

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***SEPTEMBER 30, 2014  
WITH COMPARATIVE TOTALS FOR 2013***

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**  
**FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Berkshire Community Action Council, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Berkshire Community Action Council, Inc. (a nonprofit "Organization"), which comprise the statement of financial position as of September 30, 2014, 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 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 auditors' judgment, including the assessment of the risk 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 Berkshire Community Action Council, Inc. as of September 30, 2014, 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 Matters

### Report on Summarized Comparative Information

We have previously audited Berkshire Community Action Council, Inc.'s 2013 financial statements, and our report dated February 6, 2014, 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 September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, on our consideration of Berkshire Community Action Council, 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 Berkshire Community Action Council, Inc.'s internal control over financial reporting and compliance.

*Mayes Brother Katicka, P.C.*

Holyoke, Massachusetts  
February 5, 2015



**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2014 AND 2013**

***ASSETS***

|                                   | <u>2014</u>         | <u>2013</u>         |
|-----------------------------------|---------------------|---------------------|
| <b>Current assets</b>             |                     |                     |
| Cash                              | \$ 196,267          | \$ 145,451          |
| Accounts receivable, net          | 526,117             | 360,107             |
| Note receivable                   | -                   | 12,500              |
| Inventories                       | 22,247              | 11,195              |
| Prepaid expenses                  | <u>52,299</u>       | <u>42,981</u>       |
| Total current assets              | <u>796,930</u>      | <u>572,234</u>      |
| Property and equipment            | 1,495,792           | 1,422,486           |
| Less accumulated depreciation     | <u>(769,384)</u>    | <u>(696,779)</u>    |
| Total property and equipment, net | <u>726,408</u>      | <u>725,707</u>      |
| <b>Other assets</b>               |                     |                     |
| Term deposits                     | <u>-</u>            | <u>5,953</u>        |
| Total other assets                | <u>-</u>            | <u>5,953</u>        |
| <b>Total assets</b>               | <u>\$ 1,523,338</u> | <u>\$ 1,303,894</u> |

***LIABILITIES AND NET ASSETS***

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Current liabilities</b>                                |                     |                     |
| Borrowings under line of credit                           | \$ 360,000          | \$ 400,000          |
| Notes payable - current portion                           | 32,148              | 36,548              |
| Obligations under capital leases - current portion        | 13,534              | 10,987              |
| Accounts payable  | 216,306             | 240,127             |
| Accrued liabilities                                       | 211,605             | 71,985              |
| Deferred income   | <u>66,904</u>       | <u>-</u>            |
| Total current liabilities                                 | <u>900,497</u>      | <u>759,647</u>      |
| <b>Long-term liabilities</b>                              |                     |                     |
| Notes payable - net of current portion                    | 210,119             | 243,445             |
| Obligations under capital leases - net of current portion | <u>3,818</u>        | <u>17,352</u>       |
| Total long-term liabilities                               | <u>213,937</u>      | <u>260,797</u>      |
| Total liabilities   | <u>1,114,434</u>    | <u>1,020,444</u>    |
| <b>Net assets</b>   |                     |                     |
| Unrestricted  | 213,313             | 78,005              |
| Temporarily restricted                                    | 195,591             | 200,445             |
| Permanently restricted                                    | <u>-</u>            | <u>5,000</u>        |
| Total net assets  | <u>408,904</u>      | <u>283,450</u>      |
| <b>Total liabilities and net assets</b>                   | <u>\$ 1,523,338</u> | <u>\$ 1,303,894</u> |

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

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE TOTALS FOR 2013**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |                   |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|-------------------|
|  |                     |                                   |                                   | <u>2014</u>       | <u>2013</u>       |
| <b>Revenue and support</b>   |                     |                                   |                                   |                   |                   |
| Contributions  | \$ 12,457           | \$ 49,102                         | \$ -                              | \$ 61,559         | \$ 61,918         |
| United Way   | 23,047              | -                                 | -                                 | 23,047            | 3,779             |
| Grants   | 8,836,903           | -                                 | -                                 | 8,836,903         | 7,704,063         |
| Program service fees   | 1,466,946           | -                                 | -                                 | 1,466,946         | 1,411,579         |
| Other revenue  | 42,040              | -                                 | -                                 | 42,040            | 35,788            |
| Net assets released from restrictions                              | 53,956              | (53,956)                          | -                                 | -                 | -                 |
| Net assets reclassified due to<br>change in donor intent           | <u>5,000</u>        | <u>-</u>                          | <u>(5,000)</u>                    | <u>-</u>          | <u>-</u>          |
| Total revenue and support  | <u>10,440,349</u>   | <u>(4,854)</u>                    | <u>(5,000)</u>                    | <u>10,430,495</u> | <u>9,217,127</u>  |
| <b>Expense</b>   |                     |                                   |                                   |                   |                   |
| Program  | 9,741,905           | -                                 | -                                 | 9,741,905         | 8,609,207         |
| Fundraising  | 11,863              | -                                 | -                                 | 11,863            | 4,738             |
| Administrative   | <u>551,273</u>      | <u>-</u>                          | <u>-</u>                          | <u>551,273</u>    | <u>492,304</u>    |
| Total expense  | <u>10,305,041</u>   | <u>-</u>                          | <u>-</u>                          | <u>10,305,041</u> | <u>9,106,249</u>  |
| <b>Change in net assets from operations</b>                        | 135,308             | (4,854)                           | (5,000)                           | 125,454           | 110,878           |
| Net change in net assets from<br>discontinued operations (Note 17) | <u>-</u>            | <u>-</u>                          | <u>-</u>                          | <u>-</u>          | <u>(50,180)</u>   |
| <b>Total change in net assets</b>                                  | 135,308             | (4,854)                           | (5,000)                           | 125,454           | 60,698            |
| <b>Net assets - beginning of year</b>                              | <u>78,005</u>       | <u>200,445</u>                    | <u>5,000</u>                      | <u>283,450</u>    | <u>222,752</u>    |
| <b>Net assets - end of year</b>                                    | <u>\$ 213,313</u>   | <u>\$ 195,591</u>                 | <u>\$ -</u>                       | <u>\$ 408,904</u> | <u>\$ 283,450</u> |

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

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH COMPARATIVE TOTALS FOR 2013  
(Includes Expenses related to Discontinued Operations)**

| Expense   | Transportation | Community Services | Fuel Assistance | Weatherization and Utilities | Total Program | Management and General | Fundraising | Total         |              |
|---|----------------|--------------------|-----------------|------------------------------|---------------|------------------------|-------------|---------------|--------------|
|   |                |                    |                 |                              |               |                        |             | 2014          | 2013         |
| <b>Compensation and related expenses</b>          |                |                    |                 |                              |               |                        |             |               |              |
| Salaries  | \$ 610,743     | \$ 228,139         | \$ 278,266      | \$ 240,226                   | \$ 1,357,374  | \$ 209,892             | \$ -        | \$ 1,567,266  | \$ 1,738,764 |
| Payroll taxes                                     | 89,364         | 27,483             | 31,639          | 23,750                       | 172,236       | 20,805                 | -           | 193,041       | 195,573      |
| Fringe benefits                                   | 71,046         | 18,662             | 42,104          | 31,679                       | 163,491       | 13,487                 | -           | 176,978       | 223,480      |
| Total   | 771,153        | 274,284            | 352,009         | 295,655                      | 1,693,101     | 244,184                | -           | 1,937,285     | 2,157,817    |
| <b>Fuel program</b>                               |                |                    |                 |                              |               |                        |             |               |              |
| Staff Training                                    | -              | -                  | 5,743,392       | -                            | 5,743,392     | -                      | -           | 5,743,392     | 4,920,751    |
| Contract Services                                 | 2,395          | 200                | 3,303           | -                            | 5,898         | 15,306                 | -           | 21,204        | 11,209       |
| Program materials                                 | 7,340          | 39,385             | 363             | 3,674                        | 50,762        | 98,288                 | 2,956       | 152,006       | 264,093      |
| Program supplies and benefits                     | -              | -                  | -               | 1,407,355                    | 1,407,355     | -                      | -           | 1,407,355     | 1,315,089    |
| Data processing                                   | 269            | 23,297             | 90              | 2,687                        | 26,343        | -                      | -           | 26,343        | 27,598       |
| Professional fees                                 | 964            | 440                | 23,659          | 7,286                        | 32,349        | 19,267                 | -           | 51,616        | 51,725       |
| Vehicle leasing and rental                        | -              | -                  | -               | -                            | -             | 29,000                 | -           | 29,000        | 39,180       |
| Vehicle expense                                   | 145,442        | 67                 | 435             | -                            | 145,944       | 142                    | -           | 146,086       | 90,116       |
| Space rental                                      | 176,151        | 180                | -               | 7,799                        | 184,130       | 40                     | -           | 184,170       | 183,505      |
| Telephone   | 2,640          | 22,750             | 20,400          | -                            | 45,790        | 260                    | -           | 46,050        | 144,014      |
| Utilities   | 10,038         | 2,283              | 13,424          | 1,766                        | 27,511        | 12,718                 | -           | 40,229        | 41,373       |
| General insurance                                 | 6,938          | 9,951              | 4,130           | 1,365                        | 22,384        | 5,116                  | -           | 27,500        | 57,993       |
| Repairs and maintenance                           | 59,264         | 4,961              | 4,727           | 11,388                       | 80,340        | 12,035                 | -           | 92,375        | 100,281      |
| Office expense                                    | 816            | 9,323              | 3,938           | 1,174                        | 15,251        | 9,614                  | -           | 24,865        | 35,674       |
| Interest and fees                                 | 10,772         | 36,344             | 43,759          | 6,434                        | 97,309        | 42,599                 | 6,745       | 146,653       | 109,917      |
| Equipment lease and purchase                      | 4,909          | 5,221              | 1,435           | 780                          | 12,345        | 17,794                 | -           | 30,139        | 53,677       |
| Travel  | 522            | 1,443              | 13,257          | 948                          | 16,170        | 3,094                  | -           | 19,264        | 17,530       |
| Food costs  | 583            | 966                | 10,711          | 3,025                        | 15,285        | 5,814                  | -           | 21,099        | 20,386       |
| Emergency housing and other assistance            | -              | 1,447              | -               | -                            | 1,447         | -                      | -           | 1,447         | 3,137        |
| Advertising                                       | -              | 42,857             | 16,891          | -                            | 59,748        | -                      | -           | 59,748        | 74,719       |
| Depreciation                                      | -              | 691                | 48              | 554                          | 1,293         | 14,180                 | -           | 15,473        | 14,594       |
| Other miscellaneous                               | 31,207         | 8,057              | 9,590           | 3,096                        | 51,950        | 20,656                 | -           | 72,606        | 126,121      |
| Total   | 755            | 3,062              | 1,974           | 17                           | 5,808         | 1,166                  | 2,162       | 9,136         | 4,408        |
| Total expense                                     | \$ 1,232,158   | \$ 487,209         | \$ 6,267,535    | \$ 1,755,003                 | \$ 9,741,905  | \$ 551,273             | \$ 11,863   | \$ 10,305,041 | \$ 9,864,907 |
| <b>Expense related to Discontinued operations</b> |                |                    |                 |                              |               |                        |             |               |              |
| Discontinued operations                           | -              | -                  | -               | -                            | -             | -                      | -           | -             | 758,658      |
| Total expense for continuing operations           | \$ 1,232,158   | \$ 487,209         | \$ 6,267,535    | \$ 1,755,003                 | \$ 9,741,905  | \$ 551,273             | \$ 11,863   | \$ 10,305,041 | \$ 9,106,249 |

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

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

|   | <u>2014</u>       | <u>2013</u>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>   |                   |                   |
| Change in net assets  | \$ 125,454        | \$ 60,698         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation  | 72,606            | 126,121           |
| Loss/(gain) on sale of property and equipment   | 17,359            | (1,095)           |
| Net changes in operating assets and liabilities:  |                   |                   |
| Accounts receivable   | (166,010)         | 27,138            |
| Pledges receivable  | -                 | 26,000            |
| Notes receivable  | 12,500            | 7,500             |
| Prepaid expenses  | (9,318)           | 5,976             |
| Inventories   | (11,052)          | 3,679             |
| Accounts payable  | (23,821)          | (15,281)          |
| Accrued liabilities   | 139,620           | (41,692)          |
| Deferred revenue  | <u>66,904</u>     | <u>(71,482)</u>   |
| Net cash provided by operating activities   | <u>224,242</u>    | <u>127,562</u>    |
| <b>Cash flows from investing activities</b>   |                   |                   |
| Purchase of property and equipment  | (90,666)          | (25,361)          |
| Proceeds on sale of property and equipment  | -                 | 14,111            |
| Proceeds from (accumulated interest on) term deposits                                       | <u>5,953</u>      | <u>(20)</u>       |
| Net cash used by investing activities   | <u>(84,713)</u>   | <u>(11,270)</u>   |
| <b>Cash flows from financing activities</b>   |                   |                   |
| Net repayments on line of credit  | (40,000)          | -                 |
| Payments on obligations under capital lease   | (10,987)          | (68,954)          |
| Payments on notes payable   | <u>(37,726)</u>   | <u>(47,777)</u>   |
| Net cash used by financing activities   | <u>(88,713)</u>   | <u>(116,731)</u>  |
| <b>Net increase (decrease) in cash</b>  | 50,816            | (439)             |
| <b>Cash, beginning of year</b>  | <u>145,451</u>    | <u>145,890</u>    |
| <b>Cash, end of year</b>  | <u>\$ 196,267</u> | <u>\$ 145,451</u> |
| <b>Supplemental disclosure of cash flow information</b>                                     |                   |                   |
| Cash paid during the year for interest  | \$ 20,799         | \$ 42,046         |

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

# BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014 AND 2013

### 1. NATURE OF BUSINESS:

Berkshire Community Action Council, Inc. (the "Organization") was incorporated November 17, 1966 as a nonprofit corporation. The Organization serves as a community action agency in Berkshire County, Massachusetts, and any contiguous area that may be appropriate. It was formed for the purpose of eliminating poverty by mobilizing community resources, both public and private, for the creation of opportunities in education, training and employment and for the betterment of conditions under which people live.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Comparative financial information

The financial statements include prior year summarized comparative 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 September 30, 2013, from which the summarized information was derived.

#### Net assets

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accompanying financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations including operating accounts.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The donor of these assets permit the Organization to use the income earned on related investments for general or specific purposes.

#### Revenue recognition

Grant funds are recognized as revenues of the Organization when expenses, eligible for reimbursement under the terms of the grant, are incurred. Grant revenues received in advance are recorded as deferred income and subsequently recognized as revenue when earned. Revenue from unit rate and cost reimbursement contracts is recognized as eligible costs are incurred in accordance with contract agreements. All other revenue is recognized when eligible services are rendered.

# BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014 AND 2013

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Accounts receivable

The Organization grants payment terms to its customers of thirty days from the date of the invoice. Customers are considered delinquent for amounts outstanding after thirty days. The Organization does not charge interest or finance charges on past due receivables.

The Organization uses the allowance method to determine uncollectible accounts receivable; the allowance is based on management's assessment of the credit history with customers having outstanding credit balances and current relationships with the Organization. The allowance for doubtful accounts amounted to \$603 and \$929 at September 30, 2014 and 2013, respectively.

#### Note receivable

The Organization had a note receivable that was expected to be paid down in \$10,000 increments. The Organization does not charge interest on this note. The remaining balance was collected during fiscal year 2014. No allowance for doubtful accounts was considered necessary.

#### Inventories

Inventories represent program materials purchased. Inventories are valued at cost using the first-in, first-out method.

Donated goods and materials have no cost. Donated inventory is valued at net realizable value. Management estimates that the future cost of sorting and disposing of the inventory approximately equals its sale price.

#### Property and equipment

Property and equipment are stated at cost, net of related depreciation. The Organization capitalizes land, buildings and equipment with an aggregate cost greater than \$5,000 and a useful life of more than one year. Routine expenditures for repairs and maintenance are charged to expense as they are incurred. When an asset is sold, the cost and accumulated depreciation are removed and any gain or losses is recorded in the statement of activities.

Donations of land, buildings and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets at that time. Buildings and equipment are depreciated using the straight-line method over the following useful lives:

|                                    |             |
|------------------------------------|-------------|
| Building and improvements          | 40 years    |
| Shelter and improvements           | 20-40 years |
| Furniture, equipment and computers | 3-7 years   |
| Transportation equipment           | 5 years     |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Impairment of long-lived assets**

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value. There was no impairment loss recognized during the years ended September 30, 2014 and 2013.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income taxes**

The Organization is a public charity exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is presently considered as "other than a private foundation".

**Uncertain tax positions**

A tax position is deemed to include such things as the Organization's tax exempt status, unrelated business income and the methodologies for allocating expenses to unrelated business income streams. Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after September 30, 2011.

**Cost allocation**

An indirect cost allocation plan was established in which all costs that are not chargeable directly to a program are charged to management and general and allocated to each program based upon the direct costs of that program as a percentage of the total direct program costs.

**Functional allocation of expenses**

The costs of providing program and support activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated based upon management's estimates among the program and supporting activities benefited.

**3. TERM DEPOSITS:**

The Organization invested in a certificate of deposit with a 12 month term at an interest rate of .30%. The balance of the certificate of deposit totaled \$5,953 at September 30, 2013. The certificate was redeemed in 2014.



**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**4. NOTES RECEIVABLE:**

The Organization held an unsecured promissory note dated October 2011 from the Berkshire Food Project, Inc. in the original amount of \$40,000. No interest is charged and payments of \$2,500 are due quarterly until the note is paid in full. The balance as of September 30, 2013 was \$12,500. The note was paid in full as of September 30, 2014.

**5. PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following at September 30:

|                                | <b>2014</b> | <b>2013</b> |
|--------------------------------|-------------|-------------|
| Land                           | \$ 122,800  | \$ 122,800  |
| Building and improvements      | 636,965     | 609,274     |
| Shelter and improvements       | 326,282     | 311,248     |
| Furniture and equipment        | 79,658      | 68,654      |
| Transportation equipment       | 286,963     | 274,069     |
| Computers and software         | 43,124      | 36,441      |
|                                | <hr/>       | <hr/>       |
| Total property and equipment   | 1,495,792   | 1,422,486   |
| Less: accumulated depreciation | (769,384)   | (696,779)   |
|                                | <hr/>       | <hr/>       |
| Property and equipment, net    | \$ 726,408  | \$ 725,707  |

**6. DEFERRED INCOME:**

Deferred income consisted of the following at September 30:

|                                       | <b>2014</b> | <b>2013</b> |
|---------------------------------------|-------------|-------------|
| Department of Energy – weatherization | \$ 26,886   | \$ -        |
| Utility Contracts                     | 31,625      | -           |
| United Way                            | 8,393       | -           |
|                                       | <hr/>       | <hr/>       |
| Total                                 | \$ 66,904   | \$ -        |

**7. BORROWINGS UNDER LINE OF CREDIT:**

The Organization maintains a \$475,000 (\$500,000 in 2013) line of credit agreement with Berkshire Bank. The note requires monthly payments of interest only at the bank's base rate plus 1.5% with a minimum rate of 6.0% (6.0% at September 30, 2014 and 2013) and is secured by all business assets of the Organization. The note must be paid down for thirty consecutive days during each loan year. The balance outstanding was \$360,000 and \$400,000 as of September 30, 2014 and 2013, respectively. Total interest expense relating to the line of credit agreement was \$6,869 and \$15,879 for the years ended September 30, 2014 and 2013, respectively. The line of credit agreement requires that the Organization maintain a debt service coverage ratio of at least 1.2 to 1.



# BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014 AND 2013

### 8. NOTES PAYABLE:

Notes payable consisted of the following at September 30:

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| Berkshire Bank, a twenty year mortgage note, due in monthly installments of \$2,589, including interest at the bank's base rate plus 1.0% (4.25% at September 30, 2014 and 2013). The interest rate is adjusted every three years with the next interest rate adjustment in June 2015. The note is secured by real property at 1531 East Street and 292 West Street, Pittsfield, MA and a first security interest in all business assets of the Organization, and matures June 2023. | \$ 226,119        | \$ 246,964        |
| Berkshire Bank, a five year loan, due in monthly installments of \$731, including interest at 7.5% through March 2015. The note is secured by a vehicle.   | 2,578             | 11,470            |
| Berkshire Bank, a five year loan, due in monthly installments of \$721, including interest at 7.0% through June 2016. The note is secured by a vehicle.  | <u>13,570</u>     | <u>21,559</u>     |
| Total  | 242,267           | 279,993           |
| Less: current portion  | <u>(32,148)</u>   | <u>(36,548)</u>   |
| Long-term  | <u>\$ 210,119</u> | <u>\$ 243,445</u> |

The mortgage agreement, as well as an auto loan, requires that the Organization maintain a debt service coverage ratio of at least 1.2 to 1. The Organization was in compliance with this covenant as of September 30, 2014. The mortgage agreement also requires audited financials to be provided to the bank within 90 days of the fiscal year end. This covenant was not met for the year ended September 30, 2014; however, a waiver of this requirement was obtained from the bank dated December 3, 2014.

Maturities of the notes payable are as follows:

| Year ending September 30, |                   |
|---------------------------|-------------------|
| 2015                      | \$ 32,148         |
| 2016                      | 28,753            |
| 2017                      | 23,841            |
| 2018                      | 24,875            |
| 2019                      | 25,952            |
| Thereafter                | <u>106,698</u>    |
| Total                     | <u>\$ 242,267</u> |

Total interest expense in the above notes amounted to \$12,012 and \$17,598 for the years ended September 30, 2014 and 2013, respectively.

# BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014 AND 2013

### 9. OBLIGATIONS UNDER CAPITAL LEASES:

The Organization is obligated under capital leases consisting of the following:

- Lease of eight vans all dated in June 2008 for 60 months at a total combined payment of \$7,830 per month. The related vehicles were being amortized over five years. These leases ended during 2013 and were renewed as operating leases.
- Copier lease dated January 2010 for 36 months at \$225 per month. The leased equipment was being amortized over its useful life of three years. This lease ended in January 2013.
- Copier lease dated January 2011 for 60 months at \$315 per month. The leased equipment is being amortized over its useful life of five years.
- Lease of a van dated February 2011 for 60 months at \$885 per month. The related vehicle is being amortized over five years.

The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments are as follows:

| Year ending September 30,                           |                              |                 |
|---|------------------------------|-----------------|
|   | 2015                         | \$ 14,400       |
|   | 2016                         | <u>3,915</u>    |
|   | Total                        | 18,315          |
| Less:   | amount representing interest | <u>(963)</u>    |
| Net obligation under capital leases                 |                              | 17,352          |
| Less:   | current portion              | <u>(13,534)</u> |
| Obligations under capital leases, long-term portion |                              | \$ <u>3,818</u> |

Amortization of lease equipment is included in depreciation expense. Property and equipment under the capital lease included the following at September 30,:

|                                 | 2014             | 2013             |
|---------------------------------|------------------|------------------|
| Equipment, cost                 | \$ 50,984        | \$ 358,572       |
| Less: Accumulation amortization | <u>(13,833)</u>  | <u>(334,542)</u> |
| Net carrying value              | \$ <u>37,151</u> | \$ <u>24,030</u> |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**10. CONTINGENCIES:**

The Organization received the majority of its support under various government contracts which are subject to audit by the respective agencies. In management's opinion, the liability, if any, resulting from such audits will not have a material adverse effect on the Organization's financial condition.

**11. OPERATING LEASES:**

The Organization leased space for Barton's Crossing shelter at a monthly rent of \$5,500. This facility was leased under an agreement that ended in June 2013.

The Organization rents its North and South County satellite offices and the Pittsfield Family Resource Center on a monthly basis. The Organization rents its transportation facilities under a two year lease ending in October 2014 and renewed through October 2015. Total monthly rent for these facilities during the year ended September 30, 2014 and 2013 was \$4,450 and \$3,362, respectively.

The Organization leased various apartments on behalf of its transitional housing clients under lease terms of one year or less. The total monthly rent for these apartments was \$5,900. These leases were terminated during the year ended September 30, 2013.

Total rent expense for the above locations totaled \$46,050 and \$144,014 for the years ended September 30, 2014 and 2013, respectively.

In addition, the Organization leases vans under short term operating lease agreements from a private company to use in its transportation program. These leases can be discontinued if the program ends. Total lease expense for these vehicles was \$146,086 and \$90,116 for the years ended September 30, 2014 and 2013, respectively.

Future minimum lease payments required for leases with terms in excess of one year for vehicles and program space are as follows:

**For the year ending September 30,**

|      |            |
|------|------------|
| 2015 | \$ 170,096 |
| 2016 | 70,070     |
| 2017 | 53,724     |
| 2018 | 36,294     |
| 2019 | 4,809      |

The Organization also leases the property located at 292 West Street, Pittsfield Massachusetts to ServiceNet, Inc. This lease is for a term of 60 months ending June 30, 2018. Total lease income under this lease was \$36,480 and \$9,000 for the years ended September 30, 2014 and 2013, respectively.

Future minimum lease receipts under this agreement are as follows:

**For the year ending September 30,**

|      |           |
|------|-----------|
| 2015 | \$ 38,430 |
| 2016 | 40,470    |
| 2017 | 42,480    |
| 2018 | 32,940    |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:**

Temporarily restricted net assets consisted of the following:

|                     | <u>2014</u>       | <u>2013</u>       |
|---------------------|-------------------|-------------------|
| Purpose restricted: |                   |                   |
| Food programs       | \$ 11,013         | \$ 21,516         |
| Fuel programs       | 161,553           | 151,209           |
| Other               | 23,025            | 27,720            |
|                     | <u>\$ 195,591</u> | <u>\$ 200,445</u> |

In fiscal year ended September 30, 1992, the Organization received restricted funding for the acquisition of a family shelter. In 2013, the Organization transitioned the shelter program to another local non-profit agency. Accordingly, the remaining net book value of the family shelter of \$87,682 was released to unrestricted net assets as the restriction of the program funding had been met. See additional information discussed in Note 17.

The various restricted contributions for program activities are released to unrestricted net assets as the funds are expended for their intended purpose. The amount of temporarily restricted net assets relating to these restricted contributions that were released was \$53,956 for the year ended September 30, 2014.

During the year ended September 30, 2014, the Organization concluded that the \$5,000 contribution that had previously been recorded as a permanently restricted net asset had not been classified correctly. It has therefore been released into unrestricted net assets in the current year.

**13. RETIREMENT PLAN:**

The Organization maintains a defined contribution plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to contribute to the plan and may elect to defer any part of their salary up to the maximum permitted by law. The Organization makes monthly contributions to the plan at the rate of five percent of compensation for eligible employees who are at least twenty one years of age and have completed two years of service. Employees are fully vested in all contributions made to the Plan. Contributions made by the Organization to the Plan totaled \$47,300 and \$53,380 for the years ended September 30, 2014 and 2013, respectively.

**14. RELATED PARTY TRANSACTIONS:**

An individual who served on the Board during the year ended September 30, 2013 works in a management capacity for a company that provides goods and services to the Fuel Assistance and Weatherization and Utilities programs. The Organization purchased goods totaling \$23,542 from this company during the year ended September 30, 2013 of which none was payable at September 30, 2013.

Certain Board members of the Organization receive fuel assistance benefits under the Low Income Home Energy Assistance Program. These individuals meet program eligibility guidelines for participation in the same manner as all other program participants. The total amounts of benefits paid to suppliers on behalf of these individuals amounted to \$2,405 for the year ended September 30, 2013.

There are no related party transactions for the year ended September 30, 2014.

# BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014 AND 2013

### 15. CONCENTRATION OF RISK:

The Organization maintains deposits in commercial banks which at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). These balances fluctuate during the year and the uninsured portion can vary greatly. Management monitors the financial condition of the banking institutions and believes there is no significant risk with respect to these deposits. The Organization's operating accounts are maintained at a bank which is insured under the Depositors Insurance Fund which covers all balances over the FDIC limit.

### 16. STATE SURPLUS REVENUE RETENTION:

The Commonwealth of Massachusetts has regulations governing the excess of state revenues over expenses for not-for-profit organizations subject to the Operational Services Divisions' authority. Such a surplus, up to 5% of current year state revenues, shall be retained by the Organization for its charitable purposes. The sum of these annual surpluses may not exceed 20% of the organization's prior year state revenues. If an organization has a surplus in excess of the 5% or 20% rule, the Commonwealth may stipulate the use of such excess by the organization, request the return of the surplus to the state, or reduce state funding in future years. Amounts within the 5% and 20% rules are included in net assets. Any amount in excess of these rules is a liability to the Commonwealth. As of September 30, 2014, Berkshire Community Action Council Inc. has no surpluses in excess of the 5% or 20% rules.

In 2014, the Organization received a report from the Office of the State Auditor of Massachusetts which reported no findings that are material to the overall financial statements.

### 17. DISCONTINUED OPERATIONS:

The Organization discontinued its Housing Program in June 2013. The Department of Housing and Community Development and the Board of Directors approved a transition of all housing contracts and services to another non-profit agency. The decision to discontinue operations was primarily for financial reasons. However, Berkshire Community Action Council, Inc. dedicated significant time and resources to assuring the community would be well served by the transition. The effect of the change in net assets from this portion of the Organization's operations is shown separately on the statements of activities for the year ended September 30, 2013. Operating results from discontinued operations were as follows for September 30, 2013:

|                                | 2013               |
|--------------------------------|--------------------|
| Revenue                        | \$ 708,478         |
| Program expense                | 619,920            |
| Management and general expense | 138,738            |
| Net loss                       | <u>\$ (50,180)</u> |

### 18. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through February 5, 2015, the date on which the financial statements were available to be issued.

In early February 2015, the Commonwealth of Massachusetts informed the Organization that it was not awarded the transportation contract effective July 1, 2015. Annual revenues under this contract amounted to approximately \$1,500,000.

## **SUPPLEMENTARY INFORMATION**

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SCHEDULE OF TRANSPORTATION REVENUES AND EXPENSES  
AND MANAGEMENT AND GENERAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | <u>Transportation</u> | <u>Management<br/>and General</u> |
|--|-----------------------|-----------------------------------|
| <b>Revenue and support</b>             |                       |                                   |
| State grants                           | \$ 1,341,400          | \$ -                              |
| Community service block grants         | 170,118               | -                                 |
| Fees for service                       | 19,733                | 8,476                             |
| Other revenue                          | <u>1,899</u>          | <u>45,264</u>                     |
| Total revenue and support              | <u>1,533,150</u>      | <u>53,740</u>                     |
| <b>Expense</b>                         |                       |                                   |
| Salaries                               | 610,743               | 209,891                           |
| Payroll tax and fringe benefits        | <u>160,409</u>        | <u>34,291</u>                     |
| Total compensation and related expense | 771,152               | 244,182                           |
| Services                               | 8,304                 | 168,818                           |
| Equipment                              | 147,216               | 3,760                             |
| Vehicle and travel costs               | 233,655               | 5,642                             |
| Occupancy costs                        | 14,274                | 30,137                            |
| Supplies                               | 3,328                 | 11,471                            |
| Telephone                              | 10,038                | 12,718                            |
| Postage                                | 215                   | 1,442                             |
| Miscellaneous expense                  | 6,713                 | 23,981                            |
| Training                               | 2,395                 | 15,676                            |
| Fees                                   | 1,864                 | 15,764                            |
| Depreciation                           | 31,207                | 20,656                            |
| Interest expense                       | 1,791                 | 6,752                             |
| Allocated management and general       | <u>293,450</u>        | <u>(549,208)</u>                  |
| Total expense                          | <u>1,525,602</u>      | <u>11,791</u>                     |
| <b>Change in net assets</b>            | <u>\$ 7,548</u>       | <u>\$ 41,949</u>                  |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SCHEDULE OF REVENUE AND EXPENSES OF COMMUNITY PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | CSBG        | FEMA     | Food<br>Programs | Asset<br>Development | Reconnect  | Community<br>Programs | Total       |
|--|-------------|----------|------------------|----------------------|------------|-----------------------|-------------|
| <b>Revenue and support</b>             |             |          |                  |                      |            |                       |             |
| State grants                           | \$ -        | \$ -     | \$ 31,034        | \$ 3,383             | \$ 89,320  | \$ -                  | \$ 123,737  |
| Federal grants                         | -           | 26,691   | -                | -                    | -          | 35,000                | 61,691      |
| Municipal grants                       | -           | -        | 14,672           | -                    | 3,500      | 1,000                 | 19,172      |
| Contributions                          | 207,921     | -        | 8,466            | 5,345                | 38,210     | 49,431                | 309,373     |
| Total revenue and support              | 207,921     | 26,691   | 54,172           | 8,728                | 131,030    | 85,431                | 513,973     |
| <b>Expense</b>                         |             |          |                  |                      |            |                       |             |
| Salaries                               | 139,375     | 372      | 26,711           | 9,609                | 44,192     | 7,868                 | 228,127     |
| Payroll tax and fringe benefits        | 27,722      | 86       | 6,263            | 1,932                | 8,570      | 1,511                 | 46,084      |
| Total compensation and related expense | 167,097     | 458      | 32,974           | 11,541               | 52,762     | 9,379                 | 274,211     |
| Services                               | 345         | -        | 822              | -                    | 11,299     | 28,551                | 41,017      |
| Equipment                              | 250         | -        | -                | -                    | 1,193      | -                     | 1,443       |
| Vehicle and travel costs               | 274         | -        | 470              | 44                   | 427        | -                     | 1,215       |
| Occupancy costs                        | 49,076      | -        | 923              | -                    | 4,651      | -                     | 54,650      |
| Supplies                               | 1,879       | -        | 14,660           | 588                  | 10,456     | 763                   | 28,346      |
| Telephone                              | 137         | -        | 179              | -                    | 1,835      | 132                   | 2,283       |
| Postage                                | 96          | -        | -                | -                    | 98         | 32                    | 226         |
| Miscellaneous expense                  | 186         | -        | -                | 453                  | 275        | 1,922                 | 2,836       |
| Client needs                           | -           | 26,691   | -                | -                    | 6,864      | 7,616                 | 41,171      |
| Volunteer expenses                     | 1,020       | -        | 100              | 604                  | 20,841     | 5,400                 | 27,965      |
| Training                               | 200         | -        | -                | -                    | -          | -                     | 200         |
| Fees                                   | 8           | -        | 125              | -                    | -          | -                     | 133         |
| Depreciation                           | 7,928       | -        | -                | -                    | 129        | -                     | 8,057       |
| Allocated management and general       | -           | 109      | 11,968           | 3,151                | 24,760     | 11,242                | 51,230      |
| Total expense                          | 228,496     | 27,258   | 62,221           | 16,381               | 135,590    | 65,037                | 534,983     |
| Change in net assets                   | \$ (20,575) | \$ (567) | \$ (8,049)       | \$ (7,653)           | \$ (4,560) | \$ 20,394             | \$ (21,010) |



**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SCHEDULE OF REVENUE AND EXPENSES OF FUEL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | Emergency Fuel -<br>Central | Emergency Fuel -<br>North | Emergency Fuel -<br>South | Low Income<br>Energy Assistance | Other     | Total      |
|--|-----------------------------|---------------------------|---------------------------|---------------------------------|-----------|------------|
| <b>Revenue and support</b>             |                             |                           |                           |                                 |           |            |
| State grants                           | \$ -                        | \$ -                      | \$ -                      | \$ 843,640                      | \$ -      | \$ 843,640 |
| Federal grants                         | -                           | -                         | -                         | 5,544,270                       | -         | 5,544,270  |
| Contributions                          | (365)                       | 235                       | -                         | -                               | 22,741    | 22,611     |
| Total revenue and support              | (365)                       | 235                       | -                         | 6,387,910                       | 22,741    | 6,410,521  |
| <b>Expense</b>                         |                             |                           |                           |                                 |           |            |
| Salaries                               | -                           | -                         | -                         | 276,238                         | 2,028     | 278,266    |
| Payroll tax and fringe benefits        | -                           | -                         | -                         | 73,463                          | 349       | 73,812     |
| Total compensation and related expense | -                           | -                         | -                         | 349,701                         | 2,377     | 352,078    |
| Services                               | -                           | -                         | -                         | 27,203                          | -         | 27,203     |
| Equipment                              | -                           | -                         | -                         | 13,257                          | -         | 13,257     |
| Vehicle and travel costs               | -                           | -                         | -                         | 10,710                          | -         | 10,710     |
| Occupancy costs                        | -                           | -                         | -                         | 38,548                          | -         | 38,548     |
| Supplies                               | -                           | -                         | -                         | 16,659                          | 349       | 17,008     |
| Telephone                              | -                           | -                         | -                         | 13,424                          | -         | 13,424     |
| Postage                                | -                           | -                         | -                         | 13,813                          | -         | 13,813     |
| Miscellaneous expense                  | -                           | -                         | -                         | 7,942                           | -         | 7,942      |
| Client needs                           | -                           | 1,194                     | 100                       | -                               | 8,215     | 18,582     |
| Fuel and weatherization                | 9,073                       | -                         | -                         | 5,743,392                       | -         | 5,743,392  |
| Training                               | -                           | -                         | -                         | 3,303                           | -         | 3,303      |
| Fees                                   | -                           | -                         | -                         | 304                             | -         | 304        |
| Depreciation                           | -                           | -                         | -                         | 9,590                           | -         | 9,590      |
| Allocated management and general       | -                           | -                         | -                         | 120,140                         | 649       | 120,789    |
| Total expense                          | 9,073                       | 1,194                     | 100                       | 6,367,986                       | 11,590    | 6,389,943  |
| Change in net assets                   | \$ (9,438)                  | \$ (959)                  | \$ (100)                  | \$ 19,924                       | \$ 11,151 | \$ 20,578  |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SCHEDULE OF REVENUE AND EXPENSES OF WEATHERIZATION AND UTILITIES ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | DOE WAP         | UTILITIES        | HEART WAP          | Total            |
|--|-----------------|------------------|--------------------|------------------|
| <b>Revenue and support</b>             |                 |                  |                    |                  |
| Federal grants                         | \$ 164,925      | \$ -             | \$ 350,780         | \$ 515,705       |
| Fees for service                       | -               | 1,400,038        | -                  | 1,400,038        |
| Total revenue and support              | <u>164,925</u>  | <u>1,400,038</u> | <u>350,780</u>     | <u>1,915,743</u> |
| <b>Expense</b>                         |                 |                  |                    |                  |
| Salaries                               | 20,230          | 169,868          | 50,128             | 240,226          |
| Payroll tax and fringe benefits        | 5,658           | 39,198           | 10,574             | 55,430           |
| Total compensation and related expense | <u>25,888</u>   | <u>209,066</u>   | <u>60,702</u>      | <u>295,656</u>   |
| Services                               | 3,248           | 3,801            | 4,565              | 11,614           |
| Equipment                              | 748             | 77               | 122                | 947              |
| Vehicle and travel costs               | 1,951           | 11,017           | 1,707              | 14,675           |
| Occupancy costs                        | 8,650           | 1,630            | 1,074              | 11,354           |
| Supplies                               | 476             | 2,595            | 2,194              | 5,265            |
| Telephone                              | 30              | 1,681            | 55                 | 1,766            |
| Postage                                | 35              | 968              | 430                | 1,433            |
| Miscellaneous expense                  | 490             | 1,397            | 699                | 2,586            |
| Fuel and weatherization                | 107,867         | 1,027,827        | 271,662            | 1,407,356        |
| Fees                                   | 5               | 60               | -                  | 65               |
| Depreciation                           | 311             | 2,217            | 568                | 3,096            |
| Allocated management and general       | <u>9,963</u>    | <u>55,850</u>    | <u>17,175</u>      | <u>82,988</u>    |
| Total expense                          | <u>159,662</u>  | <u>1,318,186</u> | <u>360,953</u>     | <u>1,838,801</u> |
| <b>Change in net assets</b>            | <u>\$ 5,263</u> | <u>\$ 81,852</u> | <u>\$ (10,173)</u> | <u>\$ 76,942</u> |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| <u>Federal Grantor/ Pass-through Grantor/<br/>Program Title</u>   | <u>Federal CFDA<br/>Number</u> | <u>Federal or State<br/>Identifying Number</u> | <u>Federal Award<br/>Expended</u> |
|---|--------------------------------|--|-----------------------------------|
| <b>Department of Housing and Urban Development</b>  |                                |  |                                   |
| Community Development Block Grants<br>Passed through the City of Pittsfield, MA   | 14.219                         | None   | \$ 3,500                          |
| Community Development Block Grants<br>Passed through the City of North Adams  | 14.219                         | None   | 9,249                             |
| <b>Total Department of Housing and Urban Development</b>  |                                |  | <u>12,749</u>                     |
| <b>Department of Energy</b>   |                                |  |                                   |
| Commonwealth of Massachusetts<br>Department of Housing and Community Development<br>Weatherization Assistance for Low-Income Persons      | 81.042                         | OCD390014610030000                             | <u>164,925</u>                    |
| <b>Total Department of Energy</b>   |                                |  | <u>164,925</u>                    |
| <b>Department of Health and Human Services</b>  |                                |  |                                   |
| Commonwealth of Massachusetts<br>Department of Housing and Community Development<br>Low-Income Home Energy Assistance Program             | 93.568                         | OCD44001458LIHP140                             | 5,544,270                         |
| HEART - Weatherization  | 93.568                         | OCD44001458HW03000                             | <u>350,780</u>                    |
|   |                                |  | 5,895,050                         |
| Community Service Block Grant   | 93.569                         | OCD42001460BG03000                             | 378,039                           |
| Community Service Block Grant   | 93.569                         | OCD42101460BG03000                             | <u>31,034</u>                     |
|   |                                |  | 409,073                           |
| Passed through Health Care for All<br>State Planning and Establishment Grants for the<br>Affordable Care Act (ACA)'s Exchanges            | 93.525                         | None   | 30,000                            |
| Passed through Elder Services of Berkshire County, Inc.<br>Cooperative Agreements to Improve the Health Status<br>of Minority Populations | 93.004                         | None   | <u>5,000</u>                      |
| <b>Total Department of Health and Human Services</b>  |                                |  | <u>6,339,123</u>                  |
| <b>Department of Education</b>  |                                |  |                                   |
| Passed through Berkshire County Sheriff's Office<br>Title 1 State Agency Program for Neglected<br>and Delinquent Children and Youth       | 84.013                         | SDB08211400000000                              | 700                               |
| Title 1 State Agency Program for Neglected<br>and Delinquent Children and Youth   | 84.013                         | SDB01281400000000                              | <u>3,500</u>                      |
|   |                                |  | 4,200                             |
| <b>Department of Homeland Security</b>  |                                |  |                                   |
| Emergency Food and Shelter National Board Program   | 97.024                         | None   | <u>26,691</u>                     |
| <b>Total Expenditures</b>   |                                |  | <u>\$ 6,547,688</u>               |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**1. BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Berkshire Community Action Council, Inc. under programs of the federal government for the year ended September 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Berkshire Community Action Council, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Berkshire Community Action Council, Inc.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**3. PASS-THROUGH STATE AGENCIES:**

Expenditures of federal awards for funds passed through state agencies is based on information provided by the Commonwealth of Massachusetts Operational Services Division.



**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 of  
Berkshire Community Action Council, Inc.

We have audited, 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, the financial statements of Berkshire Community Action Council, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2014, 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 February 5, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Berkshire Community Action Council, 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 the Berkshire Community Action Council Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Berkshire Community Action Council, 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 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.

*Mayer Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
February 5, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Directors of  
Berkshire Community Action Council, Inc.

**Report on Compliance for the Major Federal Program**

We have audited the compliance of Berkshire Community Action Council, Inc. with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on Berkshire Community Action Council, Inc.'s major federal program for the year ended September 30, 2014. Berkshire Community Action Council, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Berkshire Community Action Council, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Berkshire Community Action Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Berkshire Community Action Council, Inc.'s compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Berkshire Community Action Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2014.

### **Report on Internal Control over Compliance**

Management of Berkshire Community Action Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Berkshire Community Action Council, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Berkshire Community Action Council, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

*Mayus Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
February 5, 2015



BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Section I - Summary of Auditor's Results**

***Financial Statements:***

|  |               |
|--|---------------|
| Type of auditors' report issued:   | Unmodified    |
| Internal control over financial reporting:                                       |               |
| Material weaknesses identified?  | No            |
| Significant deficiencies identified not<br>considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted?                            | No            |

***Federal Awards***

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | No            |
| Significant deficiencies identified not<br>considered to be material weaknesses?                                       | None Reported |
| Type of auditors' report issued on compliance<br>for major programs:   | Unmodified    |
| Any audit findings disclosed that are required to be<br>Reported in accordance with Circular A-133,<br>Section 510(a)? | No            |

Identification of major programs:

**Name of Federal Program**

Low-Income Home Energy Assistance Program

**CFDA Number**

93.568

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between<br>Type A or Type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee?                                     | Yes       |

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Section II - Financial Statements Findings**

None

**Section III - Federal Awards Findings and Questioned Costs**

None

**BERKSHIRE COMMUNITY ACTION COUNCIL, INC.**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

There were no findings and questioned costs for the year ended September 30, 2013.