

The Boston Private Industry Council, Inc.

Audited Financial Statements and Reports
Required for Audits in Accordance with *Government
Auditing Standards* and OMB Circular A-133

June 30, 2012

The Boston Private Industry Council, Inc.

AUDITED FINANCIAL STATEMENTS AND REPORTS
REQUIRED FOR AUDITS IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Boston Private Industry Council, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of The Boston Private Industry Council, Inc. (the "Council") 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 Council's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the Council 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 November 19, 2012 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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 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 taken as a whole.

McGladrey LLP

November 19, 2012
Boston, Massachusetts

The Boston Private Industry Council, Inc.

Statement of Financial Position

June 30, 2012

ASSETS

Current assets:

Cash	\$ 914,645
Contracts and grants receivable (Note 2)	1,210,577
Contributions receivable (Note 3)	62,500
Deferred rent	235,023
Prepaid expenses	48,149
Total current assets	<u>2,470,894</u>

Property and equipment, net (Note 4)	<u>78,536</u>
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Total assets	<u><u>\$ 2,549,430</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 394,724
Accrued expenses	147,964
Deferred revenue (Note 5)	419,514
Total liabilities	<u>962,202</u>

Commitments (Notes 9 and 10)

Net assets:

Unrestricted	730,470
Temporarily restricted (Note 6)	856,758
Total net assets	<u>1,587,228</u>

Total liabilities and net assets	<u><u>\$ 2,549,430</u></u>
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The Boston Private Industry Council, Inc.

Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contracts	\$ 5,908,886	\$ -	\$ 5,908,886
Grants	283,368	-	283,368
Fees for service	135,396	-	135,396
Contributions	124,272	1,081,689	1,205,961
Membership dues	193,600	-	193,600
Other income	8,241	-	8,241
Net assets released from restrictions (Note 7)	1,065,567	(1,065,567)	-
Total revenues and other support	<u>7,719,330</u>	<u>16,122</u>	<u>7,735,452</u>
Expenses (Notes 8 and 9):			
Workforce investment board:			
Regional Employment Board	325,673	-	325,673
Career Center	1,498,608	-	1,498,608
Commonwealth Corporation	33,146	-	33,146
Workforce Investment Board: Other	476,991	-	476,991
School-to-career:			
Collaborative	855,555	-	855,555
Connecting Activities	970,903	-	970,903
Youth Transitions Grant	96,659	-	96,659
Classroom at the Workplace	234,464	-	234,464
Transitional Employment Grant	562,533	-	562,533
School-to-Career: Other	720,211	-	720,211
Boston summer jobs	1,061,090	-	1,061,090
Management and general	748,763	-	748,763
Fundraising	126,147	-	126,147
Total expenses	<u>7,710,743</u>	<u>-</u>	<u>7,710,743</u>
Change in net assets	8,587	16,122	24,709
Net assets - beginning of year	<u>721,883</u>	<u>840,636</u>	<u>1,562,519</u>
Net assets - end of year	<u>\$ 730,470</u>	<u>\$ 856,758</u>	<u>\$ 1,587,228</u>

See notes to financial statements.

The Boston Private Industry Council, Inc.

Statement of Functional Expenses
Year Ended June 30, 2012

	Regional Employment Board	Career Center	Commonwealth Corporation	Workforce Investment Board: Other	Collaborative	Connecting Activities	Youth Transitions Grant	Classroom at the Workplace	Transitional Employment Grant	School-to- Career: Other	Boston Summer Jobs	Management and General	Fundraising	Total
Payroll and fringe benefits (Note 8)	\$ 265,746	\$ 87,720	\$ 16,000	\$ 289,485	\$ 537,633	\$ 781,922	\$ 37,366	\$ 130,715	\$ 55,231	\$ 501,921	\$ 192,010	\$ 445,418	\$ 122,207	\$ 3,463,374
Site operations	-	1,378,257	-	-	-	-	-	-	-	-	-	-	-	1,378,257
Professional services	3,106	9,491	15,996	4,796	73,815	-	18,214	83,821	-	23,204	23,005	79,866	-	335,314
Student wages	-	-	-	-	-	-	-	-	502,102	99,759	803,484	-	-	1,405,345
Program contracts	-	2,000	-	144,018	-	-	11,675	-	-	27,706	2,727	-	-	188,126
Office rental (Note 9)	19,301	9,136	-	30,171	157,925	125,131	-	-	-	34,848	-	53,187	-	429,699
General operating	27,573	5,145	75	2,409	60,377	33,000	7,471	4,577	5,200	12,280	7,721	91,448	599	257,875
Student scholarship	-	-	-	499	-	-	-	-	-	6,000	-	-	-	6,499
Staff travel	4,549	1,345	956	3,579	15,082	14,511	9,269	1,333	-	1,706	6,651	12,341	3,306	74,628
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	15,091	-	15,091
Program supplies and instructional material	-	-	-	418	-	-	85	2,352	-	914	14,886	-	-	18,655
Meetings	2,853	1,669	119	1,399	594	3,313	9,487	2,991	-	3,783	10,606	34,896	-	71,710
Equipment rental and maintenance (Note 9)	1,630	1,615	-	-	7,704	13,026	-	-	-	2,032	-	9,439	-	35,446
Participant transportation and training	915	2,230	-	217	2,400	-	2,942	2,500	-	6,036	-	6,827	35	24,102
Gifts and awards	-	-	-	-	25	-	150	6,175	-	22	-	250	-	6,622
Total expenses	\$ 325,673	\$ 1,498,608	\$ 33,146	\$ 476,991	\$ 855,555	\$ 970,903	\$ 96,659	\$ 234,464	\$ 562,533	\$ 720,211	\$ 1,061,090	\$ 748,763	\$ 126,147	\$ 7,710,743

See notes to financial statements.

The Boston Private Industry Council, Inc.

Statement of Cash Flows

Year Ended June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 24,709
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation & Amortization	15,091
Straight-line rent adjustment	61,812
Decrease in contracts and grants receivable	(209,953)
Change in contributions receivable	(2,500)
Change in prepaid expenses	(4,360)
Change in accounts payable	(276,634)
Change in accrued expenses	(61,020)
Decrease in deferred revenue	148,791
Net cash used in operating activities	<u>(304,064)</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(74,481)</u>
Net cash used in investing activities	<u>(74,481)</u>
Net decrease in cash	(378,545)
Cash and cash equivalents:	
Beginning of year	<u>1,293,190</u>
End of year	<u>\$ 914,645</u>

See notes to financial statements.

The Boston Private Industry Council, Inc.

Notes to Financial Statements
Year Ended June 30, 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Boston Private Industry Council, Inc. (the "Council") is a not-for-profit organization created to increase the participation of the private sector in the planning, operation and evaluation of local education, employment and training programs.

A summary of the Council's significant accounting policies follows:

Classification and Reporting of Net Assets

The Council's financial statement presentation follows accounting principles generally accepted in the United States of America ("GAAP"). Under GAAP, the Council 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. The Council does not have any permanently restricted net assets. A description of the unrestricted and temporarily restricted net asset classes follows:

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Council is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to those stipulations.
- Unrestricted net assets represent the portion of net assets of the Council that are not temporarily restricted by donor-imposed stipulations.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Council defines cash and cash equivalents as short-term, highly liquid investments with original maturities of three months or less.

Contract and Grant Revenue and Receivable

The Council receives significant contracts and grants from federal, state and local governments. Entitlement to the resources is generally conditional upon compliance with terms and conditions of the contract or grant agreements and applicable governmental regulations.

As exchange contracts, contracts and grants from federal, state and local governments are recorded as revenue as the service is performed and deferred revenue if they are received in advance of the service being performed.

The Boston Private Industry Council, Inc.

Notes to Financial Statements
Year Ended June 30, 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

Contract and Grant Revenue and Receivable...continued

Contracts and grants receivable are recognized as unrestricted revenues as the related expenditures are incurred. An allowance for uncollectible contracts and grants receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history and the source of funding. There was no allowance for uncollectible contracts and grants receivable as of June 30, 2012.

The Council entered into an agreement with the U.S. Department of Labor, whereby overhead is charged to all federal contracts and grants at a percentage of total direct program costs as specified in the agreement. Amounts charged to contracts greater or less than actual overhead costs are reported as accumulated over/underapplied overhead. Overapplied overhead is subject to recoupment by the grantor, and underapplied overhead may be subject to repayment in future years. There was no over/underapplied overhead as of June 30, 2012.

Contributions Revenue and Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved before an allowance for uncollectible contributions is determined. An allowance for uncollectible contributions receivable is determined based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. There was no allowance for uncollectible contributions receivable at June 30, 2012.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the services received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Council if they had not been provided by contribution, require specialized skills, and provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods or space are received.

The Boston Private Industry Council, Inc.

Notes to Financial Statements
Year Ended June 30, 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

Contributions Revenue and Receivable...continued

All donor-restricted support is reported as an increase in temporarily restricted net assets. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purposes or by passage of the stipulated time period are reported as releases to unrestricted net assets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation and amortization of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

<u>Description</u>	<u>Years</u>
Furniture and equipment	5
Leasehold improvements	5

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Depreciation expense for the year ended June 30, 2012 was \$12,546.

Functional Expenses

The Council allocates its expenses on a functional basis among its various programs, management and general, and fundraising activities. Expenses that can be identified with a specific program and management and general are charged directly. Other indirect costs have been allocated among the programs and supporting services based on direct costs, usage and other factors.

Advertising

The Council's policy is to expense advertising costs as incurred.

Tax Status

The Council is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Council is subject to federal and state income taxes on unrelated business income.

The Council follows FASB guidance, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Council has no material uncertainties in income taxes.

The Council is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2009.

The Boston Private Industry Council, Inc.

Notes to Financial Statements
Year Ended June 30, 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES...continued

Concentration of Credit Risk and Significant Donors

The Council maintains its cash balances in a financial institution in which the accounts are insured up to \$250,000 per depositor by the Federal Deposit Insurance Corporation ("FDIC"). The Council has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. The Council believes it is not exposed to any significant credit risk on its cash balances and reserves.

The Council earned 85% of its revenues from four grantors or donors during the year ended June 30, 2012. In addition, the Council had approximately 78% of its outstanding accounts receivable from four grantors or donors at June 30, 2012.

2. CONTRACTS AND GRANTS RECEIVABLE

The Council evaluated the available information on the contracts and grants and estimated that \$1,135,577 at June 30, 2012, was collectible. There was no reserve for contracts and grants as of June 30, 2012.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30, 2012:

Due within one year	\$ <u>62,500</u>
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4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2012:

Furniture and equipment	\$ 725,722
Leasehold improvements	<u>87,785</u>
Total	813,507
Less - accumulated depreciation	<u>(734,971)</u>
Property and equipment, net	\$ <u>78,536</u>

5. DEFERRED REVENUE

The Council received amounts in advance for contracts, that it expects to spend on program implementation in the subsequent fiscal years, and consisted of the following at June 30, 2012:

Program:	
Career Center	\$ 239,175
Classroom at the Workplace	118,614
BYSN	52,629
TechBoston	6,605
STEM	<u>2,491</u>
	\$ <u>419,514</u>

The Boston Private Industry Council, Inc.

Notes to Financial Statements
Year Ended June 30, 2012

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of contributions with the following restricted purposes at June 30, 2012:

Boston Summer Jobs Program	\$ 354,366
Connecting Activity	220,658
College Success Initiative	219,164
Dropout Recovery Initiative	46,073
College Career Academy	<u>16,497</u>
	<u>\$ 856,758</u>

7. NET ASSETS RELEASED FROM RESTRICTIONS

Following is a summary of temporarily restricted net assets released from their restrictions after incurring expenses that satisfied the restricted purposes for the year ended June 30, 2012:

Boston Summer Jobs Program	\$ 462,643
College Success Initiative	258,742
Dropout Recovery Initiative	273,935
College Career Academy	8,436
Connecting Activity	<u>61,811</u>
	<u>\$ 1,065,567</u>

8. RETIREMENT PLAN

The Council established a tax-deferred defined contribution retirement plan that covers all full-time employees over twenty-one years of age. Upon six months of service, the Council matches up to three percent of participant salaries and makes contributions to the plan through the date of termination of employment. Participants become fully vested in the matching portion on their two-year anniversary of participation in the plan. The Council made matching contributions of \$54,613 for the year ended June 30, 2012, which is included in payroll and fringe benefits in the accompanying statement of functional expenses.

9. OPERATING LEASES

The Council maintains lease agreements for two program sites through February 2017. Future minimum lease payments due under these agreements are as follows for the years ending June 30:

2013	\$ 372,810
2014	133,393
2015	87,550
2016	90,100
2017	<u>61,200</u>
	<u>\$ 745,053</u>

The Boston Private Industry Council, Inc.

Notes to Financial Statements
Year Ended June 30, 2012

9. OPERATING LEASES...continued

The respective facility leases provide for annual escalation charges for real estate taxes and building operating expenses as stipulated in the lease agreements.

Monthly lease payments approximate \$35,000. Rent expense has been determined on a straight-line basis, totaling \$429,699 for the year ended June 30, 2012.

In addition the Council leases a vehicle and copiers under non-cancellable leases through February 2013 and November 2013, respectively. Monthly payments for the leases are \$343 and \$1,761, respectively. Future minimum lease payments due under these lease arrangements are as follows for the years ending June 30:

2013	\$ 23,877
2014	<u>5,283</u>
	<u>\$ 29,160</u>

10. LINE OF CREDIT

On March 9, 2005, the Council entered into a demand line of credit agreement with a bank for up to \$350,000. On April 1, 2009 the maximum line of credit amount increased to \$500,000 and was renewed with no specific expiration date. Outstanding principal is due upon demand by the bank. The line is secured by all assets of the Council. Interest is charged on outstanding borrowings at the 30-day LIBOR rate plus 3.00% (3.24% at June 30, 2012). There was no outstanding balance at or during the year ended June 30, 2012.

11. SUBSEQUENT EVENTS

The Council has evaluated subsequent events through November 19, 2012, when the financial statements were available to be issued.

The Boston Private Industry Council, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Pass-Through Identifying Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
United States Department of Agriculture (USDA) Pass-Through Commonwealth of Massachusetts Department of Workforce Development State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CT EOL 3250 10OSCC08 BPIC 01A)	10.561	\$ <u>18,461</u>
United States Department of Justice Pass-Through City of Boston Economic Development and Industrial Corporation Institutional Support Services/Department of Health & Human Services Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories (125-039-512)	16.803	<u>41,334</u>
United States Department of Labor Pass-Through City of Boston Economic Development and Industrial Corporation Institutional Support Services/Department of Health & Human Services WIA Adult Program (101-039-112 & 121-039-112)	17.258	<u>56,255</u>
WIA Youth Activities (102-039-112 & 122-039-112)	17.259	<u>84,237</u>
WIA Dislocated Formula Grants (103-039-112 & 123-039-112)	17.278	<u>29,025</u>
Metro Boston State Energy Sector Partnership Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors – ARRA (142-039-411)	17.275	<u>23,731</u>
United States Department of Labor Pass-Through Commonwealth of Massachusetts Department of Workforce Development (CT EOL 3250 10OSCC08 BPIC 01A) Employment Service/Wagner-Peyser Funded Activities	17.207	<u>777,318</u>
Unemployment Insurance	17.225	<u>138,551</u>
Disabled Veterans' Outreach Program	17.801	<u>6,118</u>
Total Expenditures of Federal Awards		<u>\$ 1,175,030</u>

The Boston Private Industry Council, Inc.

Schedule of Expenditures of Federal Awards...continued
Year Ended June 30, 2012

The federal grant activity of Boston Private Industry Council, Inc. categorized by CFDA Number:

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Pass-Through Identifying Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 18,461
Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	41,334
Unemployment Insurance	17.225	138,551
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	23,731
Employment Services Cluster		
Employment Service/Wagner-Peyser Funded Activities	17.207	777,318
Disabled Veterans' Outreach Program	17.801	6,118
		<u>783,436</u>
WIA Cluster		
WIA Adult Program	17.258	56,255
WIA Youth Activities	17.259	84,237
WIA Dislocated Formula Grants	17.278	29,025
		<u>169,517</u>
Total Expenditures of Federal Awards		\$ <u>1,175,030</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Boston Private Industry Council, Inc. and is presented on the accrual basis of accounting. 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 the schedule may differ from amounts presented in or used in the preparation of the financial statements.

Indirect Costs

Indirect costs are charged to federal grants and contracts at a predetermined rate. The predetermined rate for the period July 1, 2011 through June 30, 2012 was 12.5% of salaries and wages. The Council recovered \$27,281 in indirect costs for the year ended June 30, 2012.



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

Board of Directors
The Boston Private Industry Council, Inc.
Boston, Massachusetts

We have audited the financial statements of The Boston Private Industry Council, Inc. (the "Council") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 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 the Council is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council'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 the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

McGladrey LLP

November 19, 2012
Boston, Massachusetts

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
The Boston Private Industry Council, Inc.
Boston, Massachusetts

Compliance

We have audited the compliance of The Boston Private Industry Council, Inc. (the "Council") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

McGladrey LLP

November 19, 2012
Boston, Massachusetts

The Boston Private Industry Council, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ 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 that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? _____ Yes X No

Identification of major programs.

CFDA Number(s)
17.207, 17.801

Name of Federal Program or Cluster
Employment Service Cluster

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

The Boston Private Industry Council, Inc.

Schedule of Findings and Questioned Costs...continued
Year Ended June 30, 2012

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

- A. Material Weakness(es) and Significant Deficiency(ies) in Internal Control
No matters were reported.
- B. Compliance Findings
No matters were reported.

III. Findings and Questioned Costs for Federal Awards

- A. Material Weakness(es) and Significant Deficiency(ies) in Internal Control
No matters were reported.
- B. Compliance Findings
No matters were reported.

The Boston Private Industry Council, Inc.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

No matters were reported.