



# RAE & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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## **CAMBRIDGE COMMUNITY CENTER, INC.**

### *Financial Statements*

*Year Ended June 30, 2017*

**CAMBRIDGE COMMUNITY CENTER, INC.**

*Financial Statements*

*Year Ended June 30, 2017*

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## *Independent Auditors' Report*

To the Board of Directors  
Cambridge Community Center, Inc.  
Cambridge, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cambridge Community Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cambridge Community Center, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year 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 December 15, 2017, on our consideration of Cambridge Community Center, 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 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 La Alianza Hispana, Inc.'s internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

Cambridge Community Center, Inc.'s 2016 financial statements were audited by other auditors, whose report dated November 15, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***RAE & Associates, LLC***

RAE & Associates, LLC  
Braintree, Massachusetts  
December 15, 2017

**CAMBRIDGE COMMUNITY CENTER, INC.**

***Statement of Financial Position***

***As of June 30, 2017***

*(with comparative totals as of June 30, 2016)*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 884	\$ -
Restricted cash - Capital campaign fund	59,926	126,298
Cash held for others	1,191	391
Pledges receivable, current	-	7,250
Accounts receivable	31,270	48,356
Other receivables		
Advances to operations from capital campaign fund	48,492	-
Advances to capital campaign fund from operations	-	9,000
Prepaid expenses	-	1,457
Total current assets	141,763	192,752
Noncurrent assets		
Fixed assets, net	554,408	574,931
<b>Total assets</b>	\$ 696,171	\$ 767,683
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 28,762	\$ 18,957
Accrued expenses	22,007	18,482
Other current liabilities	-	41,108
Due to others	1,191	391
Deferred revenue	1,138	2,313
Loan payable - current	28,773	16,406
Other payables:		
Due to capital campaign fund from operations	48,492	-
Due to operations from capital campaign fund	-	9,000
Total current liabilities	130,363	106,657
Long-term liabilities:		
Note Payable	303,487	307,652
Loan payable - non current	7,693	10,041
Total long-term liabilities	311,180	317,693
<b>Total liabilities</b>	441,543	424,350
Net assets:		
Unrestricted	129,040	177,201
Temporarily restricted	125,588	166,132
<b>Total net assets</b>	254,628	343,333
<b>Total liabilities and net assets</b>	\$ 696,171	\$ 767,683

**CAMBRIDGE COMMUNITY CENTER, INC.**

*Statement of Activities*

*For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>Revenue and support:</b>				
Contributions and grants	\$ 251,939	\$ 30,061	\$ 282,000	\$ 340,291
Contract revenue	263,705	-	263,705	346,162
Service fee revenue	107,762	-	107,762	91,256
Rental revenue	45,608	-	45,608	57,429
Net assets released from restrictions	70,605	(70,605)	-	-
	<u>739,619</u>	<u>(40,544)</u>	<u>699,075</u>	<u>835,138</u>
<b>Expenses:</b>				
Program services	484,923	-	484,923	548,794
Fundraising	62,604	-	62,604	109,149
General and administrative	240,253	-	240,253	216,942
	<u>787,780</u>	<u>-</u>	<u>787,780</u>	<u>874,885</u>
<b>Change in net assets</b>	(48,161)	(40,544)	(88,705)	(39,747)
<b>Net assets, beginning of year</b>	<u>177,201</u>	<u>166,132</u>	<u>343,333</u>	<u>383,080</u>
<b>Net assets, end of year</b>	<u>\$ 129,040</u>	<u>\$ 125,588</u>	<u>\$ 254,628</u>	<u>\$ 343,333</u>

**CAMBRIDGE COMMUNITY CENTER, INC.**

***Statement of Cash Flows***

***For the Year Ended June 30, 2017***

*(with summarized comparative totals for the year ended June 30, 2016)*

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (88,705)	\$ (39,747)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,829	33,211
Amortization	-	400
Bad debt expense	2,180	55,000
Changes in assets and liabilities:		
Restricted Cash	66,372	155,257
Cash held for others	(800)	9,961
Accounts receivable	17,086	(11,660)
Advances from operations and capital campaign fund	(48,492)	(9,000)
Pledges receivable	5,070	12,500
Other receivables	-	6,589
Prepaid expenses	1,457	1,880
Accounts payables	9,805	(61,615)
Accrued expenses	3,525	(18,823)
Other liabilities	(41,108)	8,524
Due to operations and capital campaign fund	48,492	31,319
Due to others	800	(9,961)
Deferred revenue	(1,175)	(11,761)
<b>Net cash provided by operating activities</b>	<b>14,336</b>	<b>152,074</b>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(19,306)	(162,536)
<b>Net cash used in investing activities</b>	<b>(19,306)</b>	<b>(162,536)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from line of credit	16,212	-
Proceeds from loan payable	-	12,434
Repayments of loan payable	(5,619)	-
Repayment of note payable	(4,739)	(1,972)
<b>Net cash provided by financing activities</b>	<b>5,854</b>	<b>10,462</b>
<b><i>Net change in cash and cash equivalents</i></b>	<b>884</b>	<b>-</b>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<b>-</b>	<b>-</b>
<b><i>Cash and cash equivalents, end of year</i></b>	<b>\$ 884</b>	<b>\$ -</b>

*The accompanying notes are an integral part of these financial statements*

**CAMBRIDGE COMMUNITY CENTER, INC.**

***Statement of Functional Expenses***

***For the Year Ended June 30, 2017***

*(with summarized comparative totals for the year ended June 30, 2016)*

	<u><i>Out of School Programs</i></u>	<u><i>Community Programs</i></u>	<u><i>Total Program Expenses</i></u>	<u><i>Fundraising Expenses</i></u>	<u><i>General and Administrative Expenses</i></u>	<u><i>2017 Total</i></u>	<u><i>2016 Total</i></u>
Salaries	\$ 294,490	\$ 41,309	\$ 335,799	\$ 54,774	\$ 75,628	\$ 466,201	\$ 476,235
Payroll taxes	18,085	3,747	21,832	2,085	14,071	37,988	41,568
Fringe benefits	4,203	262	4,465	843	1,619	6,927	5,969
Advertising	-	-	-	80	503	583	4,806
Bank charges	125	-	125	-	2,519	2,644	2,469
Consultants	2,200	3,425	5,625	-	9,186	14,811	22,301
Depreciation	39,829	-	39,829	-	-	39,829	33,211
Amortization	-	-	-	-	-	-	400
Dues and fees	-	120	120	3,121	450	3,691	4,327
Equipment rental	155	-	155	-	2,995	3,150	3,535
Food	18,141	777	18,918	-	210	19,128	23,188
Insurance	7,385	1,433	8,818	882	14,337	24,037	24,780
Interest	-	-	-	-	10,442	10,442	16,054
Maintenance and repairs	2,806	254	3,060	-	7,905	10,965	11,147
Miscellaneous	-	-	-	-	2,062	2,062	1,157
Office supplies	-	-	-	-	6,799	6,799	4,035
Postage	-	-	-	490	939	1,429	1,100
Printing	-	-	-	-	813	813	-
Professional fees	4,430	3,000	7,430	-	53,056	60,486	63,720
Program expense	17,754	14,724	32,478	329	7,902	40,709	44,890
Program supplies	-	-	-	-	2,981	2,981	6,603
Telephone	-	-	-	-	4,587	4,587	4,625
Training	1,695	-	1,695	-	1,972	3,667	2,638
Utilities	4,574	-	4,574	-	17,097	21,671	21,127
Bad debt expense	-	-	-	-	2,180	2,180	55,000
<b><i>Total expenses</i></b>	<b><u>\$ 415,872</u></b>	<b><u>\$ 69,051</u></b>	<b><u>\$ 484,923</u></b>	<b><u>\$ 62,604</u></b>	<b><u>\$ 240,253</u></b>	<b><u>\$ 787,780</u></b>	<b><u>\$ 874,885</u></b>



# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 1 - Organization and Background.**

Cambridge Community Center, Inc. (“the Center or CCC”) was incorporated in the Commonwealth of Massachusetts as a nonprofit corporation in 1929. In the 86 years since its incorporation, the Center has initiated many Riverside neighborhood firsts, including the establishment of the first nursery school and the first varsity basketball games open to African Americans. In subsequent decades, the Center has hosted HeadStart Program classrooms, the Riverside Health Care Facility, and a wide variety of community, political, and social events. Today, the Center’s mission is to promote community cooperation and unity and empower youth, individuals, and families.

#### ***Community Programs***

The Center offers a variety of community programs which includes the following:

- Cambridge Winter Farmers Market
- Riverside Art Gallery @ CCC
- The Coast Kitchen, a free monthly meals program
- The Hip Hop Transformation, a music program for teens
- Rentals for community groups and events
- Senior Thanksgiving Luncheon
- Holiday Toy Drive

#### ***Out-of-School Time Programs***

*CCC Enriches* is a K-5 program that is open when school is closed. In groups no larger than 13 kids, children receive one-on-one homework help, a healthy snack, and can select from over 15 electives, including MinecraftEdu computer programming, cooking, and sports league.

*CCC Inspires* is the middle school out-of-school time program at CCC. The program includes the many opportunities the K-5 program offers, but is designed to respond to the needs and interests of middle school students, offering youth weekly STEAM (Science, Technology, Engineering, Art, and Math) opportunities.

*CCC Empowers* provides high school students with volunteer opportunities to gain valuable work experience while engaging with their community. Teens participating in the Empowers program coach in Sports League, work at the Cambridge Winter Farmers Market, and provide administrative and technical support at the Center.

*Cowemoki Summer Enrichment Program* is a full-day K-8 summer program that also offers volunteer and work opportunities for high school students. Every week, children are offered art classes, gym classes, soccer lessons, swimming, and over 10 additional electives. Every Friday is “Field Trip Friday,” with destinations which include the New England Aquarium, Farrington Nature Linc, Salem Willows, and Castle Island.

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Accounting and Presentation***

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Unconditional support is recognized when notification of the contribution is received.

**CAMBRIDGE COMMUNITY CENTER, INC.**

*Notes to Financial Statements*

*For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Not-for-profit accounting requires that net assets, revenues, expenses, and gains and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized as net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service. Temporary restricted net assets amounted to \$125,588 and \$166,132 as of June 30, 2017 and 2016, respectively (Note 11).

Permanently restricted net assets include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Center to expend part or all of the income derived from the donated assets. The Center did not have any permanently restricted net assets at June 30, 2017 and 2016.

***Cash and Cash Equivalents***

For the purposes of the statements of cash flows, the Center considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

***Property and Equipment***

Property, equipment, furnishing, and improvement are capitalized at cost, if purchased, or if donated, at fair market value at the date of receipt. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Building improvements are depreciated by the straight-line method over the respective service life of the improvements. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues. The estimated useful lives are as follows:

Building	39 years
Improvements	20 years
Computers and equipment	3-5 years
Fixtures	5 years
Vehicles	5 years
Playground equipment	10 years

***Revenue and Expenses***

Revenue and expenses are recognized on the accrual basis of accounting. Under the unit rate governmental contracts, a unit rate per client served becomes the basis for billing and recognizing revenue. Accordingly, excess (deficit) of revenue over expense can be recognized, subject to certain limitation on the use of the excess revenue. Under cost reimbursement, contracts revenue equals expenses up to the allowable contract awards.

# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### ***Contributions***

The Center follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. This financial accounting standard requires that contributions be recorded as receivables and revenues and requires the Center to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until restriction conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

##### ***Contract and Grant Revenue***

The Center derives revenues through contracts and grants received through the Commonwealth of Massachusetts Department of Early Education and Care, Department of Elementary and Secondary Education and from various private foundations and grantor agencies. Accordingly, the Center is subject to the regulations and reporting requirements of the applicable governmental and grantor agencies. Contract and grant revenue is recorded in accordance with the provisions of the applicable award amounts, including the recognition of any purpose or time restriction on the use of the proceeds.

Financial awards from federal, state and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Center for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

##### ***Contributed Goods and Services***

The Center records various types of in-kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as "in-kind revenue" are offset by amounts included in expenses or fixed assets.

Additionally, the Center may receive amounts of skilled, contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

##### ***Revenue Recognition***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

**CAMBRIDGE COMMUNITY CENTER, INC.**

*Notes to Financial Statements*

*For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Contributions*

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Center reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

*Promises To Give*

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*Allowance for Doubtful Accounts*

When necessary, the Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of existing receivables. All receivables are expected to be collected in full; therefore no allowance for bad debt was recorded as of June 30, 2017 and 2016.

*Use of Estimates and Assumptions*

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

*Income Tax Status*

The Center is exempt from federal income tax under the Internal Revenue Code Section 501(c)(3). Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Center is also exempt from Massachusetts state taxes. Therefore, there is no provision for federal and or state taxes.

The Center has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Functional Allocation of Expenses*

The Center allocates its expenses on a functional basis among its various programs and support services. Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Center's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification.

##### *Advertising*

Advertising costs are expensed as incurred. Advertising expense incurred for the years ended June 30, 2017 and 2016 was \$583 and \$4,806, respectively.

#### **Note 3 - Accounts Receivable**

Accounts receivable consist mainly of receivables from state and other government agencies for services which are expected to be collected in full within one year; therefore, no allowance for doubtful accounts has been recorded against those balances.

#### **Note 4 - Contract Income and Significant Support**

The Center provides after-school child care and supplementary meals services for children who are 14 years of age or younger under a variety of third party agreements. During the years ended June 30, 2017, and 2016 revenues earned under these contracts were as follows:

	<u>2017</u>	<u>2016</u>
Department of Early Education and Care	\$ 83,532	\$ 177,136
ABCD/ Child Care Choices	123,149	148,624
Bureau of Nutrition	25,905	20,302
Other	<u>21,076</u>	<u>100</u>
Total	<u>\$ 253,662</u>	<u>\$ 346,162</u>
Percentage of total revenue	<u>36%</u>	<u>41%</u>

The Center also provides services pursuant to support received from the United Way from which the Center received \$24,196 and \$35,089 for the years ended June 30, 2017 and 2016, respectively. Those contributions represented approximately 3% and 4% of the Center's total support and revenue for the years ended June 30, 2017 and 2016, respectively.

#### **Note 5 - Concentrations of Credit Risk**

The Center received approximately 36% and 41% of its annual revenue from contracts with the Commonwealth of Massachusetts ("the Commonwealth") in 2017 and 2016, respectively. Outstanding accounts receivable with the Commonwealth of Massachusetts were approximately 64% and 37% of total accounts receivable at June 30, 2017 and 2016, respectively.

# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 5 - Concentrations of Credit Risk (Continued)**

The Center maintains its cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Management monitors and evaluates the allowance for doubtful accounts to ensure that receivables are stated at their net realizable value. Management believes that the remaining receivable balances do not represent any significant credit risk to the Organization.

#### **Note 6 - Fixed Assets**

Fixed assets consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 175,000	\$ 175,000
Building	139,300	139,300
Building improvements	655,141	635,835
Equipment and fixtures	50,528	50,528
Playground	46,704	46,704
Vehicles	54,123	54,123
Software	-	2,685
	<u>1,120,796</u>	<u>1,104,175</u>
Less accumulated depreciation	<u>(566,388)</u>	<u>(529,244)</u>
	<u>\$ 554,408</u>	<u>\$ 574,931</u>

Depreciation expense was \$39,829 and \$33,211 for the years ended June 30, 2017 and 2016, respectively.

#### **Note 7 – Cash Held For Others**

On August 1, 2012, the Center entered into an agency agreement with the Cambridge Food and Fitness Policy Council (“CFFPC”), to serve as CFFPC’s fiscal agent, and perform certain bookkeeping and administrative functions on its behalf. CFFPC is an organization established in 2011 whose mission is to make healthy foods and fitness opportunities available to a wider range of Cambridge residents. The Center had \$1,191 and \$391 in cash held on behalf of CFFPC as of June 30, 2017 and 2016, respectively. The Center has recorded corresponding liabilities for the amounts due to the CFFPC, which are included in Due to others on the accompanying statement of position.

#### **Note 8 - Deferred Revenue**

Deferred revenue of \$1,138 and \$2,313 at June 30, 2017 and 2016, respectively, represents camp fees payments received by the Center for the 2017 and 2016 Summer Enrichment Program, respectively, which had not yet started as of the statement of position dates.

# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 9 - Compensated Absences**

Vacation and sick pay are considered expenditures in the year paid. No liability for compensated absences has been recorded in the accompanying financial statements, as the amount cannot be reasonably estimated.

#### **Note 10 - Debts**

On June 8, 2011, the Center entered into a promissory term note agreement for a \$450,000 revolving line of credit facility with a local bank ("The Note"). The Note is due on demand, and upon the fifth anniversary of the Note the effective rate will be adjusted to the then current five-year Federal Home Loan Bank base rate plus 2.5%.

On March 6, 2013, the term of the Note was amended to reduce its interest rate to a fixed rate of 4.25% until March 8, 2018. Interest-only payments were due monthly through November 2014, and principal and interest payments are required to be paid each month, starting in December 2014. The Note is collateralized by real estate located at 5 Callendar Street, Cambridge, Massachusetts, and is subject to certain reporting, and operational covenants. The Center's Board of Directors authorized the borrowing as part of a plan to address capacity building and related issues. Outstanding balance on the Note was \$307,535 and \$315,835 as June 30, 2017 and 2016, respectively.

On January 13, 2013, The Center obtained a \$40,000 revolving line of credit facility with the same bank, which was increased to \$60,000 in June 2015. Advances on the line of credit bear interest at a variable rate of the bank's base rate plus 2.5% (5.5% at June 30, 2017 and 2016, respectively). The line of credit is unsecured; however, the bank holds the right of setoff and can deduct the balance due from the Center's checking and savings accounts held with the bank. The line is renewable annually. Outstanding balance on the line of credit at June 30, 2017 and 2016 was \$22,043 and \$5,830, respectively.

Maturities of long-term debt for the next five years are as follows:

Year ending June 30,	
2018	\$ 24,725
2019	2,490
2020	2,641
2021	2,562
2022	-
Thereafter	<u>307,535</u>
	<u>\$ 339,953</u>

#### **Note 11 - Temporarily Restricted Net assets**

Temporarily restricted net assets of \$125,588 and \$166,132 as of June 30, 2017 and 2016, respectively, represented funding received or to be received by the Center which are restricted for capital improvements, and for specific programs or purposes, as followed:

Capital renovations and improvements	\$ 109,027
Teen Programs	<u>16,561</u>
	<u>\$ 125,588</u>

# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 12 - Additional Disclosure of Cash Flows Information**

Cash paid for interest amounted to \$10,442 and \$16,054 for the years ended June 30, 2017 and 2016, respectively.

#### **Note 13 - Summarized Comparative Financial Information**

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

#### **Note 14 - Contingencies**

The Organization receives a portion of its funding from government agencies under cost reimbursement programs. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

#### **Note 15 - Excess/(Deficit) of Revenue from the Commonwealth of Massachusetts**

The Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy pursuant to 808 CMR 1.19(3) of Pricing, Reporting and Auditing for Social Programs allows a provider to retain, for future use, a portion of annual net surplus. This net surplus, from the revenues and expenses associated with services provider to Purchasing Agencies, which are subject to 808 CMR 1.00, may not exceed 5% of said provider's revenue annually. Furthermore, the cumulative amount of the provider's net surplus may not exceed 20% of the provider's prior year's revenue from purchasing agencies.

The activity of the Accumulated Surplus Revenue Retention Fund Pool is as follows:

A current year surplus, which exceeds the 20% amount, may be reinvested in program services as stipulated by the purchasing agencies, recouped or used by the Commonwealth to reduce the price of future contracts.

- ❑ Beginning accumulated surplus revenue retention for the year ended June 30, 2016 was \$(221,822).
- ❑ Funds expended from the SRR fund pool during the year ended June 30, 2017 was \$0.
- ❑ Surplus revenue retention calculated for the year ended June 30, 2017 was \$(2,359).
- ❑ The accumulated SRR balance is \$(224,181) which is less than the limit of the 5% and the 20% on a cumulative basis.

#### **Note 16 - Operations**

Since July 2014, the Organization has experienced significant declines in its contract and grant funding which has led to recurring annual operating losses that resulted in a cumulative net decrease in total net assets of \$176,642 during the three-year period from July 1, 2014 to June 30, 2017. The Organization is also experiencing cash flows challenges which have led to negative cash positions at times, and prompted the Organization to use borrowed funds from its line of credit facility along with restricted cash advances from its Capital Renovation Fund for working capital purposes.



# CAMBRIDGE COMMUNITY CENTER, INC.

## *Notes to Financial Statements*

### *For the Year Ended June 30, 2017*

*(with summarized comparative totals for the year ended June 30, 2016)*

#### **Note 16 - Operations (continued)**

Total borrowings from the line of credit facility and Capital Renovation Fund as of June 30, 2017 amounted to \$22,043 and \$48,492, respectively, and are included in loan payable-current and due to capital campaign fund, respectively, on the accompanying statement of position.

To help return the Organization to profitability, management is designing and implementing a corrective action plan for 2018 and beyond that includes reducing the Organization's expenses by eliminating one full-time and one part-time position, and outsourcing of certain fundraising functions via internships and volunteer programs with local universities. To increase revenue, management intends to include additional annual fundraising efforts, strategically target and pursue grant opportunities, and expand its individual donor program by 50%.

The Executive Director of the Center resigned as of September 20, 2014, and a member of the Center's Board of Directors assumed the Executive Director function on an interim basis until a permanent replacement was hired in January 2016. Wages paid to the interim executive director for the year ended June 30, 2016 was \$15,964.

#### **Note 17 - Reclassifications**

Certain amounts in the 2016 financial statements have been reclassified to conform to the current year's presentation.

#### **Note 18 - New Accounting Pronouncement**

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU incorporates part of a multi-phased project undertaken by the FASB to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted and retrospective application for all periods is required, with certain limited exceptions to periods presented before the period of adoption.

The adoption of the ASU is expected to have a significant impact on the financial statements when it is adopted effective July 1, 2018.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

#### **Note 19 - Subsequent Events**

Subsequent events have been evaluated through December 15, 2017, which is the date the financial statements were available to be issued.



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*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  
Cambridge Community Center, Inc.  
Cambridge, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Cambridge Community Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 December 15, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cambridge Community Center, 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 Cambridge Community Center, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cambridge Community Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RAE & Associates, LLC*

RAE & Associates LLC  
Boston, Massachusetts  
December 15, 2017