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ACCOUNTANTS

Woburn Council of Social Concern, Inc.

Financial Statements

June 30, 2016 and 2015

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

Woburn Council of Social Concern, Inc.
Financial Statements
June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
Woburn Council of Social Concern, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Woburn Council of Social Concern, Inc., (a non-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woburn Council of Social Concern, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of Woburn Council of Social Concern, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woburn Council of Social Concern, Inc.'s internal control over financial reporting and compliance.

Anstiss & Co., P.C.

Anstiss & Co., P. C.

Lowell, MA

November 9, 2016

Woburn Council of Social Concern, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 218,280	\$ 269,220
Accounts receivable, net	86,183	91,842
Contributions receivable	33,334	42,545
Prepaid expenses and other current assets	20,839	11,635
Deposits	20,654	20,508
Total current assets	379,290	435,750
Fixed assets - net	1,676,363	1,680,744
Other assets		
Contributions receivable - long-term	-	32,680
Total assets	\$ 2,055,653	\$ 2,149,174
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 32,554	\$ 23,209
Accrued expenses	62,782	84,748
Current portion of long-term debt	59,644	42,251
Deferred revenue	9,735	429
Other current liabilities	3,276	2,596
Total current liabilities	167,991	153,233
Long-term debt	958,346	995,997
Total liabilities	1,126,337	1,149,230
Net assets		
Unrestricted	862,649	891,385
Temporarily restricted	66,667	108,559
Total net assets	929,316	999,944
Total liabilities and net assets	\$ 2,055,653	\$ 2,149,174

Woburn Council of Social Concern, Inc.
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 255,173	\$ 654	\$ 255,827
In-kind contributions	458,849	-	458,849
Grants	128,076	-	128,076
Program service fees	1,065,142	-	1,065,142
Fundraising - United Way	65,905	-	65,905
Fundraising - other	5,000	-	5,000
Investment revenue	65	-	65
Other income	-	-	-
Net assets released from restrictions	42,546	(42,546)	-
Total revenue and support	<u>2,020,756</u>	<u>(41,892)</u>	<u>1,978,864</u>
Expenses			
Program	1,596,619	-	1,596,619
Management and general	313,187	-	313,187
Fundraising	139,686	-	139,686
Total expenses	<u>2,049,492</u>	<u>-</u>	<u>2,049,492</u>
Change in net assets	(28,736)	(41,892)	(70,628)
Net assets at the beginning of year	<u>891,385</u>	<u>108,559</u>	<u>999,944</u>
Net assets at the end of year	<u>\$ 862,649</u>	<u>\$ 66,667</u>	<u>\$ 929,316</u>

Woburn Council of Social Concern, Inc.
Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 296,479	\$ 108,558	\$ 405,037
In-kind contributions	450,178	-	450,178
Grants	147,633	-	147,633
Program service fees	1,068,238	-	1,068,238
Fundraising - United Way	65,743	-	65,743
Fundraising - other	8,500	-	8,500
Investment revenue	1,004	-	1,004
Other income	1,177	-	1,177
Net assets released from restrictions	53,318	(53,318)	-
Total revenue and support	<u>2,092,270</u>	<u>55,240</u>	<u>2,147,510</u>
Expenses			
Program	1,577,587	-	1,577,587
Management and general	321,702	-	321,702
Fundraising	136,953	-	136,953
Total expenses	<u>2,036,242</u>	<u>-</u>	<u>2,036,242</u>
Change in net assets	56,028	55,240	111,268
Net assets at the beginning of year	<u>835,357</u>	<u>53,319</u>	<u>888,676</u>
Net assets at the end of year	<u>\$ 891,385</u>	<u>\$ 108,559</u>	<u>\$ 999,944</u>

Woburn Council of Social Concern, Inc.
Statement of Functional Expenses
For the Years Ended June 30, 2016 and 2015

	2016			
	Program	Management and General	Fundraising	Total
Employee compensation and related expenses	\$ 669,110	\$ 202,145	\$ 83,210	\$ 954,465
Occupancy	90,509	43,848	2,177	136,534
Other program and operating expense	684,712	950	35	685,697
Subcontract expense	-	2,950	22,454	25,404
Direct administrative expense	19,832	27,128	9,074	56,034
Other expenses	99,129	19,301	21,979	140,409
Depreciation	33,327	16,865	757	50,949
Total expenses	\$ 1,596,619	\$ 313,187	\$ 139,686	\$ 2,049,492

	2015			
	Program	Management and General	Fundraising	Total
Employee compensation and related expenses	\$ 663,484	\$ 193,937	\$ 75,062	\$ 932,483
Occupancy	95,151	47,920	2,270	145,341
Other program and operating expense	685,826	2,350	308	688,484
Subcontract expense	-	2,803	23,592	26,395
Direct administrative expense	20,624	26,885	12,451	59,960
Other expenses	81,215	31,886	22,537	135,638
Depreciation	31,287	15,921	733	47,941
Total expenses	\$ 1,577,587	\$ 321,702	\$ 136,953	\$ 2,036,242

See accompanying auditor's report and notes to the financial statements.

Woburn Council of Social Concern, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (70,628)	\$ 111,268
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,949	47,941
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	5,659	(7,772)
Decrease (increase) in contributions receivable	41,891	(75,225)
(Increase) decrease in prepaid expenses and other current assets	(9,204)	17,618
Increase in deposits	(146)	(5,473)
Increase in accounts payable	9,345	1,112
(Decrease) increase in accrued expenses	(21,966)	3,425
Increase (decrease) in deferred revenue	9,306	(13)
Increase (decrease) in other current liabilities	680	(214)
Net cash provided by operating activities	15,886	92,667
Cash flows from investing activities		
Purchase of fixed assets	(46,568)	(3,641)
Net cash used by investing activities	(46,568)	(3,641)
Cash flows from financing activities		
Proceeds from long-term debt	35,457	-
Payments on long-term debt	(55,715)	(101,075)
Net cash used for financing activities	(20,258)	(101,075)
Net decrease in cash and cash equivalents	(50,940)	(12,049)
Cash and cash equivalents at June 30, 2015 and 2014	269,220	281,269
Cash and cash equivalents at June 30, 2016 and 2015	\$ 218,280	\$ 269,220
Supplemental data:		
In-kind contributions	\$ 458,849	\$ 450,178
Interest paid	35,283	35,838
Income taxes paid	\$ -	\$ -

See accompanying auditor's report and notes to the financial statements.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 1 – Organization

The Woburn Council of Social Concern, Inc. (the Organization) is a Massachusetts not-for-profit, community-based organization located in Woburn Massachusetts, responding to the basic needs of people of all ages, providing early childhood education and care, helping individuals develop their potential, creating positive family and community relationships, and fostering respect for diversity.

Most of the Organization's programs serve residents of Woburn and Winchester Massachusetts. Some of the Organization's programs also serve residents of one or more other communities within Middlesex County, Massachusetts. The Organization assists approximately 2,300 individuals per year, with the support of approximately 225 volunteers.

The following program divisions are listed in order of relative importance based upon total program expenditures:

- *Family Child Care System* - Operates a family-based childcare system serving children, 2 months through 5 years of age. Children receive childcare in the homes of EEC licensed, independent family childcare providers, with whom the Organization contracts. Subsidized tuition assistance is available on a sliding scale basis to eligible low and moderate-income families. Social support services are also available to parents and children, with a special focus on families identified as high risk.
- *Children's Center* - The Children's Center is a National Association for the Education of Young Children (aka NAEYC) accredited early childhood education and child care facility, providing children with full time, year-round care. The Children's Center is licensed by the Massachusetts Department of Early Education and Care (EEC) and accepts children from 1 month through 5 years of age.
- *Food Pantry* - The Food Pantry provides food to individuals and families without adequate financial resources to meet basic needs. A Community Resource Coordinator is available to Food Pantry clients during Food Pantry program hours, to educate them about community resources that may be able to assist them.
- *Family Skill Building - Supervised Visitation Program* - The program offers a safe, neutral environment where parents and children can spend quality time together. Child-friendly rooms are equipped with age appropriate toys and games that allow for quality parent/child interaction. An audio and visual monitoring system is available.
- *Family Skill Building - Parenting Education Program* - The program offers parenting education classes to help parents enhance their parenting skills and deal with significant parenting challenges. Child care is available on-site for all evening classes.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports net assets, revenues, expenses, gains, and losses in accordance with the provisions of FASB Accounting Standards Codification (ASC) 958-205, “*Presentation of Financial Statements*”. Under ASC 958-205, financial information is classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets comprise those assets upon which donors have placed no restrictions on the expenditure of the principal or income.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time are classified as temporarily restricted. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization are classified as permanently restricted. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2016 and 2015, the Organization had no permanently restricted net assets.

Fair Value of Financial Instruments

ASC 820-10, “Fair Value Measurements”, applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

Level 3 – Inputs that are unobservable for the asset or liability which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, “*Financial Instruments*”, permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Organization has not adopted any of the additional fair value options allowed in the standard.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include short term investments, if any, that are readily convertible to cash within ninety days of purchase.

Accounts Receivable

The Organization records its accounts receivable at the amount it expects to collect on the outstanding principal amount. On a periodic basis, the Organization evaluates its accounts receivable and either establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions or writes-off amounts considered uncollectible. As of June 30, 2016, management has determined any allowance would be immaterial.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Subsequent amortization of the discount is credited to contribution income. Management has established an allowance for uncollectible promises which represent an estimate, discounted for present value, of promises to give which will be written off. Conditional promises to give are not included in support until the conditions are met.

Fixed Assets

The Organization capitalizes purchases of fixed assets and records at cost if purchased or at fair market value at the date of the gift, if donated. Minor equipment purchases, replacements, maintenance, and repairs are charged to expense as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized as follows:

	<u>Years</u>
Building	40
Building improvements	20
Office equipment, furnishings and computers	3-10

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Contracts

The programs of the Organization are supported principally by contracts negotiated with various agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to the regulations of the Massachusetts Operational Services Division. Revenues are being recorded by the individual programs either at the rates approved under negotiated contracts or the rate of reimbursement as certified by the Massachusetts Operational Services Division.

Grants and Contributions

Grants and contributions from businesses, foundations, and individuals are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional grants and contributions are recognized when the conditions on which they depend are substantially met. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Goods and Services

Contributed services were provided by individuals possessing specialized skills and amounted to \$49,246 and \$40,249 for the years ended June 30, 2016 and 2015, respectively. Contributed services are included with in-kind contributions and with administration and program expenses in the accompanying financial statements and are recorded at estimated reasonable rates of costs which would have been involved if services had been purchased.

Donations of food and other items were \$409,603 and \$409,929 for the years ended June 30, 2016 and 2015. Contributed goods are included with in-kind contributions and with administration and program expenses in the accompanying financial statements and are recorded at estimated fair value on the date of receipt.

Expense Allocation

Expenses are allocated among program and supporting services directly or based on time records and square footage. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provides for overall support and direction of the Organization.

Advertising Costs

The Organization expenses advertising costs when they are incurred. Advertising expense were \$1,799 and \$2,242 for the years ended June 30, 2016 and 2015.

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.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Uncertain Tax Positions

The Organization, incorporated under Chapter 180 of the Massachusetts General Laws as a tax exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization is required by ASC 740-10, “*Income Taxes*”, to evaluate and disclose tax positions that could have an effect on the Organization’s financial statements. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of the Organization’s income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax exempt not-for-profit entity.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. ASU 2016-14 will change the way not-for-profit entities classify net assets and prepare financial statements. Under the new standard, the three existing classes of net assets (unrestricted, temporarily restricted, and permanently restricted) will now become two classes: Net assets without donor restrictions, and Net Assets with donor restrictions. ASU 2016-14 requires enhanced reporting of liquidity information, performance measures, investment expenses, functional expenses, and cash flow information. This standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Woburn Council of Social Concern, Inc. is currently evaluating the effect that ASU 2016-14 will have on the financial statements.

There were no other accounting standards recently issued that had or are expected to have a material impact on Woburn Council of Social Concern, Inc.’s financial statements and associated disclosures.

Note 3 – Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and contract receivables. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. All deposits above the federally insured limits are covered by the Depositor’s Insurance Fund (DIF). Management periodically assesses the stability of the financial institutions that hold their funds and considers credit risk to be minimal. The Organization has not experienced any losses in such accounts. Credit risk associated with contract receivables is concentrated among Federal and State agencies which comprise substantially all of the receivable balances as of June 30, 2016 and 2015.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 4 – Contributions Receivable

The following are promises to give as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 33,334	\$ 42,545
Receivable in one to five years	-	33,334
Total unconditional contributions receivable	\$ 33,334	\$ 75,879
Less: discounts to net present value (2%)	-	(654)
Net promises to give	<u>\$ 33,334</u>	<u>\$ 75,225</u>

There was no allowance for uncollectable contributions receivable as of June 30, 2016 and 2015.

The amount of contributions receivable represents the net amount of receivables that the Organization believes it will collect in future years. Each year, the collectibility of the remaining receivable is assessed and any potentially uncollectible amounts are either written-off or posted to the allowance for uncollectible contributions receivable. As a result, there may be circumstances that occur during future years that will affect the collectibility of the above amounts.

Note 5 – Fixed Assets

Fixed assets consisted of the following at June 30th:

	<u>2016</u>	<u>2015</u>
Land	\$ 389,500	\$ 389,500
Building	1,830,638	1,830,638
Building improvements	79,864	39,573
Office equipment, furnishings, and computers	32,940	26,660
Total fixed assets	2,332,942	2,286,371
Less: accumulated depreciation	(656,579)	(605,627)
Total fixed assets	<u>\$ 1,676,363</u>	<u>\$ 1,680,744</u>

Depreciation expense was \$50,949 and \$47,941 for the years ending June 30, 2016 and 2015, respectively.

Note 6 – Long-Term Debt

The Organization has a promissory note agreement with Winchester Savings Bank. For the period June 17, 2015 through June 17, 2016, monthly payments, of principal and interest, were adjusted to a margin of 3.25% in excess of the average weekly yield on a U.S. Treasury Note, with an effective annual rate of 3.500%. Beginning June 17, 2016, monthly payments, of principal and interest amounting to \$6,613, were adjusted annually to a margin of 3.25% in excess of the average weekly yield on a U.S. Treasury Note. As of June 30, 2016, the interest rate on the promissory note was 3.875%. The note in the original amount of \$1,480,000 is collateralized by a first mortgage on the property. The loan matures June 2033 and as of June 30, 2016 the principal balance due was \$985,278.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 6 – Long-Term Debt (continued)

Maturities of the mortgage note payable are projected as follows based on the MTA Rate Forecast on 1-Year Treasury Bills:

<u>Year Ended</u>	<u>Projected Mortgage Interest Rate "Unaudited"</u>	<u>Projected Amount</u>
2017	3.875%	\$ 41,920
2018	5.000%	\$ 39,501
2019	5.250%	\$ 40,709
2020	5.750%	\$ 41,350
2021	6.250%	\$ 42,329

Interest expense for the years ended June 30, 2016 and 2015 were \$35,354 and \$37,252, respectively.

The Organization has non-interest bearing notes payable to Eversource in the original amounts of \$15,225 and \$20,232. The first note is payable in monthly installments of \$634 and matures in March 2018. The second note is payable in monthly installments of \$843 and matures in May 2018. No discount has been recorded on these non-interest bearing notes payable.

The future minimum payments on these notes payable at June 30th are as follows:

2017	\$ 17,724
2018	14,987
Total	<u>\$ 32,712</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
OneWorld Boston program	\$ 66,667	\$ 99,347
Estate bequest	-	9,212
Total	<u>\$ 66,667</u>	<u>\$ 108,559</u>

Note 8 -- Employee Benefits

The Organization has a plan that qualifies as a “Cafeteria Plan” under Section 125 of the IRC. The plan allows the Organization’s employees to pay for medical and dental insurance on a pre-tax basis. All employees are eligible to participate in the plan upon hire, open annual enrollment, and qualifying events.

Woburn Council of Social Concern, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 9 - Related Party Activity

During the years ended June 30, 2016 and 2015, a member of the Board of Directors was also a member of the Organization's network of family child care providers. The Organization paid \$22,306 and \$49,591 in direct care provider fees to this Board member during the years ended June 30, 2016 and 2015, respectively. There were no accounts payable to this Board member as of June 30, 2016. As of June 30, 2015, accounts payable to this Board member were \$1,883.

In addition, during the years ended June 30, 2016 and 2015, the Organization paid family members of two members of the Board of Directors and a member of management for services provided in the amounts of \$5,093 and \$7,669, respectively. There were no accounts payable to these individuals as of June 30, 2016. As of June 30, 2015, accounts payable to these individuals were \$1,212.

Note 10 - Commitments and Contingencies

The Organization has elected to pay unemployment insurance benefits to the Commonwealth under the reimbursable method. Under this method, the Organization is billed for any and all benefits actually paid to its former employees by the Commonwealth. To mitigate its exposure to unemployment claims, the Organization has a stop loss insurance policy administered by 501(c) Agencies Trust. The Organization has also funded an unemployment insurance reserve administered by 501(c) Agencies Trust. As of June 30, 2016 and 2015, the reserve balances were \$20,654 and \$20,508, respectively, and were included in other assets on the accompanying statements of financial position. Management is of the opinion that no material liability will result from such claims.

Note 11 - Surplus Revenue Retention

The Organization's contracts with the Commonwealth of Massachusetts are negotiated unit rate and cost reimbursement type contracts. During the year ended June 30, 2016, the accumulated surplus revenue retention deficit balance increased by \$228,484 from \$(3,683,777) at June 30, 2015 to \$(3,912,261) at June 30, 2016.

The Commonwealth allows the Organization to retain a surplus of 5% of total revenues attributable to or generated by the Commonwealth funded elder programs to be utilized for the charitable purposes of the Organization provided the cumulative surplus does not exceed 20% of the prior year's Commonwealth revenue. As of June 30, 2016, the Organization was not in excess of the surplus revenue retention limitations.

Note 12 – Subsequent Events

ASC 855-10, "*Subsequent Events*", defines further disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. In accordance with ASC 855-10, management has evaluated events subsequent to June 30, 2016 through November 9, 2016, which is the date the financial statements were available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Woburn Council of Social Concern, Inc.

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 Woburn Council of Social Concern, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Anstiss & Co., P.C.
Lowell, MA
November 9, 2016