

BOSTON EDUCATION, SKILLS & TRAINING CORP.

Financial Statements
June 30, 2012
(With Comparative Totals for 2011)



SANDBERG & CREEDEN, P.C.

Certified Public Accountants

331 Page Street

Stoughton, MA 02072

BOSTON EDUCATION, SKILLS & TRAINING CORP.

FINANCIAL STATEMENTS
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

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To the Board of Directors of
Boston Education, Skills & Training Corp.
Boston, Massachusetts

Independent Auditors' Report on the Financial Statements

We have audited the accompanying statement of financial position of Boston Education, Skills & Training Corp. as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Boston Education, Skills & Training Corp.'s 2011 financial statements and, in our report dated August 11, 2011, we expressed an unqualified opinion on those financial statements.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Boston Education, Skills & Training Corp. as of June 30, 2012, 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 August 3, 2012, on our consideration of Boston Education, Skills & Training Corp.'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 on internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of 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.


SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
August 3, 2012

BOSTON EDUCATION, SKILLS & TRAINING CORP.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

ASSETS

	<u>2012</u>	<u>2011</u>
<u>Current Assets</u>		
Cash	\$ 271,732	\$ 206,364
Accounts receivable	77,326	102,139
Prepaid expenses	5,053	4,781
Total current assets	<u>354,111</u>	<u>313,284</u>
<u>Fixed Assets</u>		
Leasehold improvements	150,320	138,797
Equipment	46,453	46,453
Furniture and fixtures	102,712	101,266
Subtotal	299,485	286,516
Less: accumulated depreciation	137,313	102,786
Total fixed assets	<u>162,172</u>	<u>183,730</u>
<u>Other Assets</u>		
Investments	<u> </u>	206,163
<u>Total Assets</u>	<u>\$ 516,283</u>	<u>\$ 703,177</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 19,526	\$ 28,630
Accrued expenses	3,173	3,467
Accrued payroll and other payroll payables	26,109	32,573
Total current liabilities	48,808	64,670
<u>Net Assets</u>		
Unrestricted	467,475	438,507
Temporarily restricted	<u> </u>	200,000
Total net assets	<u>467,475</u>	<u>638,507</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 516,283</u>	<u>\$ 703,177</u>

See accompanying notes and Independent Auditors' Report.



BOSTON EDUCATION, SKILLS & TRAINING CORP.

STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue</u>				
Contributions	\$	\$	\$	\$ 350
In-kind	28,014		28,014	16,170
Service fees	1,194,186		1,194,186	1,204,182
Interest income	461		461	982
Total revenue	1,222,661		1,222,661	1,221,684
<u>Expenses</u>				
Program services	923,043		923,043	929,359
General and administrative	233,015		233,015	231,978
Fundraising	31,368		31,368	35,054
Total Expenses	1,187,426		1,187,426	1,196,391
<u>Change in Net Assets – Before Other Items</u>	35,235		35,235	25,293
<u>Other Items</u>				
Cancellation of contributions	(6,267)	(200,000)	(206,267)	
<u>Change in Net Assets – After Other Items</u>	28,968	(200,000)	(171,032)	25,293
<u>Net Assets - Beginning of Year</u>	438,507	200,000	638,507	613,214
<u>Net Assets - End of Year</u>	\$ 467,475	\$ 0	\$ 467,475	\$ 638,507

See accompanying notes and Independent Auditors' Report.





BOSTON EDUCATION, SKILLS TRAINING CORP.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011	
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 446,991	\$ 110,674	\$ 17,794	\$ 575,459	\$ 657,571
Payroll taxes	45,484	11,262	1,811	58,557	64,964
Employee benefits	89,836	26,500	5,457	121,793	117,514
Total salaries and related expenses	582,311	148,436	25,062	755,809	840,049
Advertising	2,488	2,994		5,482	3,880
Bank charges		97		97	139
Classroom supplies	38,003			38,003	48,104
Consultants	110,236	33,884	1,080	145,200	111,051
Depreciation	26,819	6,640	1,068	34,527	28,503
Dues and membership		2,902		2,902	1,362
Equipment rental	3,931	973	156	5,060	4,581
Filing fees		515		515	265
In-kind services	28,014			28,014	16,170
Insurance	10,496	3,849	418	14,763	12,544
Miscellaneous	605	161		766	456
Occupancy	53,710	13,299	2,138	69,147	51,180
Office expense	9,810	1,693		11,503	9,397
Office supplies	8,920	1,703	150	10,773	9,163
Payroll processing	14,677	2,605		17,282	16,907
Postage and delivery	569	141	22	732	773
Professional development	5,266	1,304	210	6,780	8,704
Professional fees		5,200		5,200	5,500
Repairs and maintenance	12,633	3,128	503	16,264	11,628
Telephone	7,403	1,833	295	9,531	11,005
Travel	6,695	1,658	266	8,619	4,858
Website expense	457			457	172
Total expenses	\$ 923,043	\$ 233,015	\$ 31,368	\$ 1,187,426	\$ 1,196,391

See accompanying notes and Independent Auditors' Report.

BOSTON EDUCATION, SKILLS & TRAINING CORP.

STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (171,032)	\$ 25,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,527	28,503
(Increase) decrease in:		
Accounts receivable	24,813	(16,238)
Prepaid expenses	(272)	(4,781)
Increase (decrease) in:		
Accounts payable	(9,104)	16,115
Pension payable		(300)
Accrued expenses	(294)	
Accrued payroll	(6,464)	(10,371)
Deferred revenue		(6,528)
	<u>(127,826)</u>	<u>31,693</u>
<u>Net Cash Provided (Used) by Operating Activities</u>		
<u>Cash Flows From Investing Activities</u>		
Purchase of fixed assets	(12,969)	(36,413)
Purchase of investments	(104)	(325)
Return of reserve account	<u>206,267</u>	<u> </u>
	<u>193,194</u>	<u>(36,738)</u>
<u>Net Cash Provided (Used) by Investing Activities</u>		
<u>Net Cash Provided by Financing Activities</u>	<u> 0</u>	<u> 0</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	65,368	(5,045)
<u>Cash and Cash Equivalents- Beginning of Year</u>	<u>206,364</u>	<u>211,409</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 271,732</u>	<u>\$ 206,364</u>
<u>Supplemental Information</u>		
Interest paid	\$ <u> 0</u>	\$ <u> 0</u>

See accompanying notes and Independent Auditors' Report.



BOSTON EDUCATION, SKILLS & TRAINING CORP.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Note 1. Organization

Boston Education, Skills & Training (BEST) Corp. Local 26 Hotel Training Center is an independent non-profit organization, created in Massachusetts on April 6, 2004, focusing on the workforce development needs of the hospitality industry. The Organization's mission is to provide individuals with the education, skills and training to excel in the hospitality industry and in their personal lives. We provide English for Speakers of Other Language (ESOL) classes, skill training classes in hospitality related areas, adult basic education and individual career counseling and support services.

Note 2. Summary of Significant Accounting Policies

- a. Standards of Accounting and Reporting
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for 'Not-for-Profit Organizations'.
- b. Financial Statement Presentation
Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:
 - Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
 - Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.
 - Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2012 and accordingly, these financials do not reflect any activity related to this class of net assets for 2012.
- c. Cash and Cash Equivalents
For purposes of the statement of cash flows, Boston Education, Skills & Training Corp. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.



BOSTON EDUCATION, SKILLS & TRAINING CORP.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- d. Promises To Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- e. Fixed Assets
These assets are recorded at cost when purchased, or if donated at their estimated fair value at the date of donation. All acquisitions of equipment in excess of \$1,000 and all expenditures that materially prolong the useful lives of assets are capitalized.
- f. Investments
Boston Education, Skills & Training Corp. follows FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. Under FASB ASC 820, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, FASB ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop these assumptions. Under FASB ASC 820, fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.



BOSTON EDUCATION, SKILLS & TRAINING CORP.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

f. Investments (Continued)

Investments include listed money market, and whose fair value is therefore classified and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

All Boston Education, Skills & Training Corp. investments include listed money market, and whose fair value is therefore classified and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

g. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

h. Donated Materials and Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Boston Education, Skills & Training Corp. Boston Education, Skills & Training Corp. received the services of volunteers for their programs. The Organization received donated services valued at \$28,014 and \$16,170 for 2012 and 2011, respectively.

i. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method. Office equipment is being depreciated over 3-15 years.

j. Allocation of Expenses

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative 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.



BOSTON EDUCATION, SKILLS & TRAINING CORP.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- k. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- l. Summarized Comparative Financial Statements
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Note 3. Tax Status

Boston Education Skills & Training Corp. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (a) and has been classified as an organization that is not a private foundation under Section 509(a) (1).

Unrelated business income, of which the Organization had none for the year ending June 30, 2011, would be subject to Federal and State taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Note 4. Concentration of Credit Risk

The Organization maintains its cash balance in two financial institutions. The balance is insured by Federal Deposit Insurance Corporation. At June 30, 2012, the full balance is insured.

Credit risk with respect to receivables is considered low as the balance is made up of well-known organizations.

Note 5. Investments

The Organization has investment funds designated for long-term use in a money market account (all level 1 measurements) at one financial institution. The investments are monitored by the Board of Directors and expected to be reinvested and would only be able to use the funds if they experience a gap or delay in funding funds are fully insured by the FDIC. Investments are carried at the quoted market value as summarized below:



BOSTON EDUCATION, SKILLS & TRAINING CORP.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 5. Investments (Continued)

	2012		2011	
	Cost	Fair Market Value	Cost	Fair Market Value
Money market interest at 1.28%	\$ <u>0</u>	\$ <u>0</u>	\$ <u>206,163</u>	\$ <u>206,163</u>

Investment income consists of the following:

Interest	\$ <u>104</u>	\$ <u>325</u>
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Note 6. Significant Concentration

The Organization operates a majority of its programs under a contract with the Greater Boston Hotel Employees/Local 26 Trust Funds. During 2012 these Trusts provided the Organization with 71% of its total revenue. The Organization services both the incumbent members of that Local Union, as well as potential employees for the Hospitality Industry.

Note 7. Qualified Deferred Compensation Plan

The Organization sponsors a qualified, trustee defined pension plan. The Organization is required to contribute \$10,000 each year the Executive Director is employed at Boston Education, Skills & Training Corp. The Organization entered into an irrevocable trust agreement with Fidelity Investments to manage the plan assets.

Note 8. Lease Commitments

Boston Education Skills & Training Corp. currently leases office space as a tenant-at-will. Monthly payments of \$4,265, which includes the cost of utilities, are required. Rent expense totaled \$69,147 for the fiscal year ended June 30, 2012.

The Organization entered into a 60 month equipment lease which expires on March 25, 2015. The lease requires monthly payments of \$291. Equipment lease expenses totaled \$5,060 for the fiscal year ended June 30, 2012. Future minimum lease payments are as follows:

Fiscal Year	Total
2013	\$ 3,492
2014	3,492
2015	2,328



BOSTON EDUCATION, SKILLS & TRAINING CORP.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 9. Other Items

In 2008, in order to meet our common training goals, the Trustees of Local 26 of the Greater Boston Hotel and Restaurant Workers Union Training Fund - a jointly trustee Taft Hartley Fund within the meaning of that Law - place with the Organization \$200,000 as an operational reserve fund. These funds were restricted by the Training Trust and prior written authorization was required before use. In FY12, at the written request of the Training Trust, the total amount including interest accrued was returned. The total returned was \$206,267.

Note 10. Subsequent Event

The Organization has evaluated events through August 3, 2012 the date the financial statements were available to be issued.

There was no subsequent events to be disclosed based on this evaluation.



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August 3, 2012

To the Board of Directors of
Boston Education, Skills & Training Corp.
Boston, Massachusetts

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

We have audited the financial statements of Boston Education, Skills & Training Corp. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 3, 2012. 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

Management of Boston Education, Skills & Training Corp. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Boston Education, Skills & Training Corp.'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 Boston Education, Skills & Training Corp.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

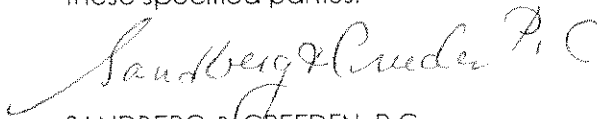
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Boston Education, Skills & Training Corp.'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 audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
August 3, 2012

