash Flows from Financing Activities		
Repayment of note payable	(17,279)	-
Proceeds from note payable	<u>219,181</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>201,902</u>	<u>-</u>
 Net Decrease in Cash and Cash Equivalents	(80,474)	(264,892)
Cash and Cash Equivalents - Beginning	<u>290,276</u>	<u>555,168</u>
Cash and Cash Equivalents - Ending	<u>\$ 209,802</u>	<u>\$ 290,276</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, 2013 with Comparative Totals for the Year Ended June 30, 2012

	<u>Administration</u>	<u>Fundraising</u>	<u>Program Services</u>	<u>2013 Total</u>	<u>2012 Total</u>
Functional Expenses					
Salaries and benefits - staff	\$ 136,908	\$ 180,471	\$ 1,345,386	\$ 1,662,765	\$ 2,024,898
Salaries and benefits - clients	-	-	686,879	686,879	744,129
Occupancy	75,924	-	204,404	280,328	285,385
Operating expenses	164,634	60,751	739,883	965,268	939,147
Depreciation	<u>8,020</u>	<u>-</u>	<u>125,648</u>	<u>133,668</u>	<u>126,462</u>
Total Functional Expenses	<u>\$ 385,486</u>	<u>\$ 241,222</u>	<u>\$ 3,102,200</u>	<u>\$ 3,728,908</u>	<u>\$ 4,120,021</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, 2013

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Founded in 1877, Community Workshops, Inc. d/b/a Community Work Services (the Corporation) is a leading and innovative organization fighting poverty and ending homelessness by helping low-income adults to transform their lives through employment. The Corporation operates effective job training, placement and support services that lead to greater economic self-sufficiency and advancement for our graduates. The Corporation has over 100 years of experience operating profitable businesses that provide hands-on training positions, internships and employment opportunities for our graduates while meeting the needs of our customers.

(a) Nature of Activities

The majority of the Corporation's services are provided in the Greater Boston area. The following program divisions are listed in order of relative importance based upon total program expenditures:

Workforce Development Programs - Each year the Corporation assists over 1,000 men and women to successfully overcome barriers to employment by working one-on-one with individuals to get into the job market, retain those jobs and help them advance. We offer a variety of training programs and internships so that individuals gain employment soft-skills and professional experience while also providing employment search, career coaching and advancement services. The Corporation works with a variety of individuals seeking a path to greater economic self-sufficiency, including those with disabilities, the homeless, veterans, mature workers, individuals in poverty with chronic unemployment, and the formerly incarcerated. All of our training programs are designed to help graduates gain employment soft-skills and professional experience to become successful in today's competitive job market.

- Job Readiness Training: Participants complete a 4-week training program focusing on building professional soft-skills and preparing to conduct successful job searches.
- At Your Service: Participants complete a 10-week training for careers in the hotel and hospitality industry, one of the fastest growing job fields. Successful graduates receive the Skills Tasks and Results Training (START) Certification from the American Hotel and Lodging Association.
- Café Careers: Participants complete a 12-week culinary arts program for mid-level employment in the restaurant and food service industry. Program participants receive hands on training from a certified chef, placed in internships with area food service venues, and graduates receive the nationally recognized Safe Food Handler Certification.
- Food Service: Participants complete a curriculum designed to prepare individuals for entry-level employment in the food service industry. Key training components include hands on training on-site in the Corporation's cafeteria, safety and sanitation training, and cafeteria management.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Workforce Development Programs - continued

- **Commercial Cleaning:** Participants complete a curriculum designed to prepare individuals for employment in the property maintenance industry. Participants receive hands on training in the use of products and commercial cleaning equipment as well as facility care. Graduates receive a Certificate of Completion recognizing their skills.
- **Commercial Production:** Program participants learn appropriate workplace attire and conduct, develop a positive work ethic, complete assigned tasks, adjust to a work schedule, and receive constructive feedback.

The Workforce Development Programs division accounted for 53% of total program expenditures for the year ended June 30, 2013.

Placement Services - Placement Specialists work closely with the Corporation's graduates to identify meaningful employment opportunities which meet their individual skills and interests. The Corporation works across a variety of industries, including: food service, commercial cleaning, retail, hospitality, landscaping, office support, bio-tech, financial services, health care, customer service and security. The Placement Services division accounted for 22% of total program expenditures for the year ended June 30, 2013.

Retention and Career Advancement Services - We provide comprehensive post-placement services for more than one year to each of our graduates to ensure job retention and promote advancement and continuing adult education. Sessions include one-on-one coaching and group support sessions. The Retention and Career Advancement Services division accounted for 12% of total program expenditures for the year ended June 30, 2013.

Business Services - The Corporation operates three commercial businesses that offer valuable training opportunities for their participants. The Corporation's business enterprises serve nearly 200 customers from the business, nonprofit and government sectors. The Corporation holds exceptional experience and commitment to providing top value, service, quality and competitive price for each of their customers. The Corporation customizes their business capabilities to fit their customer needs and budget.

- **Assembly and Packaging:** The Corporation offers outstanding professional customized fulfillment solutions, including general packaging, assembly, commercial sewing, shrink wrapping, medical device assembly, kitting, mailing services and dry-food packaging. Our well-trained and supervised workforce enables us to complete each project at competitive prices with rapid turnaround.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Business Services - continued

- Food Service and Catering: The Corporation offers customized catering services for meetings and events at competitive prices for a variety of occasions. We operate several full-service cafeterias that provide meals for over 450 people daily. The Corporation also offers outsource cafeteria management services for businesses and nonprofits.
- Property Maintenance: The Corporation provides comprehensive maintenance services for building and grounds care by offering a dedicated and trained workforce with professional on-site management that includes liability insurance. Annually we service over 29 Million square feet of office space and over 520 miles of sidewalk and grounds.

The Business Services division accounted for 13% of total program expenditures for the year ended June 30, 2013.

(b) Basis of Presentation

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

(c) 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 change in each class of net assets. The 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. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting - continued

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 - Reflects the original amount of gifts and investment earnings required by the donor to be permanently retained. 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.

(d) 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 balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentrations of credit risk exists with respect to these cash balances at June 30, 2013.

(e) Revenue Recognition

The Corporation earns revenue as follows:

Program Service Fees - Contracts revenue are earned and recognized by the Corporation when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, consist of two types, unit-rate and cost-reimbursement contracts, all with 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. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency.

Contributions - Contributions are recorded upon receipt or pledge 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.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

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. Rental payments received prior to the year-end for the following fiscal period are included with deferred revenue. 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.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

Substantially all of the Corporation's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2013, the Corporation derived approximately 33% from the Commonwealth of Massachusetts, 30% of its total revenue from corporations and individual donors, 21% from U.S. governmental agencies and 16% from a related party, the Georgianna Goddard Eaton Memorial Fund (Eaton Fund, see Note 9). All revenue is recorded at estimated net realizable amounts.

(f) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable. As of June 30, 2013, the allowance for doubtful accounts was \$5,000.

Except for tenant security deposits, the Corporation does not have a policy to accrue interest on accounts receivable. 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.

The Corporation has no policies requiring collateral or other security to secure the accounts receivable. As of June 30, 2013, the Corporation's trade receivables were due as follows: approximately 42% due from U.S. governmental agencies, 41% due from corporations and individuals and 17% due from the Commonwealth of Massachusetts.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(g) Contributions Receivable

Unconditional promises to give are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. 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, in the year received, at the present value of estimated future cash flows. Amortization of the discount is included in contribution revenues. As of June 30, 2013, contributions receivable is due from one donor and is due in the next fiscal period.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2013, management has determined any allowance would be immaterial.

(h) Land, Building and Equipment

Land, building 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

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2013.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(i) Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Corporation personnel.

(j) Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

GAAP requires that certain assets and liabilities be recorded at fair value on a recurring basis. The Corporation had no assets and liabilities that were recognized or disclosed at fair value on a recurring basis under the above fair value hierarchy as of June 30, 2013. The Corporation's policy is to recognize transfers into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2013.

Non-Recurring Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Corporation records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Corporation had no assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2013.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(k) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs, supporting services and fundraising. Expenses related to more than one function are allocated to programs, supporting services and fundraising. 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 Corporation.

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

(l) Advertising Costs

The Corporation expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2013.

(m) Income Taxes

The Corporation qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore is not subject to income tax. The Corporation is not a private foundation under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the year ended June 30, 2013, there was no liability for tax on unrelated business income.

GAAP prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2013, the Corporation has determined that it has not taken any tax positions which would result in an uncertainty requiring recognition in the accompanying financial statements. The Corporation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

Generally, the Corporation's information returns remain open for possible federal income tax examination for three years after the filing date. The Corporation is not currently under examination by any taxing jurisdiction.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies - continued

(n) Unemployment Taxes

The Corporation has elected not to contribute to the Commonwealth's unemployment compensation program but has established a self managed plan under which the Corporation manages the obligation as provided under Commonwealth law. The Corporation is on the reimbursement method for unemployment costs with the Commonwealth of Massachusetts. Management estimated an accrual of \$15,935 as of June 30, 2013, based on a history of prior unemployment claims and current staffing trends. The amount is included in accrued expenses on the statement of financial position.

(o) Use of Estimates

In preparing the Corporation's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 20% for the year ended June 30, 2013. The ratio of expenses to amounts raised is computed using the actual expenses and related revenue on an accrual basis.

(q) Special Events

The Corporation has determined that special events are incidental to its operations and therefore has reported the gross special event revenue net of direct costs of benefits to the donors and is included in contributions on the statement of activities.

(r) Summarized Financial Information for 2012

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. 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 GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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

Notes to Financial Statements

June 30, 2013

(2) Restricted Net Assets

(a) Board Restricted Net Assets

Included in unrestricted net assets are board designated resources of \$50,712 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.

(b) 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>Source/Nature of Restriction</u>	<u>Amount</u>
Boston Foundation - Contribution Receivable	\$ 75,000
Natixis Global Management, L.P. - Infrastructure	21,250
Cowen Fund - Trainee Emergency Assistance	15,162
Sterns Grant - Housing Assistance for Homeless Women	<u>13,257</u>
	\$ <u>124,669</u>

(c) 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, 2013, permanently restricted funds consisted of the Frank M. Ferrin Fund.

(3) 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, 3.25% as of June 30, 2013. The line is guaranteed by the Eaton Fund (see Note 10) and is subject to an annual review and renewal by Bank of America. The next review date is December 2013. Accounts receivable and inventory are used as collateral. There were no outstanding borrowings as of June 30, 2013.

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

Notes to Financial Statements

June 30, 2013

(4) Note Payable

During the year ended June 30, 2013, the Corporation entered into an unsecured note payable due to a related party (See Note 9) in the original amount of \$219,181, which was used to fund leasehold improvements. The note is due in monthly installments of \$4,850, bears interest at 3%, and matures in January 2017. At June 30, 2013, the principal balance due was \$201,902.

Maturities of notes payable are as follows:

2014	\$ 48,416
2015	54,356
2016	56,009
2017	43,121

(5) Contributed Services and Gifts in Kind

Contributed services and gifts in kind for the year ended June 30, 2013 were as follows:

Pro-bono outside services:	
Legal	\$ 1,050
Gifts in kind:	
Parking spaces	12,600
Program facilities	10,000
Miscellaneous	<u>7,943</u>
Total	\$ <u>31,593</u>

(6) Operating Lease Commitments

(a) Lessor

The Corporation sublets a portion of its facilities to tenants under operating leases that expire between April 2017 and May 2020. The leases were accounted for as operating leases. Rental income was \$179,619 for the year ended June 30, 2013 which was comprised of two tenants.

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

2014	\$ 270,990
2015	282,162
2016	290,417
2017	267,556
2018	153,333

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

Notes to Financial Statements

June 30, 2013

(6) 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. The current lease renewal expires in March 2022.

In addition, the Corporation leases equipment under operating lease agreements with expiration dates through fiscal year 2015.

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

2014	\$ 134,796
2015	131,596
2016	129,996
2017	129,996
2018	129,996

(7) Conditional Promise to Give

During the year ended June 30, 2011, the Corporation was awarded a conditional promise to give of a three year grant totaling \$225,000, to be paid in three annual installments of \$75,000. The revenue from this conditional promise will be recorded when the conditions have been satisfied. As of June 30, 2013, \$150,000 has been received. Additionally, \$75,000 is included in contributions receivable as the conditions were satisfied as of June 30, 2013.

(8) Retirement Plan - 401(k)

The Corporation has a retirement plan under Section 401(k) of the IRC. 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 may match this contribution up to a maximum of 4% of the employee's earnings. The Corporation contributed \$19,407 in matching funds and administrative fees for the year ended June 30, 2013.

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

Notes to Financial Statements

June 30, 2013

(9) 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 paid to the Eaton Fund amounted to \$129,996 for the year ended June 30, 2013.

Contributions - The Eaton Fund contributed a total of \$551,747 to the Corporation. Of this amount \$276,000 was unrestricted, \$219,182 was restricted for leasehold improvements, \$22,148 was for payment of real estate taxes owed by the Corporation under its lease agreement with Eaton Fund and \$34,417 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.

Note Payable - The Corporation has a note payable due to the Eaton Fund for \$201,902, see Note 4.

(10) Commitments and Contingencies

The Corporation receives a portion of its funding from government agencies. 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 Health and Human Services
- United States Department of Education
- United States Department of Agriculture
- United States Department of Labor
- United States Department of Justice
- Massachusetts Rehabilitation Commission
- Massachusetts Department of Developmental Services
- Massachusetts Commission for the Blind
- Massachusetts Operational Services Division
- Massachusetts Department of Transitional Assistance
- City of Boston

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

Notes to Financial Statements

June 30, 2013

(10) Commitments and Contingencies - continued

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.

(11) Schedule of Federal Awards

Determination of federal major program was made using a risk based approach. For the fiscal year ended June 30, 2013, the Corporation qualified as a low-risk auditee. The major program tested is disclosed as such in the schedule of findings and questioned costs.

(12) Subsequent Events

The Corporation has performed an evaluation of subsequent events through November 13, 2013, which is the date the Corporation's financial statements were available to be issued. Except as described below, no other material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in these financial statements.

On October 1, 2013, the Corporation and Fedcap Rehabilitation Services (Fedcap) entered into a merger agreement whereby Fedcap became the sole corporate member of the Corporation and the Corporation's board became a sub-committee of the Fedcap Rehabilitation Services' board. The Corporation will continue to operate as a separate legal entity under 501(c)(3) and retain its current management team.

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

Schedule of Findings and Questioned Costs

June 30, 2013

(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

 Significant Deficiency(ies) Identified? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards:

Internal Control Over Major Programs:

 Material Weakness(es) Identified? _____ yes X no

 Significant Deficiency(ies) Identified? _____ yes X none reported

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>
84.126	Vocational Rehabilitation Grants to States

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, 2013

(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.

ASSURANCE | TAX | RISK MANAGEMENT | IT ADVISORY

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 financial statements of Community Workshops, Inc. (a nonprofit organization), (the Corporation), as of and for the year ended June 30, 2013, and have issued our report thereon dated November 13, 2013, 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 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 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Kevin P. Martin & Associates, P.C.

November 13, 2013

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

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Major Programs:			
U.S. Department of Education:			
<i>Passed through the Massachusetts Rehabilitation Commission</i>			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		\$ <u>217,858</u>
			<u>217,858</u>
Total Major Programs			\$ <u>217,858</u>
Non Major Programs:			
U.S. Department of Education:			
<i>Passed through the Massachusetts Rehabilitation Commission</i>			
Supported Employment State Grants	84.187		<u>685</u>
			<u>685</u>
U.S. Department of Agriculture, Food and Nutritional Services:			
<i>Passed through EDIC / Boston</i>			
Supplemental Nutrition Assistance Program Administrative Match	10.561		<u>24,070</u>
			<u>24,070</u>
U.S. Department of Justice			
<i>Passed through EDIC/Boston</i>			
Youth Opportunities Unlimited	16.812		<u>22,000</u>
			<u>22,000</u>
U.S Department of Health and Human Services			
<i>Passed through Massachusetts, Department of Public Health - Bureau of Substance Abuse Services</i>			
Access to Recovery	93.275		<u>220,189</u>
			<u>220,189</u>
Total Non Major Programs			\$ <u>266,944</u>
Total Expenditures of Federal Awards			\$ <u>484,802</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.