POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3 - 4
STATEMENT OF ACTIVITIES	5 - 6
STATEMENTS OF FUNCTIONAL EXPENSES	7 - 8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10 - 18
SUPPLEMENTARY INFORMATION:	
SCHEDULE OF PROGRAM SERICES	20
SCHEDULE OF SUPPORT SERICES	21
OTHER REPORTS:	
INDEPENDENT AUDITORS' 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*	22 - 23
SCHEDULE OF FINDINGS AND RESPONSES	24

ANTHONY J. ALARIO 1941-1989
ROBERT C.ALARIO, CPA/ MBA/ CSEP
SANDRA B. LAPOINTE, V.P.
KAREN J. SPINELLI, CPA/ V.P.
PATRICIA L. JONES, CPA

Robert C. Alario
Certified Public Accountants, PC
75 North Main Street, Leominster, MA 01453
292 Park Avenue, Worcester, MA 01609
www.robertalario.com

TELEPHONE
978-534-1999
508-755-7575
FAX
978-534-0499
508-755-7599

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Polus Center for Social and Economic Development, Inc.
Clinton, MA

Report on the Financial Statements

We have audited the accompanying financial statements of Polus Center for Social and Economic Development, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Polus Center for Social and Economic Development, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2015 on our consideration of Polus Center for Social and Economic Development, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polus Center for Social and Economic Development, Inc.'s internal control over financial reporting and compliance.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20 and 21 is presented for purposes of additional analysis and is 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and 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.

Robert C. Alario, Certified Public Accountants, P.C.

Leominster, MA
October 20, 2015

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	$ 6,158	$ 20,160
Accounts Receivable	204,091	126,905
Inventory	2,649	5,049
Prepaid Expenses	6,644	16,873
Total Current Assets	219,542	168,987
INVESTMENTS	53,433	53,412
PROPERTY AND EQUIPMENT		
Land	60,000	60,000
Land Improvements	106,654	106,654
Buildings and Building Improvements	280,771	298,666
Leasehold Improvements	140,528	140,528
Equipment and Furniture	203,396	200,296
Vehicles	-	3,159
	791,349	809,303
Accumulated Depreciation	417,503	378,153
Total Property and Equipment	373,846	431,150
OTHER ASSETS		
Deposits	8,350	16,344
TOTAL ASSETS	$ 655,171	$ 669,893

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Line of Credit	$ 269,486	$ 306,989
Accounts Payable	68,082	39,898
Accrued Expenses and Other Current Liabilities	33,379	33,602
Deferred Revenue	25,929	102,915
Current Portion of Notes Payable	4,878	4,440
Total Current Liabilities	401,754	487,844
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	183,089	187,920
TOTAL LIABILITIES	584,843	675,764
NET ASSETS		
Unrestricted Net Assets	69,328	(27,649)
Temporarily Restricted Net Assets	1,000	21,778
Total Net Assets	70,328	(5,871)
TOTAL LIABILITIES AND NET ASSETS	$ 655,171	$ 669,893

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Residential Support and Services	$ 2,085,695	$ -	$ 2,085,695
Federal Grants	343,231	-	343,231
Nonotuck Collaboration Income	275,000	-	275,000
Contract Revenue - Public	139,548	-	139,548
Private Grants	108,161	-	108,161
Café and Other Revenue	75,990	-	75,990
In-Kind Contributions	10,600	-	10,600
Contributions	6,820	-	6,820
Special Events	5,120	-	5,120
Investment Returns	104	-	104
Rental Loss - Net	(18,601)	-	(18,601)
Net Assets Released From Restrictions	20,778	(20,778)	-
Total Revenue and Other Support	3,052,446	(20,778)	3,031,668
EXPENSES			
Program Services	2,585,931	-	2,585,931
Support Services	359,066	-	359,066
Loss on Disposal of Assets	10,472	-	10,472
Total Expenses	2,955,469	-	2,955,469
CHANGES IN NET ASSETS	96,977	(20,778)	76,199
NET ASSETS, BEGINNING OF YEAR	(27,649)	21,778	(5,871)
NET ASSETS, END OF YEAR	$ 69,328	$ 1,000	$ 70,328

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Residential Support and Services	$ 2,303,420	$ -	$ 2,303,420
Federal Grants	601,221	-	601,221
Contract Revenue - Public	134,452	-	134,452
Private Grants	110,339	21,778	132,117
Café and Other Revenue	81,622	-	81,622
Special Events	11,560	-	11,560
Contributions	11,328	-	11,328
In-Kind Contributions	6,900	-	6,900
Investment Returns	740	-	740
Rental Loss - Net	(84,595)	-	(84,595)
Net Assets Released From Restrictions	-	-	-
Total Unrestricted Revenue and Other Support	3,176,987	21,778	3,198,765
EXPENSES			
Program Services	2,780,240	-	2,780,240
Support Services	403,547	-	403,547
Loss on Disposal of Assets	6,189	-	6,189
Total Expenses	3,189,976	-	3,189,976
CHANGES IN NET ASSETS	(12,989)	21,778	8,789
NET ASSETS, BEGINNING OF YEAR	(14,660)	-	(14,660)
NET ASSETS, END OF YEAR	$ (27,649)	$ 21,778	$ (5,871)

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Support Services	Total Program and Support Services
PERSONNEL RELATED EXPENSES			
Salaries and Wages	$ 532,899	$ 164,622	$ 697,521
Payroll Taxes	66,795	19,281	86,076
Fringe Benefits	69,184	22,006	91,190
Total Personnel Related Expenses	668,878	205,909	874,787
OTHER OPERATING EXPENSES			
Provider Stipends	1,097,733	-	1,097,733
Consultants - Other	187,965	17,506	205,471
Direct Care Consultants	139,067	-	139,067
Program Support	94,830	-	94,830
Program Supplies	74,643	1,395	76,038
Staff Travel	61,853	1,312	63,165
Client Transportation	58,001	-	58,001
Rent	42,760	15,000	57,760
Cost of Café Sales	36,640	-	36,640
Leased Vehicles	20,257	11,395	31,652
Licenses and Permits	15,258	515	15,773
Utilities	14,353	13,325	27,678
Interest	-	21,811	21,811
Audit Fees	-	19,100	19,100
Insurance - General	8,498	5,233	13,731
Office Expense	3,694	6,920	10,614
Insurance - Vehicle	7,048	3,160	10,208
Staff Training	3,414	5,355	8,769
Auto Expense	3,985	3,771	7,756
Service Charges	2,102	4,154	6,256
Business Expense	3,655	1,575	5,230
Legal Fees	400	4,600	5,000
Social Events	4,621	40	4,661
Leased Office Equipment	-	4,335	4,335
Repairs and Maintenance	2,034	1,051	3,085
Postage	968	1,917	2,885
Fundraising Expense	-	1,770	1,770
Printing and Copying	1,602	165	1,767
Insurance - Directors /Officers	-	1,600	1,600
Advertising	354	759	1,113
Real Estate/Property Taxes	-	667	667
Conferences	285	125	410
Total Expenses Before Depreciation	2,554,898	354,465	2,909,363
Depreciation	31,033	4,601	35,634
TOTAL EXPENSES	$2,585,931	$ 359,066	$ 2,944,997

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Support Services	Total Program and Support Services
PERSONNEL RELATED EXPENSES			
Salaries and Wages	$ 456,452	$ 205,123	$ 661,575
Payroll Taxes	49,559	18,273	67,832
Fringe Benefits	99,494	15,223	114,717
Total Personnel Related Expenses	605,505	238,619	844,124
OTHER OPERATING EXPENSES			
Provider Stipends	1,214,058	-	1,214,058
Direct Care Consultants	223,651	-	223,651
Consultants - Other	172,841	27,119	199,960
Program Supplies	162,291	1,713	164,004
Staff Travel	78,430	4,766	83,196
Program Support	72,630	29	72,659
Client Transportation	60,451	-	60,451
Rent	43,400	15,000	58,400
Cost of Café Sales	33,331	-	33,331
Leased Vehicles	22,358	9,668	32,026
Utilities	19,385	11,199	30,584
Interest	-	19,093	19,093
Audit Fees	-	18,300	18,300
Insurance - General	10,316	7,401	17,717
Office Expense	6,637	9,620	16,257
Insurance - Vehicle	7,984	3,538	11,522
Fundraising Expense	24	6,345	6,369
Respite	5,394	-	5,394
Repairs and Maintenance	3,156	2,111	5,267
Legal Fees	-	5,000	5,000
Service Charges	1,383	3,528	4,911
Leased Office Equipment	-	4,313	4,313
Auto Expense	973	3,308	4,281
Staff Training	2,636	1,295	3,931
Postage	668	2,870	3,538
Social Events	268	2,201	2,469
Advertising	1,355	879	2,234
Insurance - Directors /Officers	-	1,600	1,600
Conferences	-	1,155	1,155
Bad Debts	90	122	212
Total Expenses Before Depreciation	2,749,215	400,792	3,150,007
Depreciation	31,025	2,755	33,780
TOTAL EXPENSES	$ 2,780,240	$ 403,547	$ 3,183,787

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	$ 76,199	$ 8,789
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	49,931	55,348
Unrealized Gain on Investments	(21)	40
Loss on Disposal of Assets	10,472	6,189
Bad Debt Expense	-	27,559
(Increase) Decrease In:		
Accounts Receivable	(77,185)	34,307
Inventory	2,400	337
Prepaid Expenses	10,229	4,054
Deposits	7,994	(2,050)
Increase (Decrease) In:		
Accounts Payable	28,184	(143,397)
Accrued Expenses and Other Current Liabilities	(223)	(3,998)
Deferred Revenue	(76,986)	12,164
Net Cash Provided By (Used In) Operating Activities	30,994	(658)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Property and Equipment	-	298,467
Purchase of Property and Equipment	(3,100)	-
Net Cash Provided By (Used In) Investing Activities	(3,100)	298,467
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments on Line of Credit	(37,503)	(20,961)
Payments on Notes Payable	(4,393)	(270,385)
Net Cash Used In Financing Activities	(41,896)	(291,346)
NET INCREASE (DECREASE) IN CASH	(14,002)	6,463
CASH, BEGINNING OF YEAR	20,160	13,697
CASH, END OF YEAR	$ 6,158	$ 20,160
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 32,622	$ 41,105

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Polus Center for Social and Economic Development, Inc. (the Organization) is a non-profit organization that designs and implements community-based human service programs, both in the United States and throughout the developing world. Since 1979 the Polus Center has been dedicated to creating social and economic opportunities for persons with disabilities and other vulnerable groups to become valued citizens within their communities.

Services include Shared Living, an innovative residential service model where people with and without disabilities live together in private homes in Massachusetts and New Hampshire; economic projects which assist people with disabilities to participate in meaningful work and community activities; training and consulting services; and international development.

The Organization works internationally to address the devastating impact of landmines and other explosive remnants of war (ERW's) on communities and the challenges that people with disabilities confront on a daily basis, and addresses the needs of landmine victims and people with disabilities. This "victim assistance" work continues throughout Central and South America, as well as various development projects for vulnerable people in Africa and the Middle East. In 2005 the Organization founded the Coffeelands Trust, which collaborates with the coffee industry to assist people living in coffee regions around the world who have been victims of conflict and war.

Using a locally-based, holistic approach to project development insures that people with disabilities are included in all aspects of program design and implementation. Projects have included prosthetic clinics in Central and South America, a wheelchair manufacturing facility in Nicaragua, and outreach to indigenous people living in rural areas such as the Amazons and Central Highland regions of Peru. The Organization also actively works with refugees and children who are victims of the conflict in Syria through a prosthetic training program in Jordan, the development of children's prosthetic services in Iraq, and continued support of coffee farmers who have been displaced and injured by conflict in Colombia.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities (Continued) - The primary goal throughout the world and in the United States is to identify and implement individualized solutions for survivors of conflict and other vulnerable people and their families, such as rehabilitation, small business mini-grants, vocational training and employment, as well as fostering systemic change through awareness building, capacity building, training, and development of sustainable programs and systems.

The Organization also operates the Coffeelands World Gifts Espresso Café, a social enterprise that employs people with disabilities, raises awareness, and supports landmine victims and vulnerable people from coffee regions and throughout the United States and developing countries through the sale of fair trade items. Other economic development activities include individualized employment supports for people with disabilities and internship programs in collaboration with local Workforce Investment Boards and community colleges.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation - The Organization presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted - All resources over which the Organization has discretionary control. The Board of Directors of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income and appreciation may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments and relevant state law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued) - At June 30, 2015 and 2014, there were unrestricted and temporarily restricted net assets.

Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid instruments with initial maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at net realizable value. No allowance for doubtful accounts is provided at June 30, 2015 and 2014 as the Organization expects all amounts to be collected.

Inventory - Inventory, which consists mainly of coffee, food, gift items and café supplies, is stated at the lower of cost or market value determined by the first-in, first-out method.

Investments - The Organization carries marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position.

Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor stipulations or law.

Property and Equipment - Property and equipment are carried at cost or at fair value as of the date of the gift. The Organization capitalizes all assets with a cost or market value greater then $1,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over the assets' estimated useful life.

The estimated useful lives of depreciable assets are:

Land Improvements	15 Years
Buildings	39 Years
Building Improvements	20 Years
Leasehold Improvements	5 Years
Equipment	3-10 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Gifts and Grants - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value on the date of the gift.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. The Organization received donated facilities and professional services which amounted to $10,600 and $6,900 for the years ended June 30, 2015 and 2014, 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. Donated rent and professional services are recorded as received.

Functional Expenses - The expenses incurred to provide the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Advertising Costs - The Organization expenses advertising costs as they are incurred. For the years ended June 30, 2015 and 2014, advertising expense was $1,113 and $2,234, respectively.

Income Tax Status - The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. There are no unrecognized tax benefits and tax returns remain subject to examination by major tax jurisdictions for the standard three year statute of limitations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts in the prior year summarized financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - INVESTMENTS

Investments, which are stated at fair value, are composed of the following at June 30, 2015 and 2014:

	2015		2014	
	Cost	Market Value	Cost	Market Value
Common Stock	$ -	$ 2,357	$ -	$ 2,489
Certificates of Deposit	51,076	51,076	50,923	50,923
	$ 51,076	$ 53,433	$ 50,923	$ 53,412

	2015	2014
Net Investment Return:		
Interest and Dividend Income	$ 165	$ 420
Net Unrealized Gain (Loss) on Investments	(61)	320
Total Net Investment Return	$ 104	$ 740

NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurement involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Fair Value Hierarchy - The Organization groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuations are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3: Valuations are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2015 as follows:

	Level 1	Level 2	Level 3	Total
Common Stock	$ 2,357	$ -	$ -	$ 2,357
Certificates of Deposit	$ 51,076	$ -	$ -	$ 51,076

The fair value hierarchy at June 30, 2014 was as follows:

	Level 1	Level 2	Level 3	Total
Common Stock	$ 2,489	$ -	$ -	$ 2,489
Certificates of Deposit	$ 50,923	$ -	$ -	$ 50,923

NOTE 4 - LINE OF CREDIT

The Organization has a demand line of credit with a bank which provides borrowings up to a maximum of $500,000. At June 30, 2015 and 2014, the Organization had an outstanding balance of $269,486 and $306,989, respectively. The interest rate is 1.50% over the Wall Street Journal rate with a floor of 4.75%. The rate at June 30, 2015 and 2014 was 4.75%. The line is secured by all assets of the Organization.

NOTE 5 - NOTES PAYABLE

At June 30, 2015 and 2014 long-term liabilities consist of:

	2015	2014
Mortgage note payable to a bank, secured by real estate, due in monthly payments of $1,412 including interest at 6.5%, due June 2020.	$ 187,967	$ 192,360
Less: Current Portion	(4,878)	(4,440)
Notes Payable, Net of Current Portion	$ 183,089	$ 187,920

Debt maturities are as follows:

Year ending June 30, 2016	$ 4,878
2017	5,204
2018	5,553
2019	5,924
2020	6,321
Thereafter	160,087
	$ 187,967

NOTE 6 - LEASES

The Organization leases 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, 2015 and 2014, was $57,760 and $58,400, respectively.

The Organization also leases vehicles on behalf of certain constituents. Total lease expense for these vehicles for years ended June 30, 2015 and 2014, was $31,652 and $32,026, respectively. Future minimum payments due on all leases at June 30, 2015 are as follows:

	Amount
Year ending June 30, 2016	$ 34,588
2017	21,138
2018	11,382
2019	7,139

NOTE 7 - PENSION PLAN

The Organization offers a contributory retirement-savings plan (the Plan) under Section 401(k) of the Internal Revenue Code. Substantially all full-time and part-time employees working at least 1,000 hours per year are entitled to participate in the Plan. The Organization does not make matching contributions at this time.

NOTE 8 - RENTAL LOSS - NET

Rental Loss - Net consists of the following:

	2015	2014
Revenue:		
Gross Rent	$ 31,200	$ 19,575
Expenses:		
Depreciation	14,297	21,568
Interest	11,799	22,012
Repairs and Maintenance	6,578	11,028
Utilities	10,168	11,840
Real Estate Taxes	3,514	5,910
Insurance	3,185	2,340
Office Expense	260	298
Consultant	-	260
Professional Fees	-	117
Licenses and Permits	-	1,450
Bad Debts	-	27,347
Total Expenses	49,801	104,170
Rental Loss - Net	$ (18,601)	$ (84,595)

NOTE 9 - RESTRICTION OF NET ASSETS

Temporarily restricted net assets are available for the following purposes or use at June 30, 2015 and 2014:

	2015	2014
Nicaraguan Relief Program	$ 1,000	$ 15,000
El Porvinier School Fund	-	4,865
International Travel Costs	-	1,913
	$ 1,000	$ 21,778

NOTE 10 - SUBSEQUENT EVENT

The Organization has evaluated the financial statement impact of subsequent events occurring through October 20, 2015, the date that the financial statement were available to be issued. On September 14, 2015, the Board of Directors voted to approve the sale of the Coffeelands Café for $47,500. The sale is projected to close in October 2015.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or use specified by donors as follows:

	2015	2014
Purpose of restriction accomplished:		
Nicaraguan Relief Program	$ 14,000	$ -
El Porvinier School Fund	4,865	-
International Travel Costs	1,913	-
Total Restrictions Released	$ 20,778	$ -

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Organization receives a substantial amount of its support and revenue from the Commonwealth of Massachusetts Department of Developmental Services. A significant reduction in the level of this support and revenue, if this were to occur, may have an adverse effect on the programs and activities of the Organization.

At June 30, 2015, accounts receivable from two Massachusetts agencies represented approximately 60% of total accounts receivable and 12% from a New Hampshire agency. At June 30, 2014, accounts receivable from two Massachusetts agencies 60% of total accounts receivable and 22% from a New Hampshire agency.

NOTE 13 - SURPLUS REVENUE RETENTION

A nonprofit provider is allowed to retain an annual net surplus of up to 5% of gross revenues derived from delivering services to clients of the Commonwealth of Massachusetts, beginning with the fiscal year ended June 30, 1993. The cumulative amount retained may not exceed 20% of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retention net assets. A current year surplus which exceeds the 5% level or a cumulative surplus exceeding the 20% amount may be: 1) reinvested in program services as stipulated by the purchasing agencies; 2) recouped or; 3) used by the Commonwealth to reduce the price of future contracts.

As of June 30, 2015 and 2014, the Organization has no surpluses in excess of the 5% or 20% rules.

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
SCHEDULE OF PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2015

	Boston Residential & Community Support	Worcester Residential & Community Support	Northshore Residential & Community Support	New Hampshire Residential & Community Support	International Programs	Economic Development	Total Program Services
PERSONNEL RELATED EXPENSES							
Salaries and Wages	$ 133,094	$ 153,425	$ 81,124	$ 23,195	$ 100,237	$ 41,824	$ 532,899
Payroll Taxes	15,972	20,710	10,649	3,483	10,067	5,914	66,795
Fringe Benefits	19,191	20,651	11,165	340	16,415	1,422	69,184
Total Personnel Related Expenses	168,257	194,786	102,938	27,018	126,719	49,160	668,878
OTHER OPERATING EXPENSES							
Provider Stipends	380,009	444,619	148,546	124,559	-	-	1,097,733
Consultants - Other	-	40,716	572	50	145,477	1,150	187,965
Direct Care Consultants	24,145	29,336	46,417	39,169	-	-	139,067
Program Support	6,640	7,077	12,266	1,900	66,947	-	94,830
Program Supplies	6,561	1,459	5,196	522	57,744	3,161	74,643
Staff Travel	2,461	2,893	2,249	2,282	51,669	299	61,853
Client Transportation	13,218	14,082	23,533	7,168	-	-	58,001
Rent	-	21,300	9,100	-	-	12,360	42,760
Cost of Café Sales	-	-	-	-	-	36,640	36,640
Leased Vehicles	3,047	7,953	7,990	807	-	460	20,257
Licenses and Permits	15,000	-	-	-	-	258	15,258
Utilities	491	2,804	2,571	900	-	7,587	14,353
Insurance - General	1,570	2,798	1,547	482	-	2,101	8,498
Insurance - Vehicle	874	2,726	1,984	315	-	1,149	7,048
Social Events	1,187	1,259	1,846	329	-	-	4,621
Auto Expense	866	421	2,378	309	-	11	3,985
Office Expense	40	1,638	747	689	40	540	3,694
Business Expenses	1,395	540	1	700	1,019	-	3,655
Staff Training	1,255	651	840	489	46	133	3,414
Service Charges	-	-	-	-	330	1,772	2,102
Repairs and Maintenance	-	-	-	-	-	2,034	2,034
Printing and Copying	-	1,497	-	-	-	105	1,602
Postage	3	22	73	10	847	13	968
Legal	-	-	-	-	400	-	400
Advertising	-	-	-	25	42	287	354
Conferences	-	-	-	-	285	-	285
Total Expenses Before Depreciation	627,019	778,577	370,794	207,723	451,565	119,220	2,554,898
Depreciation	855	-	340	-	-	29,838	31,033
TOTAL PROGRAM SERVICES EXPENSES	$ 627,874	$ 778,577	$ 371,134	$ 207,723	$ 451,565	$ 149,058	$ 2,585,931

See Independent Auditors' Report on Supplementary Information

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
SCHEDULE OF SUPPORT SERVICES
FOR THE YEAR ENDED JUNE 30, 2015

	Management and General	Fundraising	Total Support Services
PERSONNEL RELATED EXPENSES			
Salaries and Wages	$ 164,622	$ -	$ 164,622
Payroll Taxes	19,281	-	19,281
Fringe Benefits	22,006	-	22,006
Total Personnel Related Expenses	205,909	-	205,909
OTHER OPERATING EXPENSES			
Interest	21,811	-	21,811
Audit Fees	19,100	-	19,100
Consultants - Other	17,506	-	17,506
Rent	15,000	-	15,000
Utilities	13,325	-	13,325
Leased Vehicles	11,395	-	11,395
Office Expense	6,920	-	6,920
Staff Training	5,355	-	5,355
Insurance - General	5,233	-	5,233
Legal Fees	4,600	-	4,600
Leased Office Equipment	4,335	-	4,335
Service Charges	4,154	-	4,154
Auto Expense	3,771	-	3,771
Insurance - Vehicle	3,160	-	3,160
Postage and Printing	1,917	-	1,917
Fundraising Expense	-	1,770	1,770
Insurance - Directors/Officers	1,600	-	1,600
Business Expenses	1,575	-	1,575
Program Supplies	1,395	-	1,395
Staff Travel	1,312	-	1,312
Repairs and Maintenance	1,051	-	1,051
Advertising	759	-	759
Real Estate/Property Taxes	667	-	667
Licenses and Permits	515	-	515
Printing and Copying	165	-	165
Conferences	125	-	125
Social Events	40	-	40
Total Expenses Before Depreciation	352,695	1,770	354,465
Depreciation	4,601	-	4,601
TOTAL SUPPORT SERVICES EXPENSES	$ 357,296	$ 1,770	$ 359,066

See Independent Auditors' Report on Supplementary Information.

ANTHONY J. ALARIO 1941-1989
ROBERT C.ALARIO, CPA/ MBA/ CSEP
SANDRA B. LAPOINTE, V.P.
KAREN J. SPINELLI, CPA/ V.P.
PATRICIA L. JONES, CPA

Robert C. Alario
Certified Public Accountants, PC
75 North Main Street, Leominster, MA 01453
292 Park Avenue, Worcester, MA 01609
www.robertalario.com

TELEPHONE
978-534-1999
508-755-7575
FAX
978-534-0499
508-755-7599

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

To the Board of Directors
Polus Center for Social and Economic Development, Inc.
Clinton, MA

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 basic financial statements of Polus Center for Social and Economic Development, Inc. (the Organization), which comprise the financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

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

INDEPENDENT AUDITORS' 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* (Continued)

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 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 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 entity'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.

Robert C. Alario, Certified Public Accountants, P.C.

Leominster, MA
October 20, 2015

POLUS CENTER FOR SOCIAL AND ECONOMIC DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

CURRENT YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

No findings reported

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

No findings reported

PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2014-1	Time on grants is charged based on budget rather than actual time spent.
Update	This has been corrected, timesheets show actual hours allocated to each grant.