

The Boston Private Industry Council, Inc.

Audited Financial Statements and Reports
Required for Audits in Accordance with *Government
Auditing Standards* and Uniform Guidance

Years Ended June 30, 2016 and 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Boston Private Industry Council, Inc. (the "Council") which comprise the statement 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 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 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 the Council 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenses (on page 13) and the accompanying schedule of expenditures of federal awards (on page 14), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017 on our consideration of the Council'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 Council's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
February 7, 2017

The Boston Private Industry Council, Inc.

**Statement of Financial Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 156,988	\$ 1,237,748
Restricted cash	1,523,226	931,958
Contracts and grants receivable	1,266,475	1,182,820
Deferred rent	42,731	86,980
Prepaid expenses	90,445	76,537
Total current assets	3,079,865	3,516,043
Property and equipment, net	199,505	188,728
Total assets	\$ 3,279,370	\$ 3,704,771
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 326,546	\$ 491,824
Accrued expenses	255,637	175,725
Deferred revenue	58,825	61,229
Total liabilities	641,008	728,778
Commitments		
Net assets:		
Unrestricted	751,051	749,787
Temporarily restricted	1,887,311	2,226,206
Total net assets	2,638,362	2,975,993
Total liabilities and net assets	\$ 3,279,370	\$ 3,704,771

See notes to financial statements.

The Boston Private Industry Council, Inc.

Statement of Activities
Year Ended June 30, 2016
With Summarized Information for Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenues and other support:				
Contracts	\$ 3,333,313	\$ 1,399,620	\$ 4,732,933	\$ 3,688,197
Grants	1,021,614	2,011,953	3,033,567	5,394,802
Fees for service	80,000	-	80,000	80,000
Contributions	377,150	434,451	811,601	668,569
Other income	16,871	-	16,871	10,150
Net assets released from restrictions	4,184,919	(4,184,919)	-	-
Total revenues and other support	9,013,867	(338,895)	8,674,972	9,841,718
Expenses:				
Workforce Development Board:				
Workforce Investment Board	319,945	-	319,945	289,546
Career Center	71,111	-	71,111	220,726
Science, Technology, Engineering and Mathematics ("STEM")	-	-	-	54,248
Other	409,507	-	409,507	756,806
PIC Initiatives:				
Collaborative	1,230,782	-	1,230,782	1,139,930
Connecting Activities	934,913	-	934,913	920,000
Youth Transitions Grant	-	-	-	87,859
Classroom at the Workplace	69,696	-	69,696	222,622
WINs	672,888	-	672,888	-
Jobs For the Future SIF	517,493	-	517,493	-
Boston Foundation SIF	533,410	-	533,410	14,667
Other	459,881	-	459,881	492,602
Boston Summer Jobs	1,774,200	-	1,774,200	1,850,111
Boston Compact	680,784	-	680,784	1,467,274
BYSN	124,404	-	124,404	123,623
Indirect Costs	912,439	-	912,439	627,904
Supporting Services	301,150	-	301,150	493,920
Total expenses	9,012,603	-	9,012,603	8,761,838
Change in net assets	1,264	(338,895)	(337,631)	1,079,880
Net assets at beginning of year	749,787	2,226,206	2,975,993	1,896,113
Net assets at end of year	\$ 751,051	\$ 1,887,311	\$ 2,638,362	\$ 2,975,993

See notes to financial statements.

The Boston Private Industry Council, Inc.

**Statement of Activities
Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	2015 Total
Revenues and other support:			
Contracts	\$ 3,688,197	\$ -	\$ 3,688,197
Grants	391,417	5,003,385	5,394,802
Fees for service	80,000	-	80,000
Contributions	565,250	103,319	668,569
Other income	10,150	-	10,150
Net assets released from restrictions	4,033,122	(4,033,122)	-
Total revenues and other support	8,768,136	1,073,582	9,841,718
Expenses:			
Workforce Development Board:			
Workforce Investment Board	289,546	-	289,546
Career Center	220,726	-	220,726
Science, Technology, Engineering and Mathematics ("STEM")	54,248	-	54,248
Other	756,806	-	756,806
PIC Initiatives:			
Collaborative	1,139,930	-	1,139,930
Connecting Activities	920,000	-	920,000
Youth Transitions Grant	87,859	-	87,859
Classroom at the Workplace	222,622	-	222,622
Boston Foundation SIF	14,667	-	14,667
Other	492,602	-	492,602
Boston summer jobs	1,850,111	-	1,850,111
Boson Compact	1,467,274	-	1,467,274
BYSN	123,623	-	123,623
Indirect Costs	627,904	-	627,904
Supporting Services	493,920	-	493,920
Total expenses	8,761,838	-	8,761,838
Change in net assets	6,298	1,073,582	1,079,880
Net assets at beginning of year	743,489	1,152,624	1,896,113
Net assets at end of year	\$ 749,787	\$ 2,226,206	\$ 2,975,993

See notes to financial statements.

The Boston Private Industry Council, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Workforce Development Board			PIC Initiatives							Boston			Supporting Services			
	Workforce Investment Board	Career Center	Other	Collaborative	Connecting Activities	Classroom at the Workplace	WINs	Jobs for the Future SIF	Boston Foundation SIF	Other	Summer Jobs	Compact	BYSN	Total Program Expenses	Management and General	Fundraising	Total
Payroll and fringe benefits	\$ 289,033	\$ 24,675	\$ 384,716	\$ 1,016,412	\$ 770,473	\$ 46,213	\$ 561,779	\$ 146,619	\$ 441,262	\$ 178,015	\$ 251,962	\$ 49,965	\$ 70,697	\$ 4,231,821	\$ 635,601	\$ 83,630	\$ 4,951,052
Professional services	-	-	500	24,277	-	17,041	-	-	-	18,772	3,975	303,176	3,815	371,556	111,146	-	482,702
Student wages	-	-	-	-	-	-	-	-	-	-	1,434,125	-	26,700	1,460,825	-	-	1,460,825
Program contracts	-	-	-	500	-	-	-	347,934	-	191,544	50,629	302,055	-	892,662	-	-	892,662
Office rental	11,121	25,440	19,169	3,364	88,997	-	104,337	-	92,148	3,172	-	-	10,000	357,748	100,685	-	458,433
General operating	19,443	8,668	788	99,169	41,634	567	2,809	4,864	(999)	6,712	18,724	8,006	2,519	212,904	119,156	-	332,060
Student scholarship	-	-	-	6,815	-	-	-	-	-	11,899	-	-	-	18,714	-	-	18,714
Staff travel	348	3,484	3,133	46,882	20,792	1,852	1,761	17,076	-	36,762	4,992	951	633	138,666	12,967	-	151,633
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,032	-	70,032
Program supplies and instructional material	-	-	-	1,652	120	-	-	-	-	-	3,292	495	2,061	7,620	85	-	7,705
Meetings	-	785	1,201	10,018	1,220	469	365	-	-	11,396	464	9,820	4,807	40,545	58,884	-	99,429
Equipment rental and maintenance	-	4,724	-	12,873	11,167	-	-	-	999	-	-	-	-	29,763	17,500	-	47,263
Participant transportation and training	-	3,335	-	6,702	510	-	1,837	-	-	1,523	792	1,316	3,172	19,187	3,708	-	22,895
Gifts and awards	-	-	-	2,118	-	3,554	-	1,000	-	86	5,245	5,000	-	17,003	195	-	17,198
Total expenses before indirect allocation	319,945	71,111	409,507	1,230,782	934,913	69,696	672,888	517,493	533,410	459,881	1,774,200	680,784	124,404	7,799,014	1,129,959	83,630	9,012,603
Indirect costs	39,993	8,889	48,335	168,062	89,067	4,805	82,864	-	-	48,274	364,600	42,000	15,550	912,439	(912,439)	-	-
	\$ 359,938	\$ 80,000	\$ 457,842	\$ 1,398,844	\$ 1,023,980	\$ 74,501	\$ 755,752	\$ 517,493	\$ 533,410	\$ 508,155	\$ 2,138,800	\$ 722,784	\$ 139,954	\$ 8,711,453	\$ 217,520	\$ 83,630	\$ 9,012,603

See notes to financial statements.

The Boston Private Industry Council, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Workforce Development Board				PIC Initiatives						Supporting Services						
	Workforce Investment Board	Career Center	STEM	Other	Collaborative	Connecting Activities	Youth Transitions Grant	Classroom at the Workplace	Boston Foundation SIF	Other	Boston Summer Jobs	Boston Compact	BYSN	Total Program Expenses	Management and General	Fundraising	Total
Payroll and fringe benefits	\$ 208,190	\$ 55,374	\$ 52,013	\$626,880	\$ 866,960	\$ 659,349	\$ -	\$ 142,226	\$ -	\$307,709	\$ 433,756	\$ 44,415	\$ 66,426	\$3,463,298	\$ 554,889	\$ 68,737	\$4,086,924
Site operations	-	149,615	-	-	-	-	-	-	-	-	-	-	-	149,615	-	-	149,615
Professional services	4,474	-	276	-	30,000	21	62,442	58,029	-	4,500	6,575	159,256	3,607	329,180	90,809	-	419,989
Student wages	-	-	-	-	-	-	-	-	-	14,981	1,337,991	-	20,601	1,373,573	-	-	1,373,573
Program contracts	-	-	-	93,629	7,000	-	220	-	14,667	102,039	28,204	1,248,986	7,606	1,502,351	-	-	1,502,351
Office rental	44,294	11,872	-	10,000	124,034	171,863	-	-	-	-	-	10,000	10,000	382,063	69,843	-	451,906
General operating	18,665	3,096	207	4,662	80,972	56,174	4,206	2,299	-	4,547	17,993	(2,370)	1,959	192,410	180,254	84	372,748
Student scholarship	-	-	-	14,579	-	-	-	-	-	10,000	-	-	-	24,579	-	-	24,579
Staff travel	7,855	-	121	3,493	16,955	18,741	7,087	1,915	-	32,217	-	1,051	900	90,335	24,681	-	115,016
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,836	-	56,836
Program supplies and instructional material	114	-	67	311	-	24	440	12,115	-	278	19,774	-	710	33,833	-	-	33,833
Meetings	714	-	889	1,099	5,470	2,054	4,253	1,879	-	2,962	5,818	5,936	5,094	36,168	42,701	-	78,869
Equipment rental and maintenance	2,351	769	-	-	8,539	7,437	-	-	-	-	-	-	-	19,096	18,924	-	38,020
Participant transportation and training	2,160	-	675	1,795	-	3,897	9,211	350	-	13,369	-	-	6,520	37,977	11,730	1,570	51,277
Gifts and awards	729	-	-	358	-	440	-	3,809	-	-	-	-	200	5,536	766	-	6,302
Total expenses before indirect allocation	289,546	220,726	54,248	756,806	1,139,930	920,000	87,859	222,622	14,667	492,602	1,850,111	1,467,274	123,623	7,640,014	1,051,433	70,391	8,761,838
Indirect costs	36,209	26,177	6,781	53,977	132,073	87,320	8,758	27,729	8,333	14,380	180,714	30,000	15,453	627,904	(627,904)	-	-
	\$ 325,755	\$ 246,903	\$ 61,029	\$ 810,783	\$ 1,272,003	\$ 1,007,320	\$ 96,617	\$ 250,351	\$ 23,000	\$ 506,982	\$ 2,030,825	\$ 1,497,274	\$ 139,076	\$ 8,267,918	\$ 423,529	\$ 70,391	\$ 8,761,838

See notes to financial statements.

The Boston Private Industry Council, Inc.

Statement of Cash Flows

Year Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (337,631)	\$ 1,079,880
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	70,032	56,836
Straight-line rent adjustment	44,249	46,798
Change in certain assets and liabilities:		
Change in restricted cash	(591,268)	(931,958)
Change in contracts and grants receivable	(83,655)	617,163
Change in prepaid expenses	(13,908)	(16,925)
Change in accounts payable	(165,278)	(24,935)
Change in accrued expenses	79,912	35,528
Change in deferred revenue	(2,404)	(27,754)
Net cash (used in) provided by operating activities	(999,951)	834,633
Cash flows from investing activities:		
Purchases of property and equipment	(80,809)	(65,324)
Net cash used in investing activities	(80,809)	(65,324)
Net decrease in cash	(1,080,760)	769,309
Cash and cash equivalents:		
Beginning of year	1,237,748	468,439
End of year	\$ 156,988	\$ 1,237,748

See notes to financial statements.

The Boston Private Industry Council, Inc.

Notes to Financial Statements

Note 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 financial statements are presented in accordance with ASC 958 – *Financial Statements of Not for Profit Organizations*. Under ASC 958, 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.

- Unrestricted net assets represent the portion of net assets of the Council that are not restricted by donor-imposed stipulations.
- 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.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulation, that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Council. The Council had no permanently restricted net assets as of June 30 2016 or 2015.

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.

Restricted cash: Restricted cash consists of cash held on the behalf of Boston Compact for which the Council is their fiscal sponsor.

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.

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

Contracts and grants receivable are recognized as unrestricted revenues as the related expenditures are incurred or services are performed. 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, 2016 or 2015.

The Boston Private Industry Council, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Overhead at the Council is charged to all federal contracts and grants at a percentage of total direct program costs. Amounts charged to contracts greater or less than actual overhead costs are reported as accumulated overapplied overhead. Overapplied overhead is subject to recoupment by the grantor. There was no overapplied overhead as of June 30, 2016 or 2015.

Contributions revenue and receivable: Contributions, including unconditional promises to give, are initially recognized at fair value 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 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. Contributions receivable totaled \$9,773 and \$0 as of June 30, 2016 and 2015, respectively, and are included within contracts and grants receivable on the statement of financial position and is expected to be received within one year.

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.

Recorded contributions of services are recorded only if the services create or enhance a non-financial asset or would typically need to be purchased by the Council if they had not been provided by contribution. These services should also require specialized skills and be provided by individuals with those skills. Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the services recorded. 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 Council did not receive any contributions of goods or space during the years ended June 30, 2016 or 2015.

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. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

The Boston Private Industry Council, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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>Years</u>
Furniture and equipment	5
Software and development	5
Leasehold improvements	The lesser of 5 years or lease term

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Depreciation expense for the years ended June 30, 2016 and 2015 were \$70,032 and \$56,836, respectively.

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. Advertising expenses for the years ended June 30, 2016 and 2015 were \$15,706 and 9,742, respectively.

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 ASC 740 - *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. The Council recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management evaluated the Council's tax positions and concluded that there are no material uncertainties in income taxes as of June 30, 2016 or 2015.

The Council is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2013. The Council will account for interest and penalties related to uncertain tax positions, if any, as a part of tax expense.

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.

During the year ended June 30, 2016, the Council earned 36% of its revenues from three grantors. In addition, the Council had approximately 54% of its outstanding accounts receivable from three grantors at June 30, 2016. During the year ended June 30, 2015, the Council earned 43% of its revenues from three grantors. In addition, the Council had approximately 63% of its outstanding accounts receivable from three grantors at June 30, 2015.

The Boston Private Industry Council, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for annual periods beginning after December 15, 2019. The Council is currently evaluating the impact of the adoption of this guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Council is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. The Council is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Council has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Note 2. Property and Equipment

Property and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Furniture and equipment	\$ 935,251	\$ 854,442
Software development	104,790	104,790
Leasehold improvements	87,785	87,785
Total	1,127,826	1,047,017
Less accumulated depreciation	(928,321)	(858,289)
Property and equipment, net	\$ 199,505	\$ 188,728

The Boston Private Industry Council, Inc.

Notes to Financial Statements

Note 3. Deferred Revenue

The Council received amounts in advance for exchange contracts for which services have not yet been performed by the Council. These amounts consisted of the following at June 30, 2016 and 2015:

	2016	2015
Program:		
Boston Youth Service Network ("BYSN")	\$ 33,825	\$ 36,229
Classroom at the Workplace	25,000	25,000
	<u>\$ 58,825</u>	<u>\$ 61,229</u>

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions with the following restricted purposes at June 30, 2016 and 2015:

	2016	2015
Boston Summer Jobs	\$ 761,397	\$ 965,646
Career Academy of Travel	8,041	20,041
Connecting Activity	28,366	72,614
Opportunity Youth/Drop Out	245,735	235,947
WINs	161,000	-
Boston Compact	682,772	931,958
	<u>\$ 1,887,311</u>	<u>\$ 2,226,206</u>

Note 5. 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, 2016 and 2015:

	2016	2015
Boston Summer Jobs	\$ 2,141,671	\$ 2,002,908
Career Academy of Travel	12,000	41,455
Career Specialist	-	30,000
College Success Initiative	-	367,913
Connecting Activity	44,248	46,798
Opportunity Youth/Drop Out	425,212	39,053
WINs	839,000	-
Boston Compact	722,788	1,504,995
	<u>\$ 4,184,919</u>	<u>\$ 4,033,122</u>

Note 6. 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 \$74,084 and \$52,311 for the years ended June 30, 2016 and 2015, respectively, which is included in payroll and fringe benefits in the accompanying statement of functional expenses.

The Boston Private Industry Council, Inc.

Notes to Financial Statements

Note 7. Operating Leases

The Council maintains lease agreements for two program sites through April 2021. Future minimum lease payments due under these agreements are as follows for the years ending June 30:

2017	\$	342,011
2018		292,415
2019		292,415
2020		292,415
2021		243,679
		<u>243,679</u>
	\$	<u>1,462,935</u>

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 were \$30,858 and \$30,645 for the years ending June 30, 2016 and 2015, respectively. Rent expense has been calculated on a straight-line basis, totaling \$458,433 and \$451,906 for the years ended June 30, 2016 and 2015.

In addition the Council leases a vehicle and copiers under non-cancellable leases through November 2018. Monthly payments for the leases are \$365 and \$3,159, respectively. Future minimum lease payments due under these lease arrangements are as follows for the years ending June 30:

2017	\$	42,288
2018		40,709
2019		1,825
		<u>1,825</u>
	\$	<u>84,822</u>

Note 8. Line of Credit

The Council has entered into a demand line of credit agreement with a bank for up to \$500,000 which was renewed on March 15, 2016 at the discretion of the bank. The next review of the line scheduled for March 15, 2017. 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% (3.45% at June 30, 2016). There was no outstanding balance at or during the year ended June 30, 2016.

Note 9. Subsequent Events

The Council has evaluated subsequent events through February 7, 2017, when the financial statements were available to be issued.

The Boston Private Industry Council, Inc.

**Schedule of Expenses
Year Ended June 30, 2016**

	Direct	Indirect	Total
Payroll and fringe benefits	\$ 4,361,775	\$ 589,277	\$ 4,951,052
Professional services	373,996	108,706	482,702
Student wages	1,460,825	-	1,460,825
Program contracts	892,662	-	892,662
Office rental	379,520	78,913	458,433
General operating	226,568	105,492	332,060
Student scholarship	18,714	-	18,714
Staff travel	141,714	9,919	151,633
Depreciation	70,032	-	70,032
Program supplies and instructional material	7,620	85	7,705
Meetings	98,622	807	99,429
Equipment rental and maintenance	31,866	15,397	47,263
Participant transportation and training	19,187	3,708	22,895
Gifts and awards	17,063	135	17,198
	<u>\$ 8,100,164</u>	<u>\$ 912,439</u>	<u>\$ 9,012,603</u>

**Schedule of Expenses
Year Ended June 30, 2015**

	Direct	Indirect	Total
Payroll and fringe benefits	\$ 3,813,347	\$ 273,577	\$ 4,086,924
Site operations	149,615	-	149,615
Professional services	344,269	75,720	419,989
Student wages	1,373,573	-	1,373,573
Program contracts	1,502,351	-	1,502,351
Office rental	382,063	69,843	451,906
General operating	215,610	157,138	372,748
Student scholarship	24,579	-	24,579
Staff travel	90,413	24,603	115,016
Depreciation	56,836	-	56,836
Program supplies and instructional material	33,833	-	33,833
Meetings	76,561	2,308	78,869
Equipment rental and maintenance	24,660	13,360	38,020
Participant transportation and training	39,922	11,355	51,277
Gifts and awards	6,302	-	6,302
	<u>\$ 8,133,934</u>	<u>\$ 627,904</u>	<u>\$ 8,761,838</u>

The Boston Private Industry Council, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Federal Grantor/Pass-through Grantor Program Title/ Pass through Identification Number	Federal CFDA Number	Federal Expenditures
Employment Service Cluster:		
United States Department of Labor:		
Pass-through from the Commonwealth of Massachusetts		
Department of Workforce Development		
Employment Service/Wagner-Peyser Funded Activities		
114-039-316	17.207	<u>\$ 80,000</u>
United States Department of Labor:		
Workforce Investment Act ("WIA") Cluster:		
Pass-through from the City of Boston		
Economic Development and Industrial Corporation		
Institutional Support Services		
WIA/WIOA Adult Program		
101-039-316 & 121-039-316	17.258	85,595
WIA/WIOA Youth Activities		
102-039-316 & 122-039-316	17.259	112,807
WIA/WIOA Dislocated Worker Formula Grants		
103-039-316 & 123-039-316	17.278	<u>66,145</u>
		264,547
United States Department of Labor:		
Pass-through from the City of Boston		
Economic Development and Industrial Corporation		
WIA/WIOA Pilots, Demonstrations, and Research Projects		
191-039-916	17.261	85,000
Pass-through from the City of Boston		
Economic Development and Industrial Corporation		
Skilled Careers in Life Sciences		
H-1B Job Training Grants		
191-039-912	17.268	<u>294,017</u>
Total United States Department of Labor		<u>723,564</u>
Corporation for National and Community Service:		
Pass-through from Jobs For the Future		
Social Innovation Fund		
15-100	94.019	177,292
Pass-through from The Boston Foundation		
Social Innovation Fund		
14SIHMA001	94.019	<u>192,028</u>
Total Corporation for National and Community Service		<u>369,320</u>
Total Federal Expenditures		<u><u>\$ 1,092,884</u></u>

See notes to schedule of expenditures of federal awards.

The Boston Private Industry Council, Inc.

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Basis of presentation: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Boston Private Industry Council (the "Council") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

Summary of significant accounting: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures/expenses are recognized following the *Cost Principles for Non-Profit Organizations 2 CFR Part 230*, wherein certain types of expenditures/expensed are not allowable or are limited as to reimbursement.

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, 2016 was 12.5%, where applicable, of salaries and wages. The Council recovered no indirect costs for the year ended June 30, 2016.

Subrecipients: None of the federal expenditures presented in the schedule were provided to subrecipients.

**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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Boston Private Industry Council, Inc. (the "Council"), which comprise the statement 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, and have issued our report thereon dated February 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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 Council'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
February 7, 2017

**Report on Compliance for the Major Federal Program and
on Internal Control Over Compliance Require by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited The Boston Private Industry Council, Inc.'s (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2016. The Council's major federal program is identified in the summary of the Council's schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
February 7, 2017

The Boston Private Industry Council, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes ___ X ___ No
- Significant deficiencies identified? _____ Yes ___ X ___ None Reported
- Noncompliance material to financial statements noted? _____ Yes ___ X ___ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes ___ X ___ No
- Significant deficiencies identified? _____ Yes ___ X ___ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes ___ X ___ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
94.019	Social Innovation Fund

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

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, 2016

II. Financial Statement Findings

- A. Significant Deficiency in Internal Control
None
- B. Compliance Findings
None

III. Findings and Questioned Costs for Federal Awards

- A. Significant Deficiency in Internal Control
None
- B. Compliance Findings
None

The Boston Private Industry Council, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

No findings were noted for the year ended June 30, 2015.