

CAMBRIDGE COMMUNITY SERVICES

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2015

(With Summarized Comparative Information for 2014)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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CAMBRIDGE COMMUNITY SERVICES
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
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Mission Statement

Cambridge Community Service, Inc. 's mission is to empower immigrant youth to achieve academic, career and personal success through inspiring out-of-school experiences.

CAMBRIDGE COMMUNITY SERVICES

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

(With Summarized Comparative Information for 2014)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cambridge Community Services
Cambridge, Massachusetts

We have audited the accompanying financial statements of Cambridge Community Services (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

Auditors' 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. 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 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 Organization'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 Organization'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 Services as of June 30, 2015 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.

To the Board of Directors
Cambridge Community Services
Page Two

Report on Summarized Comparative Information

We have previously audited Cambridge Community Services' June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The nonaccounting information shown on page three, which is the responsibility of the management, is presented for purposes of additional analysis and is not a required part of the financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
November 23, 2015

CAMBRIDGE COMMUNITY SERVICES, INC.

MANAGEMENT DISCUSSION OF STRATEGIC GOALS

JUNE 30, 2015

FY 2015 was a year of exciting program growth and capacity building for Cambridge Community Services (CCS). As the organization budgeted for FY 2015, it recognized the need to invest in two key areas of staff capacity that had not received sufficient development in recent years – program operation and fundraising. As a result of expanding staff capacity in these areas, CCS was able to nearly double the number of students served in both major programs, City Links and College Success. It also made significant progress in building the infrastructure and staff capacity required for a successful fundraising operation. Looking back at what was already accomplished in FY 2015, management is confident this investment has positioned the Organization well to continue to increase impact and ensure sustainable operation for many years to come.

CCS finished FY 2015 in a strong financial position with favorable working capital and liquidity ratios. Despite marking increases across all major revenue categories, lower than anticipated return on the Board designated investment portfolio resulted in a decrease in total revenue. CCS is confident that our expanded fundraising capacity will enable the Organization to continue marking increases across all key revenue categories in the years to come.

CCS has a proud 77 year history as a Cambridge community development organization. During that time, Cambridge has changed dramatically, from an economy mainly focused on manufacturing to the diverse, capable, resource-rich city it is today. Throughout this change CCS remained a community-development organization with a broad mission and diverse set of interests. Many of the strongest programs CCS developed over the years continue to serve Cambridge residents after successfully spinning off to other non-profits and City government offices.

In FY 2015, CCS' Board of Directors and staff completed a strategic planning process, facilitated by a team of Deloitte consultants who made their services available pro-bono through Inspire, Inc. CCS emerged with an inspiring new vision for the future, a strong set of core values, a more focused mission, and three organizational priorities to guide its work in the coming years.

The Organization concluded it can maximize its impact by focusing exclusively on expansion of its proven City Links program, which has been serving high school immigrant students in Cambridge for 23 years. City Links alumni finish high school with substantially increased self-confidence, advocacy, academic and leadership skills, and go on to graduate college at double the rate of their peers. While the population of low-income and new-immigrant families in Cambridge is not growing at the pace of previous decades due to a declining stock of affordable housing, many neighboring communities have seen their immigrant populations grow substantially. In response, CCS will expand beyond Cambridge, focusing on communities with significant low-income immigrant populations, maintaining CCS' commitment to equalizing access to opportunity for this population.

During FY 2016, CCS will continue rapidly expanding the number of Cambridge students enrolled in the program at Cambridge Rindge and Latin School, which has grown from 20 students in 2012 to 80 this year. With support from another team of pro-bono Deloitte consultants through Inspire, in FY 2016 CCS will also undertake a landscape analysis of 20 - 25 surrounding communities, examining community demographics, student performance, school dynamics, currently active nonprofit partners, and availability of funding. From that process, 3 - 5 communities will be selected for further relationship building. During FY 2016, CCS will aim to secure a commitment from the municipality and school department of its first expansion site, as well as support from private donors and funders to ensure sustainable success. A pilot cohort of 15 - 20 students will be recruited for the first City Links expansion site in FY 2017, with the goal of growing to 40 students in FY 2018. An additional expansion site of 15 - 20 students will be prepared during FY 2018 for programming in FY 2019.



CAMBRIDGE COMMUNITY SERVICES

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash	\$ 95,866	\$ 9,277
Short-Term Board Designated Investments	118,407	160,964
Accounts Receivable, Program Services	13,178	13,454
Accounts Receivable, Building Management	6,298	-
Accrued Interest Receivable	2,714	3,026
Prepaid Expenses	5,129	3,239
Total Current Assets	<u>241,592</u>	<u>189,960</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>157,899</u>	<u>158,793</u>
<u>LONG-TERM INVESTMENTS:</u>		
Board Designated Investments	<u>1,613,858</u>	<u>1,801,581</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,013,349</u>	<u>\$ 2,150,334</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 10,606	\$ 19,735
Accrued Expenses	16,448	12,815
Accrued Payroll and Related Costs	12,750	11,875
Deferred Revenue	6,878	2,137
Total Current Liabilities	<u>46,682</u>	<u>46,562</u>
<u>NON-CURRENT LIABILITIES:</u>		
Security Deposits Held	<u>4,598</u>	<u>2,798</u>
<u>TOTAL LIABILITIES</u>	<u>51,280</u>	<u>49,360</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets:		
Undesignated Net Assets	164,804	138,429
Board-Designated Operating Reserve	1,782,265	1,962,545
Total Unrestricted Net Assets	<u>1,947,069</u>	<u>2,100,974</u>
Temporarily Restricted Net Assets	15,000	-
Total Net Assets	<u>1,962,069</u>	<u>2,100,974</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,013,349</u>	<u>\$ 2,150,334</u>

CAMBRIDGE COMMUNITY SERVICES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
 (With Summarized Comparative Totals for 2014)

	<u>UNDESIGNATED</u>	<u>BOARD DESIGNATED</u>	<u>TOTAL UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES 2015</u>	<u>2014</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Program Service Revenues:</i>						
Service Fees and Reimbursements	\$ 87,058	\$ -	\$ 87,058	\$ -	\$ 87,058	\$ 61,083
<i>Public Support and Other Revenues:</i>						
Gifts, Grants and Contributions	55,192	-	55,192	45,677	100,869	100,312
Donated Services and Goods	192,215	-	192,215	-	192,215	139,860
Rental Income, Net	154,664	-	154,664	-	154,664	96,797
Investment Return	-	74,556	74,556	-	74,556	290,807
Other Income	-	-	-	-	-	4,547
Total Public Support and Other Revenues	<u>489,129</u>	<u>74,556</u>	<u>563,685</u>	<u>45,677</u>	<u>609,362</u>	<u>693,406</u>
<i>Reclassifications of Net Assets:</i>						
Appropriation of Board Designated Funds	254,836	(254,836)	-	-	-	-
Net Assets Released from Restriction - Program	30,677	-	30,677	(30,677)	-	-
Total Reclassifications of Net Assets	<u>285,513</u>	<u>(254,836)</u>	<u>30,677</u>	<u>(30,677)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>774,642</u>	<u>(180,280)</u>	<u>594,362</u>	<u>15,000</u>	<u>609,362</u>	<u>693,403</u>
<u>FUNCTIONAL EXPENSES:</u>						
Program Services	565,580	-	565,580	-	565,580	440,948
Administrative	103,280	-	103,280	-	103,280	95,134
Fundraising	79,407	-	79,407	-	79,407	47,956
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>748,267</u>	<u>-</u>	<u>748,267</u>	<u>-</u>	<u>748,267</u>	<u>584,038</u>
<u>CHANGE IN NET ASSETS</u>	<u>26,375</u>	<u>(180,280)</u>	<u>(153,905)</u>	<u>15,000</u>	<u>(138,905)</u>	<u>109,368</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>138,429</u>	<u>1,962,545</u>	<u>2,100,974</u>	<u>-</u>	<u>2,100,974</u>	<u>1,991,606</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 164,804</u>	<u>\$ 1,782,265</u>	<u>\$ 1,947,069</u>	<u>\$ 15,000</u>	<u>\$ 1,962,069</u>	<u>\$ 2,100,974</u>

CAMBRIDGE COMMUNITY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

(With Summarized Comparative Totals for 2014)

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL	
	<u>CITY</u> <u>LINKS</u>	<u>CREATIVE</u> <u>ACTION</u> <u>PROJECT</u>	<u>COLLEGE</u> <u>SUCCESS</u> <u>PROGRAM</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND-</u> <u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u> <u>2015</u>	<u>2014</u>
Salaries and Wages	\$ 140,896	\$ 21,424	\$ 70,829	\$ 233,149	\$ 24,981	\$ 60,025	\$ 318,155	\$ 217,784
Payroll Taxes	10,992	1,671	5,525	18,188	1,949	4,682	24,819	16,113
Employee Benefits	16,631	2,529	8,361	27,521	2,949	7,086	37,556	27,713
Professional Fees and Consultants	13,906	526	10,535	24,967	25,593	1,651	52,211	62,150
Donated Services and Goods	166,715	-	-	166,715	25,500	-	192,215	139,860
Travel	17,570	10	330	17,910	949	-	18,859	3,078
Occupancy	9,760	1,484	4,906	16,150	1,730	4,158	22,038	26,549
Student-Trainee Assistance	42,599	314	-	42,913	-	-	42,913	46,110
Bank and Payroll Fees	-	-	-	-	2,341	-	2,341	2,269
Telephone and Communications	1,022	164	542	1,728	191	515	2,434	3,691
Computer Services	801	128	424	1,353	149	402	1,904	5,199
Meetings and Staff Trainings	5,218	312	571	6,101	1,760	-	7,861	7,631
Depreciation Expense	503	503	503	1,509	500	503	2,512	8,966
Insurance	901	137	453	1,491	2,685	385	4,561	2,925
Dues and Subscriptions	380	-	-	380	-	-	380	509
Printing and Reproduction	-	-	-	-	336	-	336	186
Supplies and Equipment	2,192	485	2,056	4,733	9,172	-	13,905	12,286
Miscellaneous Expense	272	-	500	772	2,495	-	3,267	1,019
Total Functional Expenses	\$ 430,358	\$ 29,687	\$ 105,535	\$ 565,580	\$ 103,280	\$ 79,407	\$ 748,267	\$ 584,038

CAMBRIDGE COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (138,905)	\$ 109,368
<i>Adjustments to Reconcile the Above to Net Cash Used by Operating Activities:</i>		
Depreciation Expense	13,960	10,709
Investment Return	(74,556)	(290,807)
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	276	7,734
Accounts Receivable, Building Management	(6,298)	-
Accrued Interest Receivable	312	966
Prepaid Expenses	(1,890)	(81)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(9,129)	(26,345)
Accrued Expenses	3,633	5,315
Accrued Payroll and Related Costs	875	11,875
Deferred Revenue	4,741	(1,820)
Net Adjustment	<u>(68,076)</u>	<u>(282,454)</u>
<u>NET CASH USED BY OPERATING ACTIVITIES</u>	<u>(206,981)</u>	<u>(173,086)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of Property and Equipment	(13,066)	(40,818)
Purchase of Investments	(600,590)	(1,014,454)
Proceeds from Sales of Investments	907,226	1,221,724
Net Cash Flows from Investing Activities	<u>293,570</u>	<u>166,452</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	86,589	(6,634)
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>9,277</u>	<u>15,911</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 95,866</u>	<u>\$ 9,277</u>

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

NOTE 1 ORGANIZATION

Cambridge Community Services (“CCS” or the “Organization”) was established in 1938 and later incorporated under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Cambridge Community Services has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

CCS is a community-based nonprofit with a recently revised mission to “empower immigrant youth to achieve academic, career, and personal success through inspiring out-of-school experiences.” In FY 2015, CCS directed three high-impact programs for Cambridge youth: City Links, the College Success Program, and the Creative Action Project, which all strive to equalize access to opportunity and empower students to unlock their potential.

City Links is an intensive innovative program that introduces new immigrant youth to public service careers, empowering them to become leaders in their community. The program’s holistic model includes weekly leadership seminars, academic tutoring, one-on-one mentoring, job readiness training, paid year-long public-sector internships, and extensive community service. As part of the City Links program in FY 2015, CCS operated a Service Learning Trip to El Salvador for 15 students. Associated travel expenses are shown in the Travel line in the Statement of Functional Expenses.

The Creative Action Project is a summer program to inspire and empower girls in 9-12th grade, with a focus on leadership development, education, and life skills through the lens of the arts. The program offers students the opportunity to pursue their diverse interests and explore a variety of creative outlets by supporting independent research projects and student-led initiatives. A structured curriculum is combined with frequent field trips to artistic venues throughout the city to expose girls to new artistic mediums and highlight female role models in the community. Girls gain the confidence and skills to grow into strong leaders, while learning about themselves and the world around them.

The College Success Program works to close the college persistence and achievement gap for low-income graduates entering their first year of community college. It provides an intense summer college readiness program dedicated to preparing students for the upcoming school year, as well as robust support throughout the academic year. Students are matched with a mentor - who is selected with a focus on diversity, first-generation college attendees, community college graduates, and Cambridge residents - and participate in monthly “College Success” seminars, led by “Peer Leaders,” alumni of the program.

During FY 2015, CCS’ Board of Directors completed a long-term strategic planning process and emerged with an inspiring new vision for the future and a more focused mission, “to empower immigrant youth to achieve academic, career, and personal success through inspiring out-of-school experiences.” In the coming years, CCS will focus all of its efforts on expanding the very successful City Links program to serve more students in Cambridge and surrounding cities. CCS will no longer operate the College Success or Creative Action Project programs.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. 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; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Fair Value of Financial Instruments:

The Organizations report their fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organizations have access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements is the recurring measurement of investments. There have been no changes to this valuation methodology.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 *(Continued)*

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, the Organization did not have any assets of this nature.

The accompanying financial statements include certain FY 2014 summarized comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and in the Statement of Functional Expenses, FY 2014 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

Accounts Receivable:

Accounts Receivable, Program Services primarily represent amounts due from the City of Cambridge under the City Links Program contract. The receivables represent the amounts paid out by the Organization for Student-Trainee Assistance, which the City is responsible for reimbursing.

Accounts Receivable, Building Management represent amounts due from the building management company. The receivables represent rental payments collected on CCS' behalf in accordance with the property management contract.

Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of June 30, 2015 and 2014, all receivables are considered current. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, they will be charged to activities at that time.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 *(Continued)*

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$2,500 are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged to activities over the following estimated useful lives of the assets:

Buildings	40 years
Building Improvements	5 - 40 years
Furniture and Equipment	3 - 7 years

Investments:

The Organization maintains an investment portfolio which includes publicly traded securities in the form of fixed income and marketable equity securities. As required by *FASB Accounting Standards Codification*TM, investments are reported at their fair value, including unrealized gains and losses. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. All investments in the accompanying financial statements are classified within Level 1 of the fair value hierarchy.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, bequests, collection items, stocks or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported 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.

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 the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition:

Service Fees and Reimbursements – CCS is the recipient of service contracts funded by the City of Cambridge which are subject to an annual renewal process. Future funding is not automatically guaranteed. Specifically, the contract with the City of Cambridge reimburses the Organization for Student-Trainee Assistance paid out to a set number of interns as part of its City Links Program. These contracts are administered on a cost reimbursement basis; accordingly, the funding sources are billed as eligible costs are incurred. Program service revenues along with the related receivables are recorded in the period during which the costs were incurred and services were delivered.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 3 *(Continued)*

Rental Income - is primarily derived from the use of the Organization's building for office space by local nonprofit organizations *(See Note 9)*.

Donated Services and Goods:

As required by the *FASB Accounting Standards Codification*TM, CCS maintains a policy whereby the value of the donated goods and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statement of Activities and are reported as expenses on the Statement of Functional Expenses. Donations of equipment and goods which meet the criteria of the Organization's capitalization policy are capitalized and depreciated pursuant to the policies previously described.

Functional Expenses:

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in conjunction with the Organization's cost allocation plan. Supporting services are those related to operating and managing CCS and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of donated funds. When applicable, direct costs of special fund raising events are netted from the gross event proceeds, while indirect costs are reported as fund raising expenses on the Statement of Functional Expenses.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of the Organization's property and equipment as of June 30, 2015 and 2014:

<u>Asset Category</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>2015</u>	<u>2014</u>
Land	\$ 9,300	\$ -	\$ 9,300	\$ 9,300
Buildings	656,604	577,559	79,045	81,411
Building Improvements	172,097	106,887	65,210	60,563
Furniture and Equipment	<u>55,688</u>	<u>51,344</u>	<u>4,344</u>	<u>7,519</u>
Total	<u>\$893,689</u>	<u>\$735,790</u>	<u>\$157,899</u>	<u>\$158,793</u>

Depreciation expense for the year ended June 30, 2015 and 2014 was \$13,960 and \$10,709, of which amounts, \$11,448 and \$1,743 was included within rental expenses for the years presented (See Note 9).

NOTE 5 BOARD DESIGNATED INVESTMENTS

The investments represent Board designated amounts set aside in prior years for the purpose of providing an income stream for annual operations and to meet certain specific goals of the Organization. It is the policy of the Board to approve an annual spending plan to allocate funds from long-term to operating for use in the next fiscal year. In accordance with this policy, the Finance Committee, with the approval of the Board, appropriates an amount as part of the annual budget to fund operations for the following year. Actual amounts transferred may vary based upon the Organization's needs.

For the years presented, the investment portfolio balance that has been approved for operations is presented as current within the Statements of Financial Position, whereas the remaining balance of the investment portfolio is presented as long-term. In addition, prior to June 30, 2015, \$50,000 had been transferred from the investments to the cash account as an advance on the FY 2016 authorized appropriation.

As of June 30, 2015 and 2014, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>June 30, 2015</u>			
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money Market Funds	\$ 34,047	\$ -	\$ -	\$ 34,047
Corporate Bonds	405,309	6,207	-	411,516
U.S. Treasury Obligations	49,969	301	-	50,270
Marketable Equity Securities	<u>926,300</u>	<u>310,132</u>	<u>-</u>	<u>1,236,432</u>
Total	<u>\$1,415,625</u>	<u>\$316,640</u>	<u>\$ -</u>	<u>\$1,732,265</u>

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 5 (Continued)

<u>Investment Type</u>	<u>June 30, 2014</u>			
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money Market Funds	\$ 45,972	\$ -	\$ -	\$ 45,972
Corporate Bonds	386,686	15,206	-	401,892
U.S. Treasury Obligations	49,969	840	-	50,809
Marketable Equity Securities	<u>1,119,703</u>	<u>344,169</u>	-	<u>1,463,872</u>
Total	<u>\$1,602,330</u>	<u>\$360,215</u>	<u>\$ -</u>	<u>\$1,962,545</u>

<u>Financial Statement Classification</u>	<u>2015</u>	<u>2014</u>
Board Designated Short-Term Investments	\$ 118,407	\$ 160,964
Board Designated Long-Term Investments	<u>1,613,858</u>	<u>1,801,581</u>
Total	<u>\$1,732,265</u>	<u>\$1,962,545</u>

Components of *Investment Return* for the years ended June 30, 2015 and 2014 are as follows:

<u>Components of Investment Return</u>	<u>2015</u>	<u>2014</u>
Interest and Dividends	\$ 43,188	\$ 40,930
Net Realized Gain on Investments	91,620	273,663
Net Unrealized Loss on Investments	(43,576)	(6,356)
Investment Management Fees	<u>(16,676)</u>	<u>(17,430)</u>
Net Investment Return	<u>\$ 74,556</u>	<u>\$290,807</u>

The Organization uses the following ways to determine the fair value of its investments:

Money Market Funds: Determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Corporate Bonds: All individual securities have no lock-up period and have a published market value per share that can be traded in an active market. The bond price is determined by the yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Department of Treasury Obligations: Determined by the closing bid price on the last business day of the fiscal year, if actively traded.

Equity Securities Traded on National Securities Exchanges: Determined by the closing price on the last business day of the fiscal year.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

For the years presented, temporarily restricted net assets were released from restriction for the following programs and purposes:

<u>Description</u>	<u>2015</u>	<u>2014</u>
City Links	\$26,677	\$25,812
College Success Program	4,000	21,109
Building Improvements	-	<u>35,000</u>
Total	<u>\$30,677</u>	<u>\$81,921</u>

As of June 30, 2015, temporarily restricted net assets reflect an unexpended contribution restricted for building improvements.

NOTE 7 RETIREMENT PLAN

CCS has established a tax-deferred annuity plan and a defined contribution pension plan for all eligible employees. For the years ended June 30, 2015 and 2014, CCS provided \$10,549 and \$6,537 in contributions to the defined contribution pension plan, which is included in *Employee Benefits* in the accompanying Statement of Functional Expenses.

NOTE 8 DONATED SERVICES AND GOODS

For the years ended June 30, 2015 and 2014, the following in-kind contributions met the Organization's recognition criteria and were recognized as expenses with corresponding contribution revenue in the accompanying financial statements.

<u>Description</u>	<u>2015</u>	<u>2014</u>
Volunteer Services*	\$165,780	\$139,860
Strategic Plan Consultants	25,500	-
Food	<u>935</u>	<u>-</u>
Total	<u>\$192,215</u>	<u>\$139,860</u>

*During FY 2015 and FY 2014, volunteers provided 6,140 and 5,180 hours of mentoring and tutoring to students as part of the Organization's City Links and College Success Programs. Volunteers are an integral component of the Organization's program model. For the years presented, CCS has valued these services at the Independent Sector's Value of Volunteer Time of \$27 per hour.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 9 RENTAL ACTIVITIES

The Organization rents certain office space in the building to local nonprofit organizations under leases with varying terms through 2021. The building is operated by an unrelated management company for which it pays a building management fee. Building management fees for the years ended June 30, 2015 and 2014 were \$9,165 and \$11,050, respectively. The Organization's arrangement with this management company is at will and renews annually until cancelled.

The following is a schedule by years of the future minimum lease revenue under the non-cancelable leases as of June 30, 2015.

<u>Fiscal Year Ending</u>	<u>Rent Due</u>
June 30, 2016	\$335,155
June 30, 2017	182,397
June 30, 2018	157,896
June 30, 2019	71,424
June 30, 2020	42,600
June 30, 2021	<u>7,100</u>
Total	<u>\$796,572</u>

Rental Income, Net consists of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Rental Income	<u>\$ 330,087</u>	<u>\$ 278,385</u>
Less: Rental Expenses		
Personnel Expenses	(43,641)	(51,085)
Professional Fees	(30,973)	(44,953)
Utilities/Maintenance	(81,749)	(77,067)
Depreciation	(11,448)	(1,743)
Insurance	<u>(7,612)</u>	<u>(6,740)</u>
Total Rental Expenses	<u>(175,423)</u>	<u>(181,588)</u>
Rental Income, Net	<u>\$ 154,664</u>	<u>\$ 96,797</u>

NOTE 10 CONCENTRATIONS

Investments:

The Organization is subject to concentrations in credit risk relating primarily to investments. For the years presented, the Organization's investments are held in one financial institution. The Organization invests in professionally managed money market and mutual funds that contain various types of marketable securities. The Organization's investments are exposed to various risks, such as fluctuations in market value, and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances. The brokerage service is a member of the Securities Investor Protection Corporation (SIPC) which protects securities customers of its members up to \$500,000 including \$250,000 for claims for cash. Management believes the Organization is not exposed to significant credit risk as the Organization's investment performance is reviewed by the Board of Directors on a periodic basis.

CAMBRIDGE COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Summarized Comparative Information for 2014)

(Continued)

NOTE 10 *(Continued)*

Accounts Receivable, Program Services:

The credit risk with respect to accounts receivable is limited to the credit worthiness of the individuals and organizations from whom the amounts are due. As of June 30, 2015 and 2014, payments due on cost reimbursement contracts from the City of Cambridge represent 78% and 98% of *Accounts Receivable, Program Services*.

NOTE 11 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through November 23, 2015, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.