

CEOC

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

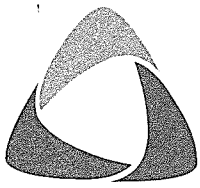
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015



CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Contents
September 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
Cambridge Economic Opportunity Committee, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Cambridge Economic Opportunity Committee, Inc. (a Massachusetts corporation not for profit) which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses 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. Those standards require that we plan and perform the audits 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 Cambridge Economic Opportunity Committee, Inc. as of September 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.

Alexander, Acorn, Pinning & Co., P.C.

Boston, Massachusetts
January 26, 2017

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.Statements of Financial Position
September 30, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 1,084,195	\$ 871,823
Contracts, grants and other receivables	91,417	78,968
Prepaid expenses	15,947	14,126
Total current assets	1,191,559	964,917
Certificate of deposit	-	151,474
Investments	138,754	124,974
Property and Equipment, net	61,706	55,356
Total assets	<u>\$ 1,392,019</u>	<u>\$ 1,296,721</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 30,742	\$ 29,005
Accrued expenses	110,897	101,926
Total current liabilities	141,639	130,931
Net Assets:		
Unrestricted:		
Operating	1,163,674	1,099,434
Property and equipment	61,706	55,356
Board designated	25,000	11,000
Total unrestricted net assets	1,250,380	1,165,790
Total liabilities and net assets	<u>\$ 1,392,019</u>	<u>\$ 1,296,721</u>

The accompanying notes are an integral part of these statements.

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CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2016 and 2015

	2016		2015	
	Operating and Board Designated	Property and Equipment	Operating and Board Designated	Property and Equipment
Operating Revenues and Support:		Total Unrestricted		Total Unrestricted
Contracts and grants - public	\$ 852,828	\$ 852,828	\$ 772,266	\$ 772,266
Donated food	45,917	45,917	20,245	20,245
Grants and contributions - private	60,982	60,982	69,133	69,133
Rent, interest and other income	31,088	31,088	23,205	23,205
Total operating revenues and support	990,815	990,815	884,849	884,849
Operating Expenses:				
Comprehensive Bundled Services	789,086	789,086	688,604	688,604
Know Your Body	33,963	33,963	50,517	50,517
General and Administrative	91,706	96,956	127,260	131,065
Total operating expenses	914,755	920,005	866,381	870,186
Changes in unrestricted net assets from operations	76,060	70,810	18,468	14,663
Investment Income (Loss)	13,780	13,780	(2,681)	(2,681)
Changes in unrestricted net assets	89,840	84,590	15,787	11,982
Net Assets:				
Beginning of year	1,110,434	1,165,790	1,108,708	1,153,808
Transfers	(11,600)	11,600	(14,061)	-
End of year	\$ 1,188,674	\$ 1,250,380	\$ 1,110,434	\$ 1,165,790

The accompanying notes are an integral part of these statements.

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Statements of Cash Flows

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 84,590	\$ 11,982
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	5,250	3,805
Unrealized (gains) losses on investments	(13,780)	2,681
Changes in operating assets and liabilities:		
Contracts, grants and other receivables	(12,449)	3,822
Prepaid expenses	(1,821)	5,651
Accounts payable	1,737	11,000
Accrued expenses	8,971	(65,692)
	<u>72,498</u>	<u>(26,751)</u>
Net cash provided by (used) in operating activities	<u>72,498</u>	<u>(26,751)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(11,600)	(14,061)
Redemption of certificates of deposit	151,474	-
Purchase of and interest earned on certificates of deposit	-	(151,474)
	<u>139,874</u>	<u>(165,535)</u>
Net cash provided by (used in) investing activities	<u>139,874</u>	<u>(165,535)</u>
Change in Cash and Cash Equivalents	212,372	(192,286)
Cash and Cash Equivalents:		
Beginning of year	<u>871,823</u>	<u>1,064,109</u>
End of year	<u><u>\$ 1,084,195</u></u>	<u><u>\$ 871,823</u></u>

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Statement of Functional Expenses
 For the Year Ended September 30, 2016
 (With Summarized Comparative Totals for the Year Ended September 30, 2015)

	2016			2015	
	Compre- hensive Bundled Services	Know Your Body	General and Adminis- trative	Total Expenses	Total Expenses
Salaries and related expenses:					
Salaries	\$ 421,214	\$ 22,629	\$ 39,144	\$ 482,987	\$ 448,281
Fringe benefits	63,913	3,834	8,920	76,667	63,745
Payroll taxes	31,243	1,672	2,994	35,909	33,024
Total salaries and related expenses	516,370	28,135	51,058	595,563	545,050
Food	192,131	-	-	192,131	199,058
Professional fees and consulting	29,978	630	21,128	51,736	41,355
Occupancy	6,419	1,320	6,608	14,347	17,049
Insurance	12,055	648	1,120	13,823	16,141
Office	8,477	1,682	3,304	13,463	17,385
Repairs and maintenance	5,149	757	6,969	12,875	16,114
Training and dues	6,759	-	818	7,577	6,353
Small equipment and maintenance	5,469	41	174	5,684	3,319
Depreciation	-	-	5,250	5,250	3,805
Supplies	3,668	750	263	4,681	3,712
Transportation	2,611	-	264	2,875	845
Total expenses before allocation of general and administrative expenses	789,086	33,963	96,956	920,005	870,186
Allocation of general and administrative expenses	92,955	4,001	(96,956)	-	-
Total expenses	\$ 882,041	\$ 37,964	\$ -	\$ 920,005	\$ 870,186

The accompanying notes are an integral part of these statements.

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2015

	Compre- hensive Bundled Services	Know Your Body	General and Adminis- trative	Total Expenses
Salaries and related expenses:				
Salaries	\$ 360,275	\$ 35,353	\$ 52,653	\$ 448,281
Fringe benefits	47,077	5,572	11,096	63,745
Payroll taxes	26,493	2,579	3,952	33,024
Total salaries and related expenses	433,845	43,504	67,701	545,050
Food	199,058	-	-	199,058
Professional fees and consulting	11,946	3,776	25,633	41,355
Occupancy	7,505	447	9,097	17,049
Insurance	12,973	1,274	1,894	16,141
Office	8,448	1,173	7,764	17,385
Repairs and maintenance	4,711	197	11,206	16,114
Training and dues	5,474	70	809	6,353
Small equipment and maintenance	1,856	45	1,418	3,319
Depreciation	-	-	3,805	3,805
Supplies	2,067	31	1,614	3,712
Transportation	721	-	124	845
Total expenses before allocation of general and administrative expenses	688,604	50,517	131,065	870,186
Allocation of general and administrative expenses	122,107	8,958	(131,065)	-
Total expenses	\$ 810,711	\$ 59,475	\$ -	\$ 870,186

The accompanying notes are an integral part of these statements.

1. OPERATIONS AND NONPROFIT STATUS

Cambridge Economic Opportunity Committee, Inc. (CEOC)'s mission is to eliminate poverty's causes and impacts by empowering low-income individuals and families to achieve economic stability and security.

CEOC is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). CEOC is also exempt from state income taxes. Donors may deduct contributions made to CEOC within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

CEOC prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

Revenue Recognition

Revenues from contracts and grants are recognized as services are provided and costs are incurred. Contract revenue received in advance of services being provided are recorded as refundable advances and included in accounts payable in the accompanying financial statements. Rental income is recorded over the lease term. Interest and other income are recognized as earned.

Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. This includes grants and contributions in which the donor stipulates that the funds are to be used in the following year or in which the donor designates the funds to be used for a specific program or purpose. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets. Unrestricted grants and contributions are recognized as revenue upon receipt or when unconditionally committed.

Expense Allocations

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating activity includes investment income (loss).

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by CEOC. CEOC has grouped its unrestricted net assets into the following categories:

Operating - represent resources available for operations and bear no external restrictions.

Property and Equipment - represent the net book value of CEOC's property and equipment.

Board Designated - represent amounts restricted by the Board of Directors to be used for future capital improvements. Use of these funds must be approved by the Board of Directors.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Certificate of Deposit

Certificate of deposit (CD) at September 30, 2015 consisted of one CD that matured in September 2016. This CD was not renewed after it matured.

Investments

CEOC's investments are held for long-term purposes and are generally not used for operations. Accordingly, these investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 4).

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible. There was no allowance as of September 30, 2016 and 2015.

Property and Equipment and Depreciation

CEOC capitalizes property and equipment over \$5,000 with a useful life over three years and records property and equipment at cost, when purchased, or at its fair value when donated. Renewals and betterments are capitalized as additions to the related asset account, while repairs and maintenance are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and improvements	10 - 30 years
Furniture and equipment	3 - 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

CEOC receives thousands of pounds of donated food from a nonprofit organization for distribution in its food pantry network. The value of these donations was \$45,917 and \$20,245 for the years ended September 30, 2016 and 2015, respectively. These amounts are reflected as donated food and included in food expense in the accompanying financial statements.

CEOC also receives food donations from public and private members of the community as well as services of volunteers in various aspects of its programs. The valuation of the donated food and volunteer services is not readily ascertainable or subject to precise measurement. Therefore, these donations have not been reflected in the accompanying financial statements.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through January 26, 2017, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements, with the exception of the event disclosed in Note 6.

Fair Value Measurements

CEOC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that CEOC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

CEOC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of CEOC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Notes to Financial Statements
September 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs with the exception of investments which are valued using Level 2 inputs (see Note 4).

Income Taxes

CEOC accounts for uncertainty in income taxes in accordance with ASC Topic *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. CEOC has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2016 and 2015.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 14,700	\$ 14,700
Building and improvements	157,987	146,387
Furniture and equipment	<u>81,553</u>	<u>81,553</u>
	254,240	242,640
Less - accumulated depreciation	<u>192,534</u>	<u>187,284</u>
Net property and equipment	<u>\$ 61,706</u>	<u>\$ 55,356</u>

4. INVESTMENTS

Investments are presented in the accompanying financial statements at fair value using Level 2 inputs (see Note 2). Investments consisted of the following at September 30:

	<u>2016</u>	<u>2015</u>
Fixed income:		
Market-linked CD	<u>\$ 138,754</u>	<u>\$ 124,974</u>

Investments are not insured and are subject to ongoing market fluctuations. Investment income (loss) consists of unrealized gains (losses) during fiscal years 2016 and 2015.

5. RELATED PARTY TRANSACTIONS

During fiscal years 2016 and 2015, one and two members of the Board of Directors, respectively, were employed by separate financial institutions in which CEOC holds certificates of deposit, depository accounts and its line of credit. The combined balances of these accounts at September 30, 2016 and 2015, were \$447,019 and \$470,450, respectively. These board members abstain from voting on matters relating to their employer.

6. LEASE COMMITMENTS

CEOC subleases space to two nonprofit organizations with monthly aggregate payments of \$1,650. Both lease agreements expired on December 31, 2016. Both leases were renewed during fiscal year 2017 through December 2018. Each lease agreement has the option to renew for two additional years. Total rental income for the years ended September 30, 2016 and 2015, was \$22,150 and \$18,797, respectively, and is included in rent, interest and other income in the accompanying statements of activities and changes in net assets. The future minimum lease commitments under these agreements are as follows:

Fiscal Year

2017	\$ 19,800
2018	\$ 19,800
2019	\$ 4,950

7. RETIREMENT PLAN

CEOC offers employees the ability to enroll in a tax-deferred annuity withdrawn directly from the employees' paychecks. CEOC does not make any contributions to this plan.

8. LINE OF CREDIT

In July 2015, CEOC entered into a \$100,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and are secured by all assets of CEOC. Interest is payable monthly at a variable interest rate equal to 2.0% above the prime rate as published in the *Wall Street Journal* (3.5% and 3.25% at September 30, 2016 and 2015, respectively). There were no outstanding borrowings under the agreement as of September 30, 2016. The line is renewable annually. The line of credit contains various covenants. CEOC was in compliance with these covenants at September 30, 2016 and 2015.

9. CONCENTRATIONS

Credit Risk

CEOC maintains its operating cash and CD balances in Massachusetts banks, which are insured by the FDIC up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. CEOC has not experienced any losses in such accounts.

Funding

CEOC receives a significant portion of its funding from the Commonwealth of Massachusetts and the City of Cambridge under cost reimbursement and unit-rate contracts. Payments to CEOC are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of CEOC as of September 30, 2016 and 2015, or on its results of operations for the years then ended.

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

Notes to Financial Statements
September 30, 2016 and 2015

9. CONCENTRATIONS (Continued)

Funding (Continued)

The following sources provided a significant portion of CEOC's total revenue for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Commonwealth of Massachusetts, Department of Housing and Community Development	45%	48%
City of Cambridge	28%	28%

The following sources provided a significant portion of CEOC's contracts, grants and other receivables as of September 30:

	<u>2016</u>	<u>2015</u>
City of Cambridge	52%	56%
Commonwealth Health Insurance Connector Authority	32%	11%
University of Massachusetts Amherst	11%	13%

10. RECLASSIFICATIONS

Certain amounts in the fiscal year 2015 financial statements have been reclassified to conform with the fiscal year 2016 presentation.