

**LOWER CAPE OUTREACH COUNCIL, INC.**

Financial Statements

December 31, 2017

LOWER CAPE OUTREACH COUNCIL, INC.

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LAMB, MASON, BULGER & CO., P.C.  
Certified Public Accountants  
32 Village Landing, P.O. Box 1233  
West Chatham, Massachusetts 02669

## INDEPENDENT AUDITOR'S REPORT

October 22, 2018

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, 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. 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, 2017, 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, 2017

(See Independent Auditor's Report)

ASSETS

Assets:	
Cash and cash equivalents	\$ 390,592
Cash certificates of deposit	75,599
Prepaid expenses	12,378
Investments	608,411
Investments – Endowment	173,791
Furniture and equipment net of accumulated depreciation	<u>33,311</u>
Total Assets	<u>\$ 1,294,082</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 6,630
Sales tax payable	<u>484</u>
Total liabilities	<u>7,114</u>
Net Assets:	
Unrestricted net assets	1,113,177
Board designated endowment	<u>173,791</u>
Total unrestricted net assets	<u>1,286,968</u>
Total Liabilities and Net Assets	<u>\$ 1,294,082</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

Statement of Activity

For the Year Ended December 31, 2017

(See Independent Auditor's Report)

Support and Revenue	
Contributions	\$ 631,083
Grants	334,793
Thrift shop     \$ 192,991	
Cost of sales   ( <u>132,749</u> )	60,242
Special events (net of direct costs of \$48,125)	238,307
Realized and unrealized gain on investments	48,339
Interest and dividend income	<u>31,989</u>
Total Support and Revenue	<u>1,344,753</u>
Expenses	
Program Services	862,769
Thrift Shop	133,443
Supporting Services	
General and administrative	59,696
Fund Raising	<u>185,318</u>
Total Expenses	<u>1,241,226</u>
Excess of Support and Revenue over Expenses	103,527
Unrestricted Net Assets Beginning of Year	<u>1,183,441</u>
Unrestricted Net Assets, End of Year	<u>\$ 1,286,968</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2017

(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	\$ -	\$ -	\$ 11,823	\$ 21,679	\$ 33,502
Information technology	18,864	8,085	1,027	-	27,976
Insurance	6,110	339	-	987	7,436
Office equipment	2,871	1,230	-	-	4,101
Office supplies	3,921	3,921	5,647	6,637	20,126
Taxes and licenses	-	-	110	3,787	3,897
Personnel	154,977	30,624	57,884	94,011	337,496
Postage	1,208	-	1,440	7,590	10,238
Printing	618	2,473	-	38,268	41,359
Professional development	3,780	810	-	810	5,400
Professional fees	948	6,639	114	6,297	13,998
Property management	23,573	1,310	6,250	1,310	32,443
Rent	52,448	2,914	46,800	2,914	105,076
Telephone	4,711	262	904	262	6,139
Volunteer appreciation	3,001	167	-	166	3,334
Miscellaneous	-	-	-	600	600
Depreciation	3,688	922	1,444	-	6,054
Payments for clients	<u>582,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,051</u>
Totals	<u>\$ 862,769</u>	<u>\$ 59,696</u>	<u>\$ 133,443</u>	<u>\$ 185,318</u>	<u>\$ 1,241,226</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

## Statement of Cash Flows

For the Year Ended December 31, 2017

(See Independent Auditor's Report)

Cash Flow from Operating Activities:	
Change in net assets	\$ 103,527
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Donated stock	( 7,649)
Depreciation and amortization	6,054
Realized and unrealized loss on stock	( 48,339)
Increase in prepaid expenses	( 12,378)
Increase in accounts payable	<u>1,322</u>
Net Cash Provided by Operating Activities	<u>42,537</u>
Cash Flows from Investing Activities:	
Transfer from investments	3,293
Purchase of investments	( <u>31,001</u> )
Net Cash Used by Investing Activities	( 27,708)
Net Increase in Cash	14,829
Cash and cash equivalents at Beginning of Year	<u>451,362</u>
Cash and cash equivalents at End of Year	<u>\$ 466,191</u>

See Accompanying Notes to Financial Statements

**LOWER CAPE OUTREACH COUNCIL, INC.**

Notes to Financial Statements

December 31, 2017

(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, including certificates of deposits 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 October 22, 2018, which is the day the financial statements were available to be issued.

**LOWER CAPE OUTREACH COUNCIL, INC.**

Notes to Financial Statements

December 31, 2017

(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, 2017

(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	\$ 364,678	\$ 502,559	\$ 137,881
Bond mutual funds	215,960	214,355	( 1,605)
Money market mutual funds	<u>65,288</u>	<u>65,288</u>	<u>-</u>
	<u>\$ 645,926</u>	<u>\$ 782,202</u>	<u>\$ 136,276</u>

Realized and unrealized gain on investments:

Realized loss on sale of investments	\$ 475
Unrealized gain on investments	<u>47,864</u>
Total realized and unrealized gains	<u>\$ 48,339</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 \$199,694.

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, 2017

(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>66,246</u>
		<u>\$ 33,311</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, 2017 amounted to \$6,054.

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 2017 was \$4,896.

**LOWER CAPE OUTREACH COUNCIL, INC.**

Notes to Financial Statements

December 31, 2017

(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 \$58,276. This lease was renewed in May 2018 for one year. Monthly rental payments under the new agreement are \$5,051 for the option year.

The office lease requires payments of \$60,024 for 2018.

In 2017 the Council signed a one year lease for space to be used as a thrift shop. Monthly rents under the new lease are \$2,500 per month.

Thrift shop rent for the year was \$ 46,800.

The thrift shop lease requires payments of \$30,000 for 2018.

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 2017 amounted to \$65,020.

**LOWER CAPE OUTREACH COUNCIL, INC.**

Notes to Financial Statements

December 31, 2017

(See Independent Auditor's Report)

Note 10 - Investments-Endowment:

The purpose of the Board Designated Endowment is to provide for the long term stability of the Organization. The funds in this account are designated to generate annual income that will supplement the annual budget. Distributions of the funds are restricted to 50% of the annual dividends the fund earns in the calendar year. All future contributions and share value increases, as well as 50% of the dividends remain in the fund. Principle distributions occur on an emergency basis and are subject to an affirmative vote of two thirds of both the finance committee and the board of directors. The investment policy is to use mutual funds to provide for the long term well-being of the Organization by diversifying risk while also generating income to provide for near term operational needs.

Board designated endowment net assets, beginning of year	\$ 157,691
Additions to account	-
Withdrawals from account	( 3,294)
Investment income	8,899
Net appreciation	10,009
Gain on sale of investments	<u>486</u>
Board designated endowment net assets, end of year	<u>\$ 173,791</u>

As of December 31, 2017, endowment investments consisted of the following:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain</u>
Vanguard Wellesley Income Fund	\$ 84,962	\$ 72,490	\$ 12,472
Vanguard Wellington Fund	<u>88,829</u>	<u>69,485</u>	<u>19,344</u>
Total Investments	<u>\$ 173,791</u>	<u>\$ 141,975</u>	<u>\$ 31,816</u>