

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

***SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011***

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.

We have audited the accompanying statement of financial position of Berkshire Community Action Council, Inc. (the "Organization") as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2011 financial statements. These financial statements were audited by other auditors whose report dated May 9, 2012, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 to the basic financial statements as a whole.

Mayer Brothers Kalicka, P.C.

Holyoke, Massachusetts
February 7, 2013

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 145,890	\$ 154,259
Accounts receivable, net	387,245	713,566
Pledges receivable - current portion	26,000	13,000
Note receivable - current portion	10,000	-
Inventories	14,874	24,212
Prepaid expenses	<u>48,957</u>	<u>97,584</u>
Total current assets	<u>632,966</u>	<u>1,002,621</u>
Property and equipment	1,725,890	1,648,557
Less accumulated depreciation	<u>(886,407)</u>	<u>(732,727)</u>
Total property and equipment, net	<u>839,483</u>	<u>915,830</u>
Other assets		
Term deposits	5,933	5,901
Pledges receivable, net of current portion	-	13,000
Note receivable, net of current portion	<u>10,000</u>	<u>-</u>
Total other assets	<u>15,933</u>	<u>18,901</u>
Total assets	<u>\$ 1,488,382</u>	<u>\$ 1,937,352</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Borrowings under line of credit	\$ 400,000	\$ 300,000
Notes payable - current portion	49,158	58,195
Obligations under capital leases - current portion	68,954	85,445
Accounts payable	255,408	281,216
Accrued liabilities	113,677	152,679
Deferred income	<u>71,482</u>	<u>521,639</u>
Total current liabilities	<u>958,679</u>	<u>1,399,174</u>
Long-term liabilities		
Notes payable - net of current portion	278,612	329,213
Obligations under capital leases - net of current portion	<u>28,339</u>	<u>97,293</u>
Total long-term liabilities	<u>306,951</u>	<u>426,506</u>
Total liabilities	<u>1,265,630</u>	<u>1,825,680</u>
Net assets		
Unrestricted	(57,946)	(145,202)
Temporarily restricted	275,698	251,874
Permanently restricted	<u>5,000</u>	<u>5,000</u>
Total net assets	<u>222,752</u>	<u>111,672</u>
Total liabilities and net assets	<u>\$ 1,488,382</u>	<u>\$ 1,937,352</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, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2012</u>	<u>2011</u>
Revenue and support					
Contributions	\$ 6,371	\$ 110,236	\$ -	\$ 116,607	\$ 245,892
United Way	121,508	-	-	121,508	179,183
Grants	9,932,288	-	-	9,932,288	11,196,176
Program service fees	934,056	-	-	934,056	743,126
Other revenue	10,105	-	-	10,105	251
Net assets released from restrictions	<u>86,412</u>	<u>(86,412)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>11,090,740</u>	<u>23,824</u>	<u>-</u>	<u>11,114,564</u>	<u>12,364,628</u>
Expense					
Program	10,377,752	-	-	10,377,752	12,250,894
Administrative	<u>625,732</u>	<u>-</u>	<u>-</u>	<u>625,732</u>	<u>488,497</u>
Total expense	<u>11,003,484</u>	<u>-</u>	<u>-</u>	<u>11,003,484</u>	<u>12,739,391</u>
Change in net assets	87,256	23,824	-	111,080	(374,763)
Net assets - beginning of year	<u>(145,202)</u>	<u>251,874</u>	<u>5,000</u>	<u>111,672</u>	<u>486,435</u>
Net assets - end of year	<u>\$ (57,946)</u>	<u>\$ 275,698</u>	<u>\$ 5,000</u>	<u>\$ 222,752</u>	<u>\$ 111,672</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, 2012
WITH COMPARATIVE TOTALS FOR 2011**

Expense	Transportation	Housing	Community Services	Berkshire Immigrant Center	Fuel Assistance	Weatherization and Utilities	Total Program	Management and General	Total	
									2012	2011
Compensation and related expenses										
Salaries	\$ 537,294	\$ 407,574	\$ 89,814	\$ 68,776	\$ 290,886	\$ 349,507	\$ 1,743,851	\$ 213,774	\$ 1,957,625	\$ 2,341,750
Payroll taxes	65,342	44,999	9,475	7,541	27,722	31,799	186,878	19,727	206,605	240,171
Fringe benefits	70,135	34,541	8,462	2,701	46,381	55,831	218,051	18,290	236,341	274,712
Total	672,771	487,114	107,751	79,018	364,989	437,137	2,148,780	251,791	2,400,571	2,856,633
Fuel program	-	-	121	-	5,181,718	-	5,181,839	-	5,181,839	6,206,044
Staff Training	290	1,381	167	225	2,985	5,116	10,164	2,887	13,051	55,612
Contract Services	6,309	145,244	18,189	3,600	1,324	17	174,683	201,805	376,488	243,247
Program materials	806	-	186	-	-	1,774,625	1,775,617	-	1,775,617	1,767,542
Program supplies and benefits	1,205	28,565	8,266	-	529	169	38,734	-	38,734	12,731
Data processing	600	1,549	3,700	1,915	16,175	7,731	31,670	24,848	56,518	55,985
Professional fees	-	-	-	-	-	-	-	35,045	35,045	30,350
Vehicle leasing and rental	64,295	105	319	-	-	-	64,719	62	64,781	71,064
Vehicle expense	148,917	239	1,707	-	110	7,151	158,124	-	158,124	160,970
Space rental	12,985	126,001	14,035	5,400	11,583	-	170,004	3,090	173,094	186,444
Telephone	9,687	6,798	1,866	1,597	3,965	1,737	25,650	4,910	30,560	53,388
Utilities	4,338	37,265	9,283	-	4,035	1,194	56,115	5,791	61,906	71,982
General insurance	61,128	6,140	5,333	227	1,216	14,933	88,977	18,008	106,985	111,700
Repairs and maintenance	1,319	34,941	7,214	-	4,793	2,099	50,366	3,582	53,948	57,029
Office expense	30,174	7,489	30,088	2,576	24,432	6,000	81,446	25,424	106,870	142,908
Interest and fees	410	1,185	5,561	-	1,702	1,138	38,739	35,272	74,011	74,487
Equipment lease and purchase	223	2,619	338	267	4,118	808	9,013	981	9,994	56,976
Travel	-	-	4,801	-	-	7,894	15,459	282	15,741	28,498
Food costs	-	-	-	-	-	-	4,801	-	4,801	40,330
Emergency housing and other assistance	-	25,669	-	-	4,837	-	106,864	-	106,864	295,387
Advertising	300	-	76,358	-	543	292	1,135	-	1,135	5,758
Depreciation	106,885	9,736	6,163	-	8,522	10,420	141,726	11,954	153,680	153,549
Bad debts	-	-	-	-	-	-	-	-	-	11,832
Other miscellaneous	-	116	2,941	69	1	-	3,127	-	3,127	8,945
Total expense	\$ 1,133,503	\$ 922,320	\$ 304,637	\$ 94,894	\$ 5,643,937	\$ 2,278,461	\$ 10,377,752	\$ 625,732	\$ 11,003,484	\$ 12,739,391

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 111,080	\$ (374,763)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	153,680	153,549
Bad debts	-	11,832
Net changes in operating assets and liabilities:		
Accounts receivable	306,321	78,965
Pledges receivable	-	13,000
Prepaid expenses	48,627	(5,454)
Inventories	9,338	(11,028)
Accounts payable	(25,808)	94,638
Accrued liabilities	(39,002)	44,516
Deferred revenue	<u>(450,157)</u>	<u>(19,431)</u>
Net cash provided (used) by operating activities	<u>114,079</u>	<u>(14,176)</u>
Cash flows from investing activities		
Purchase of property and equipment	(77,333)	(35,187)
Purchase of term deposits	<u>(32)</u>	<u>(901)</u>
Net cash used by investing activities	<u>(77,365)</u>	<u>(36,088)</u>
Cash flows from financing activities		
Net borrowings on line of credit	100,000	100,000
Payments on obligations under capital lease	(85,445)	(75,836)
Payments on notes payable	<u>(59,638)</u>	<u>(54,352)</u>
Net cash used by financing activities	<u>(45,083)</u>	<u>(30,188)</u>
Net decrease in cash and cash equivalents	(8,369)	(80,452)
Cash and cash equivalents, beginning of year	<u>154,259</u>	<u>234,711</u>
Cash and cash equivalents, end of year	<u>\$ 145,890</u>	<u>\$ 154,259</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 42,046	\$ 53,877
Non-cash investing and financing activities		
Debt financed purchase of property and equipment	-	\$ 36,295
Acquisition of property and equipment with capital lease obligation	-	50,984
Accounts receivable converted to a note receivable	\$ 20,000	-

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

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

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, 2011, 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.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

Cash equivalents

The Organization considers all highly liquid investment purchases with a majority of three months or less to be cash equivalents.

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 \$5,000 and \$11,832 at September 30, 2012 and 2011, respectively.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made. No allowance was deemed necessary by management at September 30, 2012 and 2011.

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.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

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

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, 2012 and 2011.

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, 2009.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

Reclassification

Certain amounts from the 2011 financial statements have been reclassified to conform to the current year's presentation.

3. TERM DEPOSITS:

The Organization invested in a certificate of deposit with a 12 month term at a current interest rate of .339%. The balance of the certificate of deposit totaled \$5,933 and \$5,901 at September 30, 2012 and 2011, respectively.

4. PLEDGES RECEIVABLE:

Pledges receivable consisted of the following at September 30:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$ 26,000	\$ 13,000
Due in one to five years	<u>-</u>	<u>13,000</u>
Total pledges receivable	<u>\$ 26,000</u>	<u>\$ 26,000</u>

5. NOTES RECEIVABLE:

At September 30, 2012, 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, 2012 was \$20,000.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 122,800	\$ 122,800
Building and improvements	584,313	523,480
Shelter and improvements	311,248	294,748
Furniture and equipment	68,254	68,254
Transportation equipment	602,834	602,834
Computers and software	<u>36,441</u>	<u>36,441</u>
 Total property and equipment	 1,725,890	 1,648,557
Less: accumulated depreciation	<u>(886,407)</u>	<u>(732,727)</u>
 Property and equipment, net	 <u>\$ 839,483</u>	 <u>\$ 915,830</u>

7. DEFERRED INCOME:

Deferred income consisted of the following at September 30:

	<u>2012</u>	<u>2011</u>
Department of Energy – weatherization	\$ 29,308	\$ 29,767
Department of Energy – weatherization ARRA	-	447,634
U.S. Department of Housing and Urban Development	20,000	41
Department of Housing and Community Development – shelters	22,074	26,636
Miscellaneous	<u>100</u>	<u>17,561</u>
 Total	 <u>\$ 71,482</u>	 <u>\$ 521,639</u>

8. BORROWINGS UNDER LINE OF CREDIT:

The Organization maintains a \$400,000 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, 2012 and 2011) 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 \$400,000 and \$300,000 as of September 30, 2012 and 2011, respectively. Total interest expense relating to the line of credit agreement was \$16,533 and \$7,311 for the years ended September 30, 2012 and 2011, respectively. The line of credit agreement requires that the Organization maintain a debt service coverage ratio of at least 1.2 to 1.

The Organization obtained a second line of credit for \$150,000 with Berkshire Bank in September 2012. 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, 2012) and is secured by all business assets of the Organization. The line was guaranteed by the current Executive Director of the Organization. There was no outstanding balance at September 30, 2012.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

9. NOTES PAYABLE:

Notes payable consisted of the following at September 30:

	<u>2012</u>	<u>2011</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, 2012 and 2011). 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.	\$ 266,909	\$ 285,992
Berkshire Bank, a four year loan, due in monthly installments of \$1,570, including interest at 7.5% through April 2013. The note is secured by two vehicles.	10,763	28,075
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.	18,440	26,154
Greylock Federal Credit Union, a four year loan, due in monthly installments of \$427, including interest at 7.99% through July 2013. The note is secured by a vehicle.	3,805	8,800
Greylock Federal Credit Union, a five year loan, due in monthly installments of \$710, including interest at 8.25%. The note was secured by a vehicle and was paid off during the year ended September 30, 2012.	-	3,542
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>27,853</u>	<u>34,845</u>
Total	327,770	387,408
Less: current portion	<u>(49,158)</u>	<u>(58,195)</u>
Net	\$ <u>278,612</u>	\$ <u>329,213</u>

The mortgage agreement as well as an auto loan require that the Organization to 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, 2012.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

9. NOTES PAYABLE: (CONTINUED)

Maturities of the notes payable are as follows:

Year ending September 30,	
2013	\$ 49,158
2014	36,548
2015	32,464
2016	28,556
2017	22,851
Thereafter	<u>158,193</u>
Total	\$ <u>327,770</u>

Total interest expense in the above notes amounted to \$16,345 and \$20,126 for the years ended September 30, 2012 and 2011, respectively.

10. OBLIGATIONS UNDER CAPITAL LEASES:

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

- 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.
- Copier lease dated January 2010 for 36 months at \$225 per month. The leased equipment is being amortized over its useful life of three years.
- 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 are being amortized over 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.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

10. OBLIGATIONS UNDER CAPITAL LEASE: (CONTINUED)

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,	
2013	\$ 78,167
2014	14,400
2015	14,400
2016	<u>4,800</u>
Total	111,767
Less: amount representing interest	<u>(14,474)</u>
Net obligation under capital leases	97,293
Less: current portion	<u>(68,954)</u>
Obligations under capital leases, long-term portion	\$ <u>28,339</u>

Amortization of lease equipment is included in depreciation expense. Property and equipment under the capital lease included the following at September 30, 2012:

Equipment, cost	\$ 358,572
Less: Accumulation amortization	<u>(261,279)</u>
Net carrying value	\$ <u>97,293</u>

11. 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.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

12. OPERATING LEASES:

The Organization leases space for Barton's Crossing shelter at a monthly rent of \$5,500. This facility is leased under a five year agreement expiring in November 2015.

The Organization rents its North and South County satellite offices, the Pittsfield Family Resource Center, Reconnect, its transportation facilities and the Berkshire Immigrant Center on a monthly basis with a total monthly rent of \$4,462.

The Organization leases 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 \$5,300.

Total rent expense for the above locations totaled \$173,094 and \$186,443 for the years ended September 30, 2012 and 2011, 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 \$64,781 and \$68,730 for the years ended September 30, 2012 and 2011, 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,	
2013	\$ 163,764
2014	67,000
2015	66,000
2016	11,000

13. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following:

	2012	2011
Rehabilitation of family shelter	\$ 87,682	\$ 95,685
Purpose restricted:		
Food programs	18,516	17,933
Fuel programs	153,817	129,073
Other	15,683	9,183
	<u>\$ 275,698</u>	<u>\$ 251,874</u>

Funds received from the United States Department of Housing and Urban Development for the acquisition and rehabilitation of the family shelter totaled \$273,833; this amount is released to unrestricted net assets as the related depreciation expense is incurred annually. The related depreciation expense was \$8,003 and \$10,017 for the years ended September 30, 2012 and 2011, respectively, which is reflected as an expiration of a time restriction in the accompanying statement of activities. The remaining amount of temporarily restricted net assets relating to these costs was \$87,682 and \$95,685 at September 30, 2012 and 2011, respectively.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

13. TEMPORARILY RESTRICTED NET ASSETS: (CONTINUED)

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 \$78,409 for the year ended September 30, 2012.

14. CASH – RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS:

The Organization's permanently restricted net asset consists of an individual endowment fund which is classified and reported based on the existence of donor-imposed restrictions. The endowment principal is to be maintained in perpetuity, the income from which is available for use in supporting operating activities.

Permanently restricted net assets consist of the following:

Endowment net assets, beginning of year	\$ 5,000
Investment return:	
Interest income	22
Appropriation of endowment expenditure	<u>(22)</u>
Endowment net assets, end of year	<u>\$ 5,000</u>

15. 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 \$61,778 and \$70,235 for the years ended September 30, 2012 and 2011, respectively.

16. RELATED PARTY TRANSACTIONS:

The prior executive director of the Organization was a member of the Board of Directors of another nonprofit entity from which the Organization purchases goods for its food pantry. Total purchases from this entity totaled \$38,115 for the year ended September 30, 2011 of which \$3,201 was payable at September 30, 2011. There were no purchases for the year ended September 30, 2012.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

16. RELATED PARTY TRANSACTIONS: (CONTINUED)

One Board member 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 \$66,837 from this company during the year ended September 30, 2012 of which \$5,430 was payable at September 30, 2012. The Organization purchased goods totaling \$165,766 from this company during the year ended September 30, 2011 of which \$5,395 was payable at September 30, 2011.

A member of the Board of Directors is a certified public accountant at a local accounting firm that provided consulting services relating to a Federal grant award. The Organization purchased services totaling \$4,750 from the firm during the year ended September 30, 2011. No services were purchased for the year ended September 30, 2012.

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 \$2,290 and \$2,926 for the years ended September 30, 2012 and 2011, respectively.

The current Executive Director of the Organization has guaranteed the new line of credit held at Berkshire Bank.

17. 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. There were no uninsured deposits at September 30, 2012.

18. 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, 2012, Berkshire Community Action Council Inc. has no surpluses in excess of the 5% or 20% rules and no surpluses within the 5% and 20% rules.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

19. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through February 7, 2013, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF TRANSPORTATION REVENUES AND EXPENSES
AND MANAGEMENT AND GENERAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Transportation</u>	<u>Management and General</u>
Revenue and support		
State grants	\$ 1,158,469	\$ -
Community service block grants	115,659	-
Fees for service	30,358	-
Other revenue	<u>-</u>	<u>10,454</u>
Total revenue and support	<u>1,304,486</u>	<u>10,454</u>
Expense		
Salaries	537,295	213,774
Payroll tax and fringe benefits	<u>135,477</u>	<u>38,018</u>
Total compensation and related expense	672,772	251,792
Services	7,209	266,327
Equipment	88,927	2,299
Vehicle and travel costs	210,268	635
Occupancy costs	20,009	33,547
Supplies	4,611	10,358
Telephone	9,687	4,910
Postage	548	1,440
Miscellaneous expense	4,734	5,115
Client needs	806	-
Training	292	4,051
Fees	2,394	16,771
Depreciation	106,885	11,954
Interest expense	4,361	16,533
Allocated management and general	<u>201,390</u>	<u>(593,679)</u>
Total expense	<u>1,334,893</u>	<u>32,053</u>
Change in net assets	<u>\$ (30,407)</u>	<u>\$ (21,599)</u>

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE REVENUE AND EXPENSES OF OUR FRIENDS HOUSE SHELTER
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	DHCD	DHCD Housing Stabilization	HUD Shelter	Pittsfield CDBG	Other	Total
Revenue and support						
State grants	\$ 380,514	\$ 5,439	\$ -	\$ -	\$ -	\$ 385,953
Federal grants	-	-	43,067	-	-	43,067
Municipal grants	-	-	-	5,400	-	5,400
Contributions	-	-	-	-	7,940	7,940
Total revenue and support	<u>380,514</u>	<u>5,439</u>	<u>43,067</u>	<u>5,400</u>	<u>7,940</u>	<u>442,360</u>
Expense						
Salaries	129,486	-	33,292	263	2,517	165,558
Payroll tax and fringe benefits	<u>26,474</u>	-	<u>8,440</u>	<u>42</u>	<u>555</u>	<u>35,511</u>
Total compensation and related expense	155,960	-	41,732	305	3,072	201,069
Services	91,169	-	2,161	450	5,572	99,352
Equipment	250	-	-	-	-	250
Vehicle and travel costs	1,383	-	124	-	42	1,549
Occupancy costs	24,108	-	3,516	80	-	27,704
Supplies	6,774	-	2,038	-	-	8,812
Telephone	2,257	-	68	80	254	2,659
Postage	229	-	-	-	26	255
Miscellaneous expense	12	-	3	80	-	95
Client needs	17,614	5,517	-	-	220	23,351
Training	751	-	-	-	-	751
Fees	245	-	-	-	-	245
Non-reimbursable depreciation	-	-	8,140	-	-	8,140
Depreciation	550	-	-	-	1,047	1,597
Interest expense	-	-	-	-	-	-
Allocated management and general	<u>48,631</u>	-	<u>9,040</u>	<u>210</u>	<u>1,750</u>	<u>59,631</u>
Total expense	<u>349,933</u>	<u>5,517</u>	<u>66,822</u>	<u>1,205</u>	<u>11,983</u>	<u>435,460</u>
Change in net assets	<u>\$ 30,581</u>	<u>\$ (78)</u>	<u>\$ (23,755)</u>	<u>\$ 4,195</u>	<u>\$ (4,043)</u>	<u>\$ 6,900</u>

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF REVENUE AND EXPENSES OF BARTON'S CROSSING SHELTER
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	DHCD	HUD Supportive	Pittsfield CDBG	Y Initiative	Other	Total
Revenue and support						
State grants	\$ 335,495	\$ -	\$ -	\$ 108,648	\$ -	\$ 444,143
Federal grants	-	115,028	-	40,129	-	155,157
Municipal grants	-	-	33,150	-	-	33,150
Contributions	-	-	-	15,000	55,530	70,530
Total revenue and support	<u>335,495</u>	<u>115,028</u>	<u>33,150</u>	<u>163,777</u>	<u>55,530</u>	<u>702,980</u>
Expense						
Salaries	110,534	70,321	1,194	41,391	18,575	242,015
Payroll tax and fringe benefits	19,111	13,610	162	7,502	3,645	44,030
Total compensation and related expense	<u>129,645</u>	<u>83,931</u>	<u>1,356</u>	<u>48,893</u>	<u>22,220</u>	<u>286,045</u>
Services	1,435	2,767	-	31,817	11,421	47,440
Equipment	-	935	-	-	-	935
Vehicle and travel costs	988	101	-	232	91	1,412
Occupancy costs	38,631	41,291	25,709	67,473	6,280	179,384
Supplies	9,500	5,321	-	1,625	6,872	23,318
Telephone	2,511	399	27	-	1,202	4,139
Postage	90	4	-	8	274	376
Miscellaneous expense	-	1	80	-	148	229
Client needs	-	-	-	40	2,278	2,318
Training	671	-	-	-	-	671
Fees	54	135	-	-	-	189
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Allocated management and general	<u>32,264</u>	<u>21,084</u>	<u>4,783</u>	<u>25,596</u>	<u>10,627</u>	<u>94,354</u>
Total expense	<u>215,789</u>	<u>155,969</u>	<u>31,955</u>	<u>175,684</u>	<u>61,413</u>	<u>640,810</u>
Change in net assets	<u>\$ 119,706</u>	<u>\$ (40,941)</u>	<u>\$ 1,195</u>	<u>\$ (11,907)</u>	<u>\$ (5,883)</u>	<u>\$ 62,170</u>

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF REVENUE AND EXPENSES OF COMMUNITY PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	CSBG	FEMA	Food Programs	Asset Development	Reconnect	Community Programs	Total
Revenue and support							
State grants	\$ 134,936	\$ -	\$ -	\$ -	\$ 87,799	\$ -	\$ 222,735
Federal grants	-	30,000	-	3,100	-	6,900	40,000
Municipal grants	-	-	-	6,660	23,248	-	29,908
Contributions	-	-	5,919	6,667	14,930	50,597	78,113
Total revenue and support	<u>134,936</u>	<u>30,000</u>	<u>5,919</u>	<u>16,427</u>	<u>125,977</u>	<u>57,497</u>	<u>370,756</u>
Expense							
Salaries	3,973	1,851	7,173	13,010	54,699	9,106	89,812
Payroll tax and fringe benefits	880	384	1,234	2,152	11,654	1,629	17,933
Total compensation and related expense	<u>4,853</u>	<u>2,235</u>	<u>8,407</u>	<u>15,162</u>	<u>66,353</u>	<u>10,735</u>	<u>107,745</u>
Services	3,822	-	-	-	18,067	145	22,034
Equipment	250	-	-	-	-	-	250
Vehicle and travel costs	2,010	-	1,888	251	225	-	4,374
Occupancy costs	32,222	-	1,360	-	6,609	117	40,308
Supplies	762	-	228	336	9,086	174	10,586
Telephone	-	-	593	-	1,273	-	1,866
Postage	13	21	8	-	110	108	260
Miscellaneous expense	179	1	9	-	332	3,583	4,104
Client needs	-	29,485	4,869	-	6,268	39,905	80,527
Fuel and weatherization	186	-	121	-	-	-	307
Volunteer expenses	-	-	-	-	18,709	6,661	25,370
Training	-	-	-	-	167	-	167
Fees	-	-	25	-	-	72	97
Depreciation	6,165	-	-	-	-	-	6,165
Interest expense	-	-	-	-	-	-	-
Allocated management and general	6,959	508	2,794	3,295	22,100	3,923	39,579
Total expense	<u>57,421</u>	<u>32,250</u>	<u>20,302</u>	<u>19,044</u>	<u>149,299</u>	<u>65,423</u>	<u>343,739</u>
Change in net assets	<u>\$ 77,515</u>	<u>\$ (2,250)</u>	<u>\$ (14,383)</u>	<u>\$ (2,617)</u>	<u>\$ (23,322)</u>	<u>\$ (7,926)</u>	<u>\$ 27,017</u>

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF REVENUE AND EXPENSES OF FUEL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Emergency Fuel - Central	Low Income Energy Assistance	Other	Total
Revenue and support				
State grants	\$ -	\$ 825,182	-	\$ 825,182
Federal grants	-	4,951,681	-	4,951,681
Contributions	20,905	-	7,195	28,100
Total revenue and support	20,905	5,776,863	7,195	5,804,963
Expense				
Salaries	-	290,885	-	290,885
Payroll tax and fringe benefits	-	74,103	-	74,103
Total compensation and related expense	-	364,988	-	364,988
Services	-	18,716	-	18,716
Equipment	-	6,521	-	6,521
Vehicle and travel costs	-	4,228	-	4,228
Occupancy costs	-	25,430	-	25,430
Supplies	-	9,807	-	9,807
Telephone	-	3,965	-	3,965
Postage	-	9,685	-	9,685
Miscellaneous expense	-	2,269	-	2,269
Client needs	3,292	-	1,545	4,837
Fuel and weatherization	-	5,181,718	-	5,181,718
Training	-	2,986	-	2,986
Fees	-	265	-	265
Depreciation	-	8,522	-	8,522
Interest expense	-	-	-	-
Allocated management and general	-	86,259	923	87,182
Total expense	3,292	5,725,359	2,468	5,731,119
Change in net assets	\$ 17,613	\$ 51,504	\$ 4,727	\$ 73,844

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF REVENUE AND EXPENSES OF WEATHERIZATION AND UTILITIES ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	DOE WAP	ARRA WAP	UTILITIES	HEART WAP	Total
Revenue and support					
Federal grants	\$ 227,273	\$ 854,382	\$ -	\$ 407,496	\$ 1,489,151
Fees for service	-	-	903,699	-	903,699
Total revenue and support	<u>227,273</u>	<u>854,382</u>	<u>903,699</u>	<u>407,496</u>	<u>2,392,850</u>
Expense					
Salaries	38,202	111,299	132,154	67,853	349,508
Payroll tax and fringe benefits	10,965	30,214	29,301	17,151	87,631
Total compensation and related expense	<u>49,167</u>	<u>141,513</u>	<u>161,455</u>	<u>85,004</u>	<u>437,139</u>
Services	2,477	575	3,414	1,845	8,311
Equipment	238	241	320	10	809
Vehicle and travel costs	1,906	5,226	8,220	4,324	19,676
Occupancy costs	8,098	3,014	1,494	1,327	13,933
Supplies	293	1,886	947	631	3,757
Telephone	70	1,365	292	10	1,737
Postage	324	303	487	417	1,531
Miscellaneous expense	118	137	409	316	980
Fuel and weatherization	180,590	664,836	629,326	299,873	1,774,625
Training	2,312	1,573	19	1,264	5,168
Fees	-	15	360	-	375
Depreciation	81	161	6,845	3,333	10,420
Interest expense	-	-	-	-	-
Allocated management and general	<u>10,181</u>	<u>33,494</u>	<u>31,835</u>	<u>19,404</u>	<u>94,914</u>
Total expense	<u>255,855</u>	<u>854,339</u>	<u>845,423</u>	<u>417,758</u>	<u>2,373,375</u>
Change in net assets	<u>\$ (28,582)</u>	<u>\$ 43</u>	<u>\$ 58,276</u>	<u>\$ (10,262)</u>	<u>\$ 19,475</u>

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal or State Identifying Number</u>	<u>Federal Award Expended</u>
Department of Housing and Urban Development			
Community Development Block Grants Passed through the City of Pittsfield, MA	14.219	None	\$ 38,550
Commonwealth of Massachusetts Department of Housing and Community Development Emergency Shelter Grants Program	14.231	OCD8000HSDESGP2500	41,855
Supportive Housing	14.235	MA-0143BIT071003	115,028
Supportive Housing	14.235	MA-0145BIT071003	43,067
Supportive Housing	14.235	MA-0356BIT071000	26,473
Supportive Housing	14.235	MA-0373BIT071000	6,788
Supportive Housing	14.235	MA-0374BIT071000	6,868
			<u>198,224</u>
Total Department of Housing and Urban Development			<u>278,629</u>
Department of Energy			
Commonwealth of Massachusetts Department of Housing and Community Development Weatherization Assistance for Low-Income Persons	81.042	OCD39001161030	227,273
Weatherization Assistance for Low-Income Persons - Recovery Act Funds	81.042	OCD41401061ARRA003	854,382
			<u>1,081,655</u>
Total Department of Energy			
Department of Health and Human Services			
Commonwealth of Massachusetts Department of Housing and Community Development Low-Income Home Energy Assistance Program	93.568	OCD44001258LHI0000	4,951,681
HEART - Weatherization	93.568	OCD44001258HW03000	407,496
			<u>5,359,177</u>
Community Service Block Grant	93.569	OCD42001260BG03000	385,531
Passed through Elder Services of Berkshire County, Inc. Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	None	6,900
			<u>5,751,608</u>
Total Department of Health and Human Services			
Department of Education			
Passed through Berkshire County Sheriff's Office Title 1 State Agency Program for Neglected and Delinquent Children and Youth	84.013	SDB08241100000000	14,145
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024	none	30,000
Total Expenditures			<u>\$ 7,156,037</u>

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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, 2012. 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.



**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 the financial statements of Berkshire Community Action Council, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated February 7, 2013. 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.

Internal Control Over Financial Reporting

Management of Berkshire Community Action Council, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Berkshire Community Action Council, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkshire Community Action Council, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkshire Community Action Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

To the Board of Directors of
Berkshire Community Action Council, Inc.
Page 2

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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maya Brothers Halicka, P.C.

Holyoke, Massachusetts
February 7, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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 each of Berkshire Community Action Council, Inc.'s major federal programs for the year ended September 30, 2012. Berkshire Community Action Council, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Berkshire Community Action Council, Inc.'s management. Our responsibility is to express an opinion on Berkshire Community Action Council, Inc.'s compliance based on our audit.

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. Our audit does not provide a legal determination of Berkshire Community Action Council, Inc.'s compliance with those requirements.

In our opinion, Berkshire Community Action Council, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Berkshire Community Action Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Berkshire Community Action Council, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Mary Beth Keliha, P.C.

Holyoke, Massachusetts
February 7, 2013

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements:

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

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Weatherization Assistance for Low-Income Persons (including Recovery Act funds)	81.042
Low-Income Home Energy Assistance Program	93.568
HEART Weatherization	93.568

Dollar threshold used to distinguish between Type A or Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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, 2012**

Section II - Financial Statements Findings

Finding #2011-1

Statement of Condition:

The Organization's Board of Directors did not consist of the minimum of fifteen members throughout the fiscal year.

Criteria:

The Organization's by-laws as well as Community Services Block Grant (CSBG) Regulations require that the Organization maintain a minimum of fifteen Board members.

Effect of Condition:

The Organization is not in compliance with the CSBG regulations and its own by-laws.

Cause of Condition:

The Organization has a difficult time recruiting new qualified board members.

Recommendation:

Management and the Board of Directors need to continue to work until there are at least fifteen board members. The goal should be higher than the required minimum fifteen members so that if a member leaves before their term is up, it does not result in a violation of the CSBG regulation.

Management's Response:

Management and the Board of Directors will continue to work on attracting new board members until there are at least fifteen members. Management has secured the support of the Congressional delegation. Each member of the House and Senate will select a representative for the BCAC Board.

There are several parties interested in participating for the Client Rep section. A special board meeting is planned for June to allow those interested in serving to come and witness the process and the Board and Management will address all of their issues and concerns. The private sector is duly represented.

Current Status:

Management has actively recruited new board members throughout the year and as of September 30, 2012, had fifteen members on the board.

(Continued)

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2012

Finding #2011-2

Statement of Condition:

The Organization incurred a significant loss for the year ended September 30, 2011. There was very little discussion on the financial condition of the Organization documented in the minutes of the Board of Director's meetings and the finance committee meetings. The loss was funded by borrowing on the line of credit.

In addition, there were three new vehicles acquired by the Organization during the fiscal year. One was paid for at the time of purchase, one was financed through a local financial institution and the third was leased. There is no documentation in either the finance committee or board minutes of either the approval for these expenditures or the approval of the method of acquisition. There is no documentation that an analysis of the best way to acquire these vehicles was performed. In addition, internal control procedures require three bids on expenditures of this magnitude and there was no discussion or documentation that this process occurred.

Criteria:

Board and committee minutes should be used to document the conversations, considerations and actions of these groups to prove to funding sources and outsiders that they are effectively performing their fiduciary duty to the organization.

Effect of Condition:

The Organization has been experiencing cash flow issues and has very limited borrowing available. In addition, the Organization has obligations to perform work under various contracts for which funds were advanced and does not have the cash available to fund these activities.

Cause of Condition:

The financial condition of the Organization was not monitored in a timely and effective manner during the fiscal year.

Recommendation:

As deficits were incurred during the year, management and the Board of Directors should have taken action to cut expenses, find additional sources of revenue and more closely monitored cash flows to avoid such a deterioration of the Organization's financial condition.

Management's Response:

Financial Statements are now prepared by the 15th of the following month. Management meets with all program directors on a monthly basis to review the financial progress of their programs. The Finance Committee of the Board meets the first Tuesday after the 15th to review the financial position of the agency and report the results to the Board. The new executive director and interim CFO have reviewed all of the Financial Policies and Procedures and are assuring that all capital expenditures follow the agency and Federal/State regulations for procurement. A detailed (by week) cash flow analysis is maintained and updated weekly to monitor and plan cash flow. The agency is engaged in negotiations with two banks to assist in their cash flow needs.

Current Status:

Management has taken appropriate cost cutting measures and other actions and for the year ended September 30, 2012, the Organization has a surplus of approximately \$134,000. Per review of the board minutes, the cash-flow and activities of the Organization were discussed timely and in detail.

BERKSHIRE COMMUNITY ACTION COUNCIL, INC.

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section III - Federal Awards Findings and Questioned Costs

None reported