

**LOWER CAPE OUTREACH COUNCIL, INC.**

Financial Statements

December 31, 2016

**LOWER CAPE OUTREACH COUNCIL, INC.**

Table of Contents

December 31, 2016

EXHIBIT

Independent Auditor's Report

---

Statement of Financial Position

A

Statement of Activity

B

Statement of Functional Expenses

C

Statement of Cash Flows

D

Notes to Financial Statements

E

**INDEPENDENT AUDITOR'S REPORT**

November 1, 2017

To the Board of Directors  
Lower Cape Outreach Council, Inc.  
Orleans, Massachusetts

We have audited the accompanying financial statements of Lower Cape Outreach Council, Inc. (a non profit organization), which comprise the statements of financial position as of December 31, 2016, 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**

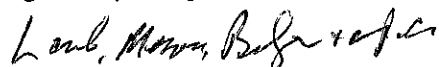
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Lower Cape Outreach Council, Inc. as of December 31, 2016, and the change in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

  
Lamb, Mason, Bulger & Co., P.C.

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Statement of Financial Position

December 31, 2016

(See Independent Auditor's Report)

**ASSETS**

Assets:	
Cash and cash equivalents	\$ 351,050
Cash certificates of deposit	100,312
Investments (at market value)	698,506
Furniture and equipment net of accumulated depreciation	<u>39,365</u>
Total Assets	<u>\$ 1,189,233</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 4,915
Sales tax payable	<u>877</u>
Total liabilities	<u>5,792</u>
Net Assets:	
Unrestricted net assets	<u>1,183,441</u>
Total Liabilities and Net Assets	<u>\$ 1,189,223</u>

See Accompanying Notes to Financial Statements

## LOWER CAPE OUTREACH COUNCIL, INC.

## Statement of Activity

For the Year Ended December 31, 2016

(See Independent Auditor's Report)

Support and Revenue		
Contributions		\$ 605,281
Grants		305,390
Thrift shop	\$ 219,907	
Cost of sales	( 150,278)	68,681
Special events (net of direct costs of \$45,729)		170,105
Realized and unrealized gain on investments		19,593
Interest and dividend income		<u>21,723</u>
Total Support and Revenue		<u>1,190,773</u>
Expenses		
Program Services		822,412
Supporting Services		
General and administrative		70,680
Thrift Shop		112,568
Fund Raising		<u>185,663</u>
Total Expenses		<u>1,191,323</u>
Excess of Expenses over Support and Revenue		( 550)
Unrestricted Net Assets Beginning of Year		<u>1,183,991</u>
Unrestricted Net Assets, End of Year		<u>\$ 1,183,441</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Statement of Functional Expenses

For the Year Ended December 31, 2016

(See Independent Auditor's Report)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Thrift Shop</u>	<u>Fund Raising</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 11,111	\$ 16,214	\$ 27,325
Information technology	22,527	9,654	1,277	-	33,458
Insurance	5,517	307	78	306	6,208
Office equipment	2,418	1,037	-	-	3,455
Office supplies	9,117	9,116	3,748	9,086	31,067
Personnel	140,582	32,692	40,615	86,699	300,588
Postage	1,947	-	2,906	8,461	13,314
Printing	1,086	4,343	-	42,817	48,246
Professional development	6,696	1,435	-	1,436	9,567
Professional fees	1,006	7,038	65	12,711	20,820
Property management	20,117	1,118	8,767	1,117	31,119
Rent	51,419	2,857	41,500	2,856	98,632
Telephone	3,764	209	554	209	4,736
Miscellaneous	217	-	503	3,751	4,471
Depreciation	3,470	874	1,444	-	5,788
Payments for clients	<u>552,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,529</u>
Totals	<u>\$ 822,412</u>	<u>\$ 70,680</u>	<u>\$ 112,568</u>	<u>\$ 185,663</u>	<u>\$ 1,191,323</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Statement of Cash Flows

For the Year Ended December 31, 2016

(See Independent Auditor's Report)

Cash Flow from Operating Activities:	
Change in net assets	\$( 550)
Adjustment to reconcile change in net assets to	
net cash provided by operating activities:	
Donated stock	( 2,015)
Depreciation and amortization	5,788
Realized and unrealized loss on stock	( 19,593)
Decrease in accounts payable	<u>201</u>
Net Cash Used by Operating Activities	( 16,169)
Cash Flows from Investing Activities:	
Purchase of investments	( 36,044)
Purchase of fixed assets	( 2,817)
Net Cash Used by Investing Activities	( 38,861)
Net Decrease in Cash	( 55,030)
Cash and cash equivalents at Beginning of Year	<u>506,392</u>
Cash and cash equivalents at End of Year	<u>\$ 451,362</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Notes to Financial Statements

December 31, 2016

(See Independent Auditor's Report)

Note 1 - Summary of Significant Accounting Policies:

Organization - Lower Cape Outreach Council Inc., (the "Organization") was formed in 1980 to provide emergency assistance of food, clothing and financial support to individuals and families in Brewster, Chatham, Eastham, Harwich, Orleans, Provincetown, Truro and Wellfleet which will lead to healthy, productive and self-sustaining lives as part of the Cape Cod community.

Financial Statement Presentation: - The Council is required to report 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.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As permitted the Organization reports contributions with donor imposed restrictions as unrestricted when the restrictions are met in the same reporting period as received.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising - The Organization follows the policy of charging the costs of advertising and publicity to expense as incurred.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributed Services - The Council received services from volunteers and donated materials used in rendering services to its clients. The estimated fair value of contributed services and materials is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses - Expenses benefiting more than one functional area are allocated based on estimated usage for each area. Expenses allocated are shown at Statement of Functional Expenses.

Subsequent events - The Association evaluated subsequent events for potential required disclosures through November 1, 2017, which is the day the financial statements were available to be issued.

**LOWER CAPE OUTREACH COUNCIL, INC.**

Notes to Financial Statements

December 31, 2016

(See Independent Auditor's Report)

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

Investments - The Organization's investments in equity securities with readily determinable fair market values and all investments in debt securities are valued at fair market value in the statement of financial position. Unrealized gains and losses are included in the statement of net assets and the statement of activities. Investment income earned in the endowment fund is classified as temporarily restricted in the statement of activities. Investments are stated at market, valuation being determined by national stock exchanges.

Fair Value Measurement - Organization values its investments in accordance with the Financial Standards Board (FASB) Accounting Standards Codification No. 820, Fair Value Measurement and Disclosure (ASC 820) which defines fair value as the price that the Association would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 - quoted prices in active markets for identical investments

Level 2 - other significant observable inputs (including quoted prices for similar investments in active markets, interest rates, prepayment speeds, credit risk, etc).

Level 3 - significant unobservable inputs (including the Association's own assumptions in determining the fair value of investments)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Association utilizes techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible.

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Notes to Financial Statements

December 31, 2016

(See Independent Auditor's Report)

Note 2 - Investments:

In accordance with ASC 820, the following methods and assumptions were used by the Organization in estimating its fair value disclosure for investments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments (Level 1).

Investments: The fair value of investments are based on quoted market prices for those or similar investments (Level 1).

Investments are stated at fair market value as follows:

	<u>Basis</u>	<u>Fair Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Equity mutual funds	\$ 342,156	\$ 433,194	\$ 91,038
Bond mutual funds	211,582	208,128	( 3,454)
Money market mutual funds	<u>55,184</u>	<u>55,184</u>	<u>-</u>
	<u>\$ 608,922</u>	<u>\$ 696,506</u>	<u>\$ 87,584</u>

Realized and unrealized gain on investments:

Realized loss on sale of investments	\$( 18)
Unrealized gain on investments	<u>19,611</u>
Total realized and unrealized gains	<u>\$ 19,593</u>

Note 3 - Cash:

The Council maintains bank accounts at local banks insured by the Federal Deposit Insurance Corporation. At various times during the year, the account balances exceeded the insured limit. At December 31, the amount in excess of the insured limit was \$177,228.

Note 4 - Income Taxes:

The Council is a nonprofit corporation under Section 501 (c)(3) of the Internal Revenue Code and Massachusetts law. It is exempt from income tax except that from unrelated sales of goods of which there were none.

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Notes to Financial Statements

December 31, 2016

(See Independent Auditor's Report)

Note 5 - Furniture and Equipment:

Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets using straight-line methods as follows:

Leasehold improvements-office	20 years	\$ 30,717
Leasehold improvements-thrift shop	20 years	28,881
Equipment-thrift shop	3 years	12,214
Furniture	7 years	4,300
Office equipment	5 to 7 years	<u>23,445</u>
		99,557
Accumulated depreciation		<u>60,192</u>
		<u>\$ 39,365</u>

Furniture and equipment costing \$500 or more is recorded at cost and include expenditures which materially increase values or extend useful lives. Expenditures in the nature of normal and recurring repairs and maintenance are charged to operations as incurred.

Depreciation expense for the year ended December 31, 2016 amounted to \$5,788.

Note 6 - Presentation of Sales Taxes:

The Commonwealth of Massachusetts imposes a sales tax on the Council's nonexempt sales to nonexempt customers through the thrift shop. The Council collects the sales tax from customers and remits the entire amount to the State. The Council's accounting policy is to exclude the tax collected and remitted to the State from revenues and the cost of sales.

Note 7 - Simple IRA:

The Council adopted a Simple IRA plan for employees during the current year. The plan calls for a matching contribution of up to 3% of an employee's salary. The Council's contribution for 2016 was \$3,961.

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Notes to Financial Statements

December 31, 2016

(See Independent Auditor's Report)

Note 8 - Rent:

The Council signed a 5 year lease in May 2009 for office and program space at a monthly rent of \$3,900 for the first two years and a 3% increase for each of the final three years of the lease. Office rent for the year was \$57,132. This lease was renewed in May 2016 for one year with an option to renew for an additional one year. Monthly rental payments under the new agreement are \$4,761 for the first year and the option year.

The office lease requires payments of \$57,132 for 2016.

In November 2016 the Council signed a three year non cancelable lease for space to be used as a thrift shop. The lease includes a five year option to extend the lease at the end of the initial lease term. Monthly rents under the new lease are \$3,800 for 2016 with a \$100 per month increase each year.

Thrift shop rent for the year was \$ 41,500.

The thrift shop lease requires payments as follows:	2017	46,800
	2018	48,000
	2019	49,200
	2020	50,400
	2021	<u>51,600</u>
Total lease commitment		<u>\$ 246,000</u>

Note 9 – Cost of Sales- thrift shop:

Thrift shop inventory consists of items donated for sale in the thrift shop. Donated inventory is recorded at fair market value as a donation and as cost of sales. Donated inventory included in cost of sales for 2016 amounted to \$66,278