



**Boston Education, Skills & Training Corp.**

**Financial Statements**

**June 30, 2016**

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**Kevin P. Martin & Associates, P.C.**

**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

June 30, 2016

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## Kevin P. Martin & Associates, P.C.

ASSURANCE | TAX | RISK MANAGEMENT | IT ADVISORY

### Independent Auditors' Report

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of Boston Education, Skills & Training Corp. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Organization as of June 30, 2016, 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.

## **Emphasis of Matter**

As discussed in Note 5 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2015. 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, 2015, 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 September 22, 2016, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

 Minnie P. Martine & Associates, P.C.

September 22, 2016



**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  
Boston Education, Skills & Training Corp.

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 Boston Education, Skills & Training Corp. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Muir P. Martini & Chute, P.C.*

September 22, 2016

**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

**Statement of Financial Position**

As of June 30, 2016

With Comparative Totals as of June 30, 2015

	<u>2016</u>	<u>Restated 2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 447,638	\$ 341,741
Accounts receivable	144,146	124,517
Prepaid expenses	<u>4,499</u>	<u>4,250</u>
Total current assets	<u>596,283</u>	<u>470,508</u>
<b>Fixed Assets</b>		
Leasehold improvements	170,485	166,904
Equipment	<u>225,620</u>	<u>202,964</u>
Total fixed assets	396,105	369,868
Less: accumulated depreciation	<u>(262,518)</u>	<u>(231,148)</u>
Total net fixed assets	<u>133,587</u>	<u>138,720</u>
<b>Other Assets</b>		
Security deposit	<u>5,393</u>	<u>-</u>
Total Assets	<u>\$ 735,263</u>	<u>\$ 609,228</u>
<b>Current Liabilities</b>		
Accrued expenses	\$ 43,583	\$ 6,465
Accrued payroll	60,387	53,133
Deferred revenue	<u>15,126</u>	<u>-</u>
Total current liabilities	<u>119,096</u>	<u>59,598</u>
<b>Net Assets</b>		
Unrestricted	<u>616,167</u>	<u>549,630</u>
Total Liabilities and Net Assets	<u>\$ 735,263</u>	<u>\$ 609,228</u>

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

**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

Statement of Activities

For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>2016</u>	<u>Restated 2015</u>
<b>Revenue and Support</b>		
Contributions	\$ 140,604	\$ 106,802
Program service fees	1,322,359	1,139,219
Interest income	1,640	860
	<u>1,464,603</u>	<u>1,246,881</u>
<b>Total revenue and support</b>		
	<u>1,464,603</u>	<u>1,246,881</u>
<b>Expenses</b>		
Program services	1,122,037	998,104
General and administrative	211,493	199,612
Fundraising	64,536	34,521
	<u>1,398,066</u>	<u>1,232,237</u>
<b>Total expenses</b>		
	<u>1,398,066</u>	<u>1,232,237</u>
<b>Total Change in Net Assets</b>	66,537	14,644
<b>Net Assets at Beginning of Year</b>	<u>549,630</u>	<u>534,986</u>
<b>Net Assets at End of Year</b>	<u>\$ 616,167</u>	<u>\$ 549,630</u>

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



**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

## Statement of Cash Flows

For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>2016</u>	<u>Restated 2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 66,537	\$ 14,644
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,370	29,725
Decrease (increase) in assets:		
Accounts receivable	(19,629)	(95,805)
Prepaid expenses	(249)	4
Security deposits	(5,393)	-
Increase (decrease) in liabilities:		
Accrued payroll	7,254	17,316
Accrued expenses	37,118	(11,118)
Deferred revenue	15,126	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>132,134</u>	<u>(45,234)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	<u>(26,237)</u>	<u>(1,224)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(26,237)</u>	<u>(1,224)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	105,897	(46,458)
<b>Cash and Cash Equivalents - Beginning, as restated</b>	<u>341,741</u>	<u>388,199</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 447,638</u>	<u>\$ 341,741</u>

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

**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

Statement of Functional Expenses

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>Restated 2015 Total</u>
Salaries	\$ 606,283	\$ 115,658	\$ 18,243	\$ 740,184	\$ 685,484
Payroll taxes	53,227	10,154	1,602	64,983	63,690
Fringe benefits	121,631	32,502	7,670	161,803	142,469
Subtotal	<u>781,141</u>	<u>158,314</u>	<u>27,515</u>	<u>966,970</u>	<u>891,643</u>
Advertising	7,236	-	-	7,236	2,336
Bank and credit card charges	-	293	-	293	212
Classroom supplies	58,111	-	-	58,111	49,863
Consultants	83,569	3,750	32,550	119,869	55,981
Depreciation	25,695	4,902	773	31,370	29,725
Dues and subscriptions	910	862	-	1,772	1,889
Equipment rental and repair	5,478	2,348	-	7,826	6,264
Filing fees	-	515	-	515	515
Insurance	11,173	3,772	336	15,281	16,507
Miscellaneous	1,175	176	-	1,351	2,225
Office expense	11,561	683	-	12,244	11,796
Postage	879	-	-	879	959
Processing fees	-	7,954	-	7,954	7,993
Professional fees	-	6,615	-	6,615	8,250
Program supplies	19,378	569	-	19,947	11,258
Rent	67,791	12,932	2,040	82,763	78,344
Repairs and maintenance	20,902	-	-	20,902	13,106
Staff development	6,184	1,900	1,118	9,202	13,869
Telephone	6,763	1,290	204	8,257	8,322
Travel	14,091	4,618	-	18,709	21,180
<b>Total Functional Expenses</b>	<u>\$ 1,122,037</u>	<u>\$ 211,493</u>	<u>\$ 64,536</u>	<u>\$ 1,398,066</u>	<u>\$ 1,232,237</u>

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

# BOSTON EDUCATION, SKILLS & TRAINING CORP.

## Notes to Financial Statements

June 30, 2016

### (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 by Boston Education, Skills, & Training Corp. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

#### *(a) Nature of Activities*

The Organization 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. The Organization provides 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.

#### *(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 Organization's ongoing efforts.

#### *(c) Standards of Accounting and Reporting*

The Organization'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 (unrestricted, temporarily restricted, and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

**Unrestricted** - Unrestricted net assets 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.

# BOSTON EDUCATION, SKILLS & TRAINING CORP.

## Notes to Financial Statements

June 30, 2016

### (1) Summary of Significant Accounting Policies - continued

#### (d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization 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 Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2016.

#### (e) Fixed Assets

Fixed assets 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. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. 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 Organization computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	5-15 years
Equipment	3-5 years

#### (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 a valuation allowance 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 the valuation allowance and a credit to accounts receivable. As of June 30, 2016, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on accounts receivable. As of June 30, 2016, 75% of the Organization's accounts receivable is due from the Greater Boston Hotel Employees, 11% from governmental agencies and 14% from other program service fees.

# BOSTON EDUCATION, SKILLS & TRAINING CORP.

## Notes to Financial Statements

June 30, 2016

### (1) Summary of Significant Accounting Policies - continued

#### (g) Revenue Recognition

The Organization earns revenue as follows:

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.

Program Service Fees - Program service fee revenue is earned and recognized by the Organization when units or services are provided and billed.

Deferred revenue represents service fee income received prior to year-end. These amounts are deferred and recognized over the periods to which the fees relate.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2016, the Organization derived approximately 90% of its total revenue from program service fees and 10% from contributions. All revenue is recorded at the estimated net realizable amounts.

#### (h) 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 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 job description. Occupancy costs are allocated based upon allocations of salary.

#### (i) Use of Estimates

In preparing the Organization'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.

**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

Notes to Financial Statements

June 30, 2016

**(1) Summary of Significant Accounting Policies - continued**

***(j) Income Taxes***

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

***(k) Summarized Financial Information for 2015***

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 Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

***(l) Reclassification***

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

**(2) Employee Benefits**

The Organization sponsors a qualified, trustee defined pension plan. The Organization is required to contribute \$21,000 each year the Executive Director is employed at the Organization. The Organization entered into an irrevocable trust agreement with Fidelity Investments to manage the plan assets.

**(3) Operating Lease Commitment**

The Organization currently leases office space as a tenant-at-will. Monthly payments of \$6,500 are required with additional common area charges collected monthly. Rent expense totaled \$82,763 for the fiscal years ended June 30, 2015.

# BOSTON EDUCATION, SKILLS & TRAINING CORP.

## Notes to Financial Statements

June 30, 2016

### (4) Commitments and Contingencies

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

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 City of Boston department noted 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.

### (5) Prior Period Correction

The Organization's 2015 financial statements have been restated to correct for cash and cash equivalents previously reported as investments. The following is a summary of the effect of the correction on each financial statement line item affected in the Organization's 2015 financial statements:

Statement of Financial Position:	As Issued	As Restated
Cash and cash equivalents	\$ 39,925	\$ 341,741
Investments	\$ 301,816	\$ -
Current assets	\$ 168,692	\$ 470,508
Other assets	\$ 301,816	\$ -
Statement of Cash Flows:		
Net cash used in investing activities	\$ (72,084)	\$ (26,327)
Cash and cash equivalents – Beginning	\$ 39,925	\$ 341,741

There was no effect on net assets for the above correction for 2015 or 2016.

**BOSTON EDUCATION, SKILLS & TRAINING CORP.**

Notes to Financial Statements

June 30, 2016

**(6) Subsequent Events**

The Organization has performed an evaluation of subsequent events through September 22, 2016 which is the date the Organization's financial statements were available to be issued. No material subsequent events, other than the items disclosed below, have occurred since June 30, 2016 that required recognition or disclosure in these financial statements.

The Organization entered into a tentative five year lease agreement for additional office space located in Boston, Massachusetts. The Organization paid \$5,393 for the security deposit of the office space. As of the date of these financial statements, the Organization has not signed a formal lease agreement or moved into the space.