

**POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.**

**Financial Statements
And Supplementary Information**

For the Year Ended June 30, 2010

(With Comparative Totals for 2009)

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November 12, 2010

HAROLD SCHONBECK, C.P.A.
GARY J. VOSTOK, C.P.A.

INDEPENDENT AUDITOR'S REPORT

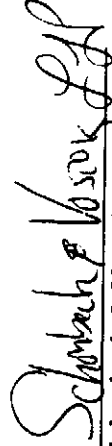
To the Officers and Directors of
POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.:

We have audited the accompanying statement of financial position of POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC. (a nonprofit organization) as of June 30, 2010 and related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Polus Center's June 30, 2009 financial statements and, in our report dated November 6, 2009, we expressed an unqualified opinion on those statements.

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 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 POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC. as of June 30, 2010 and 2009, 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 12, 2010 on our consideration of POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT INC.'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 read in conjunction with this report in considering the result of our audit.


Schonbeck & Vostok, LLP

	2010	2009
LIABILITIES AND NET ASSETS		
Current Liabilities		
Note payable - bank	181,877	262,667
Current maturities of long-term liabilities	8,326	40,000
Accounts payable	36,416	42,001
Deferred revenue	85,320	34,400
Accrued expenses:		
Accrued payroll	46,915	47,671
Accrued payroll taxes	2,752	2,407
Retirement plan payable	1,464	-
Sales tax payable	-	1,037
Total Current Liabilities	363,070	430,183
Long-term Liabilities		
Mortgages payable	480,079	637,826
Total Long-term Liabilities	480,079	637,826
Total Liabilities	843,149	1,068,009
Net Assets		
Unrestricted	321,124	116,765
Total Net Assets	321,124	116,765
Total Liabilities and Net Assets	\$ 1,164,273	\$ 1,184,774

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
 Statements of Activities and Changes in Net Assets
 For The Years Ended June 30, 2010 and 2009

	2010	2009
Changes in Unrestricted Net Assets		
Revenues, Gains and Support		
Residential support & services	\$ 2,698,836	\$ 2,707,078
Federal grants	361,300	377,080
Commercial activities	35,367	342,868
Contract revenue - public	55,647	73,624
Private grants	10,000	47,400
Contributions	29,965	40,018
In-kind contributions	1,000	20,855
Contract revenue - salary reserve	-	4,933
Investment income	364	284
Gain on sale of real estate	196,862	-
Other revenue	92,155	167,817
	3,481,496	3,781,957
Total Unrestricted Revenues, Gains and Support		
Expenses		
Program services	2,774,825	3,290,406
Management and general	492,655	599,182
Fundraising	9,657	3,176
	3,277,137	3,892,764
Total Expenses		
Increase (Decrease) in Unrestricted Net Assets	204,359	(110,807)
Net Assets, Beginning of Year	116,765	227,572
Net Assets, End of Year	\$ 321,124	\$ 116,765

The accompanying notes are an integral part of these financial statements

	Supporting Services			Totals	
	Management and General	Fund Raising	Total	2010	2009
Salaries	\$ 188,803	\$ -	\$ 188,803	\$ 666,902	\$ 811,567
Payroll taxes	15,813	-	15,813	58,695	72,908
Fringe benefits	26,935	-	26,935	119,375	143,722
Total Salaries and Expenses	231,551	-	231,551	844,972	1,028,197
Advertising	210	-	210	773	149
Audit fees	17,500	-	17,500	17,500	16,972
Auto expense	1,747	-	1,747	5,926	4,136
Client transportation	(82)	-	(82)	9,184	10,540
Commercial activities	-	-	-	36,688	265,498
Consultants - other	6,515	1,650	8,165	60,521	49,410
Direct care consultants	-	-	-	160,735	88,145
Fundraising expense	-	5,707	5,707	5,878	2,134
Goodwill impairment loss	30,033	-	30,033	30,033	-
Insurance - Directors/Officers	1,490	-	1,490	1,490	1,252
Insurance - general	9,262	-	9,262	19,540	27,013
Insurance - vehicle	1,890	-	1,890	17,811	23,761
Interest	23,894	-	23,894	41,533	54,534
International sub-contractors	-	-	-	144,176	256,213
Laundry/linens	100	-	100	349	3,341
Leased office equipment	6,797	-	6,797	10,883	11,248
Leased vehicles	16,868	-	16,868	67,552	69,213
Legal fees	23,964	-	23,964	23,964	11,835
Licenses/permits	-	-	-	-	557
Meals	1,485	-	1,485	5,428	2,157
Office expense	9,291	145	9,436	17,732	18,867
Penalties & fines	-	-	-	129	84
Postage	1,734	1,589	3,323	3,967	3,818
Printing	687	442	1,129	1,253	2,887
Program supplies	2,618	-	2,618	9,986	21,849
Program support	11,236	-	11,236	59,879	92,112
Provider stipend	-	-	-	1,271,494	1,376,084
Relief/Temporary help	-	-	-	4,800	4,800
Real estate/property taxes	39,617	-	39,617	43,518	7,786
Rent	8,350	-	8,350	162,172	182,574
Repairs and maintenance	4,482	-	4,482	6,733	12,543
Respite	-	-	-	1,800	11,880
Service charges	10,731	48	10,779	13,298	14,475
Social events	100	-	100	7,099	9,518
Staff training	2,455	-	2,455	9,248	29,529
Staff travel	5,606	76	5,682	98,665	74,332
Subcontracted direct care	-	-	-	-	18,500
Utilities	11,082	-	11,082	18,328	43,505
Total Expenses Before Depreciation	481,213	9,657	490,870	3,235,037	3,851,448
Depreciation	11,442	-	11,442	42,100	41,316
Total Functional Expenses	\$ 492,655	\$ 9,657	\$ 502,312	\$ 3,277,137	\$ 3,892,764

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

Statements of Cash Flows

For The Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 204,359	\$ (110,807)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	42,100	41,316
Goodwill impairment loss	30,033	-
Unrealized gain on investment	(220)	(32)
Gain on sale of real estate	(196,862)	-
Loss on asset disposal	1,350	-
Changes in operating assets and liabilities:		
Accounts receivable	118,800	15,279
Prepaid expense	(5,910)	21,181
Inventories	31,000	17,092
Other assets	1,828	8,777
Accounts payable	(5,584)	4,817
Accrued expenses	16	(12,746)
Deferred revenue	50,920	(24,850)
Total Adjustments	67,471	70,834
Net Cash Provided (Used) By Operating Activities	271,830	(39,973)
Cash Flows from Investing Activities		
Proceeds on sale of real estate	275,000	-
Purchase of investments	(50,000)	-
Purchase of property and equipment	(40,484)	(9,029)
Net cash Provided (Used) By Investing Activities	184,516	(9,029)
Cash Flows from Financing Activities		
Net borrowings on short-term debt	(80,790)	100,065
Principal payments on long-term debt	(189,421)	(37,808)
Net Cash (Used) Provided By Financing Activities	(270,211)	62,257
Net increase in cash and cash equivalents	186,135	13,255
Cash and cash equivalents, beginning of year	12,627	(628)
Cash and cash equivalents, end of year	\$ 198,762	\$ 12,627
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 41,533	\$ 54,534

The accompanying notes are an integral part of these financial statements

**POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.**

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies:

Nature of Activities:

Polus Center for Social and Economic Development, Inc. provides residential support, employment services, and case management for people with disabilities in Massachusetts. Funding for these contracted services is provided by both Federal and State agencies as well as private funds.

Additionally, the Organization supports people with disabilities throughout Central America, as well as some small projects in Latin America, South America, Africa and Mexico, through services such as prosthetic outreach clinics, a Disability Leadership Institute, a wheelchair manufacturing workshop, micro finance and economic development opportunities. Polus Center for Social and Economic Development also provides program design, professional development training and consultation within the United States and throughout the developing world.

Basis of Accounting:

Polus Center for Social and Economic Development, Inc. prepares its financial statements using the accrual method of accounting; consequently revenues and support are recognized when earned, and expenses and losses are recognized when incurred.

Program Service Fees are recognized as costs are incurred, or services provided, which are eligible for reimbursement according to the contract. To the extent allowable costs, or billing for services, have not been reimbursed, an account receivable from the funding source is recognized. If a contract is terminated any unexpended funds may have to be returned to the funding source. Funds received under a contract are limited to usage as determined by the contract. Other revenue is recognized when earned under the accrual basis of accounting.

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In some cases, common expenses are incurred which support the works performed under more than one program and/or the contract. Such expenses are allocated based upon promulgated methods and standards of the AICPA and Division of Purchased Services.

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation:

The Organization follows the prescribed standards for general purpose financial statements of all not-for-profit organizations. These standards require reporting amounts for the Organization's total assets, liabilities and net assets in a statement of financial position, reporting the change in an organization's net assets in a statement of activities and reporting the change in its cash and cash equivalents in a statement of cash flows. The standards require the classification of an organization's net assets based on the existence or absence of donor imposed restrictions.

The assets, liabilities and net assets of the Organization are reported as follows:

Unrestricted net assets represent amounts not restricted for identified purposes by donor or grantors. These amounts are available to be used by the Board of Directors for the general purpose of the Organization.

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Organization had no permanently restricted net assets in 2010 and 2009.

Promise to Give:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies (Continued):

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Polus Center for Social and Economic Development, Inc. maintains cash balances in various banks located in Massachusetts which at times may exceed Federally insured amounts.

Accounts Receivable:

No allowance for doubtful accounts is provided for at June 30, 2010 and 2009 as the Organization expects all amounts to be collected.

Inventory:

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment and Depreciation:

Property and equipment are recorded at cost. The cost of maintenance and repairs is charged to income as incurred. Major additions and betterments are capitalized as additions to their respective asset accounts.

Depreciation is computed over the estimated useful lives of the related assets using the straight-line method.

The estimated useful lives of depreciable assets are:

Land Improvements	15 years
Buildings	39 years
Building Improvements	20 years
Equipment	3-10 years

Polus Center for Social and Economic Development, Inc. follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,000.

Compensated Absences:

The Organization accrues for vacation pay. The Organization has a formal vacation policy allowing for paid time off based on years of service. Employees are allowed to accumulate and carryforward a maximum of two weeks unused vacation.

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.
Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies (Continued):

Advertising Costs:

The Organization expenses the cost of advertising as incurred. Advertising expense for fiscal year 2010 and 2009 was \$773 and \$149 respectively.

Donated Services and Materials:

A number of volunteers have donated significant amounts of their time in the Organization's program services. These services are not recorded because the services provided did not require specialized skills.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Organization believes that it has done nothing during the past year that would jeopardize its tax-exempt status at either the state or Federal level. The Organization reports its activities to the IRS in an annual information return. These filings are subject to review by the taxing authorities, and the Federal information returns for 2009, 2008, and 2007 are subject to examination by the IRS, generally for three years after they were filed.

Note 2 - Investments:

	<u>2010</u>	<u>2009</u>
Common stocks, and mutual funds	\$ 2,124	\$ 1,917
Corporate bonds, notes, and CD's	<u>50,105</u>	<u>0</u>
	<u>\$ 52,229</u>	<u>\$ 1,917</u>

The following schedule summarizes the investment return and its classification in the statement of activities and changes in net assets for the year ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 144	\$ 252
Unrealized gains on investments	<u>220</u>	<u>32</u>
Total investment return	<u>\$ 364</u>	<u>\$ 284</u>

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.
Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 3 – Fair Value Measurements:

The fair value of financial assets and liabilities are classified in one of the following categories:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2010				
Available for Sale:				
Corporate bonds, notes, and certificates of deposit	\$ -	\$ 50,105	\$ -	\$ 50,105
Corporate common stocks	<u>2,124</u>	<u>-</u>	<u>-</u>	<u>2,124</u>
Total available for sale assets	<u>\$ 2,124</u>	<u>\$ 50,105</u>	<u>\$ -</u>	<u>\$ 52,229</u>
June 30, 2009				
Available for Sale:				
Corporate bonds, notes, and certificates of deposit	\$ -	\$ -	\$ -	\$ -
Corporate common stocks	<u>1,917</u>	<u>-</u>	<u>-</u>	<u>1,917</u>
Total available for sale assets	<u>\$ 1,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,917</u>

**POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.**

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 4 - Goodwill:

As of June 30, 2010 and 2009, the Organization had unamortized goodwill of \$0 and \$33,033. All of the goodwill was related to the Economic Development program at the country store. On an annual basis, goodwill is tested for impairment and adjusted to reflect any impairment loss. An impairment loss of \$30,033 was incurred for 2010. No such loss was incurred for 2009.

Note 5 - Note payable - bank:

The Organization has a line of credit with Clinton Savings Bank which provides borrowing up to a maximum of \$400,000. At June 30, 2010 and 2009, the Organization had an outstanding balance of \$181,877 and \$262,667, respectively. The interest rate is 1.50% over the Wall Street Journal rate with a floor of 4.75%.

Note 6 - Long-term Liabilities:

	<u>2010</u>	<u>2009</u>
Mortgage Payable - Bank of Western Mass.		
Mortgage secured by real estate, payable in monthly installments of \$643 including interest at 7.25%. This note is dated August 30, 2001 and matures on August 30, 2011.	\$ -	\$42,897
Mortgage Payable - Bank of Western Mass.		
Mortgage secured by real estate, payable in monthly installments of \$1,485 including interest at 9.25%. This note is dated May 7, 2002 and matures on May 8, 2012.	-	45,339
Mortgage - Bank of Western Mass.		
Mortgage secured by real estate, payable in monthly installments of \$1,748 including interest at 3.75%. This note is dated December 15, 2004 and matures March 28, 2013.	-	247,848
Mortgage Payable - Bank of Western Mass.		
Mortgage secured by real estate, payable in monthly installments of \$2,110 including interest at 7.0%. This note is dated October 25, 2005 and matures March 24, 2016.	-	247,673

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 6 - Long-term Liabilities (Continued):

	<u>2010</u>	<u>2009</u>
Note Payable - Bank of Western Mass. is secured by real estate, payable in monthly installments of \$828 including interest at 7.75%. This note is dated January 19, 2007 and matures January 19, 2011.	-	94,069

Mortgage Payable - Clinton Savings Bank Mortgage secured by real estate, payable in monthly installments of \$1,669 including interest at 6.5%. This note is dated May 3, 2010 and matures June 3, 2020.

	244,702	-
	<u>488,405</u>	<u>677,826</u>

Mortgage Payable - Clinton Savings Bank Mortgage secured by real estate, payable in monthly installments of \$1,662 including interest at 6.5%. This note is dated May 3, 2010 and matures June 3, 2020.

	<u>243,703</u>	<u>-</u>
	<u>488,405</u>	<u>677,826</u>
Less: Amount due within one year	<u>8,326</u>	<u>40,000</u>
Long-term liabilities	<u>\$ 480,079</u>	<u>\$ 637,826</u>

Long-term liabilities mature as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2011	\$ 8,326
2012	8,892
2013	9,497
2014	10,144
2015	10,834
Thereafter	<u>440,712</u>
Total	<u>\$ 488,405</u>

Note 7 - Restrictions on Net Assets:

As of June 30, 2010 and 2009, there were no temporary or permanent restrictions on net assets.

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 8 - Leases:

The Organization leased residential and office space in several locations for program and administrative sites. Total rent expense, which includes tenant-at-will locations, for the years ended June 30, 2010 and 2009 was \$162,172 and \$182,574, respectively.

Future minimum obligations on all leases effective at June 30, 2010 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2011	\$ 38,400
2012	38,400
2013	13,050
Total	<u>\$ 89,850</u>

Note 9 - Concentration of Credit Risk:

The Organization is funded primarily by the Massachusetts Department of Developmental Services, which at June 30, 2010 and 2009 provides approximately 77% and 68%, respectively, of the Organization's revenues, \$361,300 and \$377,080 came from direct Federal grants for the years ended June 30, 2010 and 2009 respectively. The remaining revenue came from other Massachusetts state contracts (Department of Social Services and Massachusetts Rehabilitation Commission) private grants, commercial activities and other revenue sources.

Note 10 - Related Party Transactions:

The spouse of the Executive Director was employed at Petersham Country Store, and received payments totaling \$1,771 and \$11,858 in hourly salary for the years ended June 30, 2010 and 2009 respectively.

A Board Member was paid \$1,500 for rental and conference space for the Organization.

A relative of the Finance Director was paid \$3,779 for renovations at the Organizations Clinton, MA office.

A Board Member, now a former Board Member, was paid \$14,500 as a working consultant for the Weapons Removal and Abatement Project in Peru.

POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.

Notes to Financial Statements
For the Years Ended June 30, 2010 and 2009

Note 11 - Contingencies:

Polus Center for Social and Economic Development, Inc. contracts with the Department of Developmental Services to provide services to individuals with disabilities. The Department requires expenditures of funds to be in compliance with terms and conditions specified in the related contracts and agreements. These expenditures are subject to audit by the grantor agency. Any disallowed expenditure would become a liability of the Organization, requiring repayment to the funding source.

Note 12 - Commonwealth Designated Funds:

The Division of Purchased Services of the Commonwealth of Massachusetts has promulgated regulations requiring that all not-for-profit entities engaged in the provision of human service and social service programs by contract with state agencies are subject to a "surplus revenue retention policy". Under this policy, any surpluses generated from Commonwealth contracts which exceed five percent (5%) in any year or twenty percent (20%) of prior year revenues on a cumulative basis are subject to negotiated reuse or recoupment. Effective for fiscal years beginning July 1, 1992, the Commonwealth requires that providers take steps to segregate State-attributed surpluses (as enumerated in State Regulations) as a separate part of the operating fund. As of June 30, 2010, the cumulative State-attributed surplus is \$536,162 an increase of \$30,762 for the current year.

Note 13 - Subsequent Events:

Management has evaluated subsequent events through November 12, 2010 which is the date the financial statements were issued.

In August 2010, the Organization and country store ceased operating and the Organization put the property on the market for sale.

In October 2010, the Organization received a grant to start work in Jordan on a international project.

In November 2010, the Organization opened an office in Peterborough, NH to manage its shared living program in New Hampshire.

Note 14 - Reclassification:

Certain accounts in the 2009 financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.



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HAROLD SCHONBECK, C.P.A.
GARY J. VOSTOK, C.P.A.

November 12, 2010

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.

We have audited the financial statements of POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC. as of and for the year ended June 30, 2010 and have issued our report thereon dated November 12, 2010. 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

In planning and performing our audit, we considered POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT INC.'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 POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT INC.'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT INC.'S internal control over financial reporting.

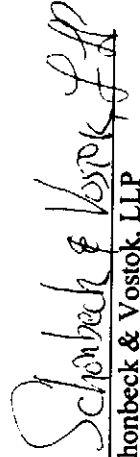
A deficiency in internal control exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the Organization, Federal awarding agencies and the Commonwealth of Massachusetts Operational Services Division and is not intended to be and should not be used by anyone other than these specified parties.


Schonbeck & Vostok, LLP



Schonbeck & Vostok

CERTIFIED PUBLIC ACCOUNTANTS

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GARY J. VOSTOK, C.P.A.

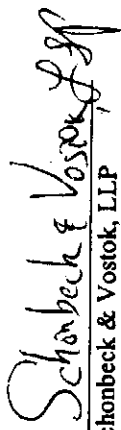
November 12, 2010

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To The Board of Directors of
POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT INC.:

Our report on our audits of the basic financial statements of POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC. for June 30, 2010 appears on page 2. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The following supplemental schedules, Organization Supplemental Information Schedule A, and the two Program Supplemental Information Schedules B, are not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.


Schonbeck & Vostok, LLP

UNIFORM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Federal Employer Identification Number (FEIN) for Filing Entity - 9 digits: 042897868
 Other corporate names & FEINs if applicable:
 (Use for consolidated financial statements.)

For the Year Ended: 6/30/2010 (M/D/YYYY)
 Filed Electronically? (Y/N): Y

Filing Organization: Polus Center for Social & Economic Development, Inc.
 (legal name)

A.G. Public Charities Acct# 013805
 Business Address: 134 High Street
 Clinton MA 01510
 (Street) (City) (State) (Zip)

CEO or CFO: Michael Lundquist
 (First Name) (Last Name)
 Executive Director
 (Title)
 978-724-3342
 (Phone - Area Code / Number)

E-mail address: mlundquist@poluscenter.org
 CPAs E-mail Address: hschonbeck@svcpa.com

CPA Firms Current Mass. License #: 440
 CPA Firms Federal Employer Id. (FEIN) #: 042745963

Management Company Name:
 CPA: Schonbeck & Vosick, LLP
 Executive Director: Michael Lundquist
 (First Name) (Last Name)

For-Profit Organization:
 Date of Org./Incorp.: (M/D/YYYY)
 UFR Exemption/Exception Code#
 Have basic F/S been audited? (Y/N): Y
 A-133 Audit Submitted? (Y/N): N

Organization Type Code: C
 Federal Tax Exempt (Y/N): Y
 501(c)(3)

If Yes, Date of Exemption: 6/13/1980 (M/D/YYYY)
 Cost Allocation Method Code: S

Principal Purch. Agency: DMAR
 Special Education (SPED) Contractor (Y/N): N
 UFR Exemption/Exception Code#
 Have basic F/S been audited? (Y/N): Y
 A-133 Audit Submitted? (Y/N): N

Primary Contractor(s):

Program Number	Program Name	Subcontractor Name	Street	City	State	Zip Code	Program Description	Prog. Code
1	Boston Residential & Community Supports		21 Mayor T. McGrath Highway, Suite 501	Quincy	MA	02189	Family and Individual Supports	3150
08	Worcester Residential & Community Supports		195 Lake Ave	Worcester	MA	01804	Individual Supports	3174
14	North Shore Shared Living		11 Haverhill Road, Suite 305	Amesbury	MA	01843	Individual Supports	3174
17	Economic Development for People with Disabilities		2 North Main Street	Peterstam	MA	01368	Employment Program	3150
18	International Economic Opportunities	Polus Nicaragua	134 High Street	Clinton	MA	01510	Employment Program	

Note: If your agency is exempt from filing this report (see instructions) complete this cover page only and submit it along with documentation to support the basis of the exemption.

STATEMENT OF FINANCIAL POSITION AS OF
06/30/2010 (BALANCE SHEET)

WITH COMPARATIVE TOTALS AS OF

6/30/2009

	CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
1	Cash and Cash Equivalents	198,762			198,762	12,627
2	Accounts Receivable, Program Services	107,263			107,263	226,063
3	Allowance for Doubtful Accounts					226,063
4	Net Accounts Receivable, Program Services	107,263			107,263	
5	Contributions Receivable					226,063
6	Notes Receivable					
7	Prepaid Expenses	10,167			10,167	4,257
8	Other Accounts Receivable					
9	Other Current Assets	3,183			3,183	34,183
10	Short-Term Investments	52,229			52,229	1,917
11	TOTAL CURRENT ASSETS	371,604			371,604	279,047
12	Land, Buildings, and Equipment		1,120,840		1,120,840	1,390,372
13	Accumulated Depreciation		(358,770)		(358,770)	(647,197)
14	Net Land, Buildings and Equipment		762,070		762,070	843,175
15	Long-Term Investments					62,552
16	Other Assets	30,599			30,599	
17	Due From Other Funds	402,203	762,070		1,164,273	1,184,774
18	TOTAL ASSETS	402,203	762,070		1,164,273	1,184,774
19	Accounts Payable	36,416			36,416	42,001
20	Subcontract Payable					
21	Accrued Expenses	51,131			51,131	51,115
22	Current Notes Payable	181,877	8,326		181,877	262,667
23	Current Portion Long-Term Debt					40,000
24	Deferred Revenue	85,320			85,320	34,400
25	Other Current Liabilities					430,183
26	TOTAL CURRENT LIABILITIES	354,744	8,326		363,070	637,826
27	Long-Term Notes & Mortgage Payable		480,079		480,079	
28	Other Liabilities					
29	Due to Other Funds					
30	TOTAL LIABILITIES	354,744	488,405		843,149	1,068,009
31	NET ASSETS	47,459	273,665		321,124	116,765
32	Temporarily Restricted					
33	Permanently Restricted	47,459	273,665		321,124	116,765
34	TOTAL NET ASSETS	47,459	273,665		321,124	116,765
35	TOTAL LIABILITIES AND NET ASSETS	402,203	762,070		1,164,273	1,184,774

See Accompanying Notes to the Financial Statements

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED

06/30/2010 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED

06/30/2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
1 Contributions, Gifts, Legacies, Bequests & Special Events	29,965			29,965	40,018
2 In-kind Contributions	1,000			1,000	20,855
3 Grants	10,000			10,000	47,400
4 Program Service Fees	3,115,782			3,115,782	3,177,823
5 Federated Fundraising Organization Allocation	364			364	283
6 Investment Revenue	35,367			35,367	342,869
7 Revenue from Commercial Products & Services	289,018			289,018	152,709
8 Other					
9 Net Assets Released From Restrictions:					
10 Satisfaction of Program Restrictions					
11 Satisfaction of Equipment Acquisition Restrictions					
12 Expiration of Time Restrictions					
13 TOTAL REVENUE, GAINS, AND OTHER SUPPORT	3,481,496			3,481,496	3,781,957
14 Administration (Management & General)	492,655			492,655	599,182
15 Fundraising	9,657			9,657	3,176
16 Total Program Services	2,774,825			2,774,825	3,290,406
17 TOTAL EXPENSES	3,277,137			3,277,137	3,892,764
18 Losses					
19 TOTAL EXPENSES AND LOSSES	3,277,137			3,277,137	3,892,764
20 Property & Equipment Acquisitions from Unrestricted Funds					
21 Transfer of Realized Endowment Fund Appreciation					
22 Return to Donor					
23 Other Increases (Decreases)					
24 TOTAL CHANGES IN NET ASSETS	204,359			204,359	(110,807)
25 NET ASSETS AT BEGINNING OF YEAR	116,765			116,765	227,572
26 NET ASSETS AT END OF YEAR	321,124			321,124	116,765

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS for the YEAR ENDED

06/30/2010

INDIRECT METHOD

	TOTAL
Cash Flows from Operating Activities:	
1 Changes in Net Assets	204,359
Adjustments to Reconcile Change In Net Assets to Net Cash provided by/(used in) Operating Activities:	
2 Depreciation	42,100
3 Losses	(165,479)
4 Increase/Decrease in Net Accounts Receivable	118,800
5 Increase/Decrease in Prepaid Expenses	26,918
6 Increase/Decrease in Contributions Receivable	(5,584)
7 Increase/Decrease in Accounts Payable	16
8 Increase/Decrease in Accrued Expenses	50,920
9 Increase/Decrease in Deferred Revenue	
10 Increase/Decrease in Subcontract Payable	
11 Contributions Restricted for Long-Term Investment	
12 Net Unrealized and Realized Gains on Long-Term Investments	(220)
13 Other Cash Used in/Provided by Operating Activities	
14 Net Cash Provided by/(used in) Operating Activities	271,830
Cash Flows from Investing Activities:	
15 Insurance Proceeds	
16 Purchase(s) of Capital Assets (Land, Bldgs. & Equip.)	(40,484)
17 Proceeds from Sale(s) of Investments	275,000
18 Purchase(s) of Investments	(50,000)
19 Purchase(s) of Assets Restricted To Long-Term Investment	
20 Other Investing Activities	
21 Net Cash Provided by/(used in) Investing Activities	184,516
Cash from Financing Activities:	
22 Proceeds from Contributions Restricted For:	
23 Investment in Endowment	
24 Investment in Term Endowment	
Investment in Plant (Land Bldgs. & Equip.)	
Other Financing Activities:	
25 Contributions Restricted for Long-Term Investment	
26 Interest and Dividends Restricted for Reinvestment	
27 Payments on Notes Payable	
28 Payments on Long-Term Debt	
29 Other Finance Payments/Receipts	(189,421)
30 Net Cash Provided by/(used in) Financing Activities	(80,790)
	(270,211)

See Accompanying Notes to the Financial Statements

STATEMENT OF CASH FLOWS for the YEAR ENDED

06/30/2010

INDIRECT METHOD

31	Net Increase/(Decrease) in Cash and Cash Equivalents	186,135
32	Cash and Cash Equivalents at Beginning of Year	12,627
33	Cash and Cash Equivalents at End of Year	198,762

Supplemental Disclosure of Cash Flow Information:

34	Cash Paid During the Year for Interest	41,533
35	Cash Paid During the Year for Taxes/Other	_____

Supplemental Data for Noncash Investing and Financing

Activities:

36	Gifts of Equipment	_____
37	Other Noncash Investing and Financing Activities	_____
38		_____
39		_____
40		_____

See Accompanying Notes to the Financial Statements

ORGANIZATION : Polus Center for Social & Economic Development, Inc. FEIN: 042697866

Statement of Functional Expenses for the Year Ended: 06/30/2010

	PROGRAM SERVICES	SUPPORTING SERVICES	ADMINISTRATION (MNGT. & GEN.)	TOTALS
1. Employee Compensation & Related Expenses	613,421		231,551	844,972
2. Occupancy	211,057		76,173	287,230
3. Other Program / Operating Expense	1,583,705	1,726	34,594	1,620,025
4. Subcontract Expense	273,659	5,755		279,414
5. Direct Administrative Expense	62,062		59,092	121,154
6. Other Expenses	263	2,176	79,803	82,242
7. Depreciation of Buildings and Equipment	30,658		11,442	42,100
8. TOTAL EXPENSES	2,774,825	9,657	492,655	3,277,137
	TOTAL ALL PROGRAMS	FUND RAISING		

See Accompanying Notes to Financial Statements

ORGANIZATION : Polus Center for Social & Economic Development, Inc. FEIN: 042697866

Statement of Functional Expenses for the Year Ended: 06/30/10

PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
18	17	14	06	1
83,535	9,950	135,967	192,103	191,866
3,508	32,072	35,143	53,337	86,997
85,914	38,142	314,634	610,289	534,726
182,691	2,794	88,174		
	2,754	11,895	21,138	26,275
	263			
	19,769	547	15	3,039
7,288	105,744	586,360	876,882	842,903
362,936				

- 1. Employee Compensation & Related Expenses
- 2. Occupancy
- 3. Other Program / Operating Expense
- 4. Subcontract Expense
- 5. Direct Administrative Expense
- 6. Other Expenses
- 7. Depreciation of Buildings and Equipment
- 8. TOTAL EXPENSES

See Accompanying Notes to Financial Statements

Polus Center for Social and Economic Development, Inc.

FEIN: 04-2697866

June 30, 2010

Schedule # 1

Schedule A, Compensation Disclosure Other:

Dental Insurance	\$	2,669
Health Insurance		42,442
Life Insurance		1,941
Total	\$	<u>47,052</u>

Schedule # 2

Schedule A, Line 48R, Other Revenue

ATM Service Income	\$	76
Consultant Income		13,639
Rental Income		59,625
Insurance Proceeds		929
Gain on Sale of Property		196,862
Loss on disposal of Property		(1,350)
Total	\$	<u>269,781</u>

Schedule # 3

Schedule A, Line 35E, Other Expenses:

Advertising	\$	210
Office Expense		9,291
Postage		1,734
Program Supplies/materials		2,618
Program Support		11,236
Printing		687
Goodwill Impairment Loss		30,033
Special Events		100
Interest Expense		23,894
Total	\$	<u>79,803</u>

Schedule # 4
 Schedule 5A, line 26e, Vehicle Expense

Vehicle Description	Lease Inception	Lease Termination	Lease Amount Per Month	Primary Vehicle Use	Garage Location
2008 Toyota Camry	Sep-07	Sep-10	\$ 444	Travel to households & Offices	Clinton, MA
2008 Toyota Camry	Sep-07	Sep-10	\$ 444	Travel to households & Offices	Petersham, MA
2005 Ford 250E	Feb-07	Feb-10	\$ 508	Client transportation	Worcester, MA
2007 Dodge Caravan	Jul-07	Jul-12	\$ 759	Client Transportation	Haverhill, MA
2008 Chrysler Town & Country	Apr-09	Apr-13	\$ 735	Client Transportation	Salem, MA
2008 Toyota Prius	Aug-08	Aug-11	\$ 499	Travel to households & Offices	Petersham, MA
2008 Toyota Prius	Aug-08	Aug-11	\$ 458	Travel to households & Offices	Petersham, MA
2008 Toyota Prius	Aug-08	Aug-11	\$ 458	Client Transportation	Petersham, MA
2008 Toyota Prius	Aug-08	Aug-11	\$ 432	Travel to households & Offices	Duxbury, MA
2008 Toyota Prius	Aug-08	Aug-11	\$ 403	Travel to households & Offices	Quincy, MA
2008 Toyota Prius	Aug-08	Aug-11	\$ 403	Travel to households & Offices	Amesbury, MA
2010 Dodge Grand Caravan	Mar-10	Mar-13	\$ 739	Client transportation	Worcester, MA
2005 Ford Windstar	Mar-10	n/a	n/a	Client Transportation	Roslindale, MA
2009 Ford Transconnect Van	Jun-10	n/a	n/a	Client Transportation	Merrimack, MA


**POLUS CENTER FOR SOCIAL AND
ECONOMIC DEVELOPMENT, INC.**

134 High Street
Chilton, MA 01510

We, the Board of Directors of Polus Center for Social and Economic Development, Inc., met on November 12, 2010 and have voted to recognize and accept the representations of management and the expression of opinions by Schonbeck & Vostok, LLP as embodied in the Basic Financial Statements, Supplementary and Subsidiary Financial Statements and Schedules and Independent Auditor's Reports contained in the Uniform Financial Statements and Independent Auditor's Report (UFR) for the period ended June 30, 2010.

In addition, we, the Board of Directors of Polus Center for Social and Economic Development, Inc., hereby certify under penalty of perjury that to the best of the members of the Board of Directors' knowledge, all material related party relationships and transactions, as defined by 808 CMR 1.02 and generally accepted government auditing standards, and other representations made by management are accurate and have been correctly and completely disclosed as required in the notes to the financial statements and schedules of the UFR for the period ended June 30, 2010.

Signatory for Board of Directors:


Title: Executive Director
Date: 11/15/2010