



**FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

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June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
Partnerships for a Skilled Workforce, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Partnerships for a Skilled Workforce, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partnerships for a Skilled Workforce, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Pinning & Co., P.C.

Westborough, Massachusetts
November 9, 2017

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash	\$ 84,707	\$ 117,419
Accounts receivable	153,643	146,952
Prepaid expenses and other	9,467	13,747
Total current assets	247,817	278,118
Websites, net	36,727	81,304
Total assets	<u>\$ 284,544</u>	<u>\$ 359,422</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 125,864	\$ 134,874
Unrestricted Net Assets:		
Operating	110,428	116,232
Websites	36,727	81,304
Board designated	11,525	27,012
Total net assets	158,680	224,548
Total liabilities and net assets	<u>\$ 284,544</u>	<u>\$ 359,422</u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenue:						
Contract and program service revenue	\$ 1,118,127	\$ -	\$ 1,118,127	\$ 1,177,928	\$ -	\$ 1,177,928
Rentals and other	13,144	-	13,144	10,860	-	10,860
Net assets released from restrictions	-	-	-	4,448	(4,448)	-
Total operating support and revenue	<u>1,131,271</u>	<u>-</u>	<u>1,131,271</u>	<u>1,193,236</u>	<u>(4,448)</u>	<u>1,188,788</u>
Operating Expenses:						
Program	1,035,210	-	1,035,210	937,180	-	937,180
General and administrative	161,929	-	161,929	291,312	-	291,312
Total operating expenses	<u>1,197,139</u>	<u>-</u>	<u>1,197,139</u>	<u>1,228,492</u>	<u>-</u>	<u>1,228,492</u>
Changes in net assets	(65,868)	-	(65,868)	(35,256)	(4,448)	(39,704)
Net Assets:						
Beginning of year	<u>224,548</u>	<u>-</u>	<u>224,548</u>	<u>259,804</u>	<u>4,448</u>	<u>264,252</u>
End of year	<u>\$ 158,680</u>	<u>\$ -</u>	<u>\$ 158,680</u>	<u>\$ 224,548</u>	<u>\$ -</u>	<u>\$ 224,548</u>

The accompanying notes are an integral part of these statements.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (65,868)	\$ (39,704)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Amortization	44,577	37,660
Changes in operating assets and liabilities:		
Accounts receivable	(6,691)	73,150
Prepaid expenses and other	4,280	(682)
Accounts payable and accrued expenses	(9,010)	(46,753)
Deferred revenue	-	(1,635)
	<u>(32,712)</u>	<u>22,036</u>
Net cash provided by (used in) operating activities		
	<u>(32,712)</u>	<u>22,036</u>
Net Change in Cash	(32,712)	22,036
Cash:		
Beginning of year	<u>117,419</u>	<u>95,383</u>
End of year	<u><u>\$ 84,707</u></u>	<u><u>\$ 117,419</u></u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2017 and 2016

1. OPERATIONS AND NONPROFIT STATUS

Partnerships for a Skilled Workforce, Inc. (PSW, Inc.) is a Massachusetts nonprofit organization formed in September 2000. PSW, Inc. explores and initiates actions that will increase involvement of the private sector in employment and training activities for the benefit of economically disadvantaged, unemployed and under employed persons, as well as youth and adults in need of training, retraining or re-employment services. PSW, Inc. operates in the Metrowest area of greater Boston.

PSW, Inc. provides policy guidance and oversight for all training and placement programs within its jurisdiction that are funded under the Workforce Innovations and Opportunities Act, the Workforce Investment Act of 1998 and other Federal and state legislation, foundation grants, and corporate contributions. Directors of PSW, Inc. are elected for staggered terms.

PSW, Inc. is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). PSW, Inc. is also exempt from state income taxes. Donors may deduct contributions made to PSW, Inc. within the IRC's requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

PSW, Inc. prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due from contracts and program services provided. Management determines an allowance for doubtful accounts based on historical collections. No allowance was deemed necessary at June 30, 2017 and 2016.

Equipment and Depreciation

Purchased equipment costing \$5,000 or more with a useful life of more than one year is recorded at cost. Donated equipment is recorded at fair market value at the time of donation. Renewals and betterments are capitalized while repairs and maintenance are charged to expense as they are incurred. All capitalized equipment owned by PSW, Inc. is fully depreciated.

Websites and Amortization

Costs incurred for developing new websites or adding new components to the websites are capitalized and amortized over a useful life of three years. Costs incurred for renovations, upgrades, and uploading of content to the websites is considered routine maintenance and is expensed as incurred.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by PSW, Inc. PSW, Inc. has grouped its unrestricted net assets into the following categories:

Operating - represents funds available to carry on PSW, Inc.'s operations.

Websites - represents the activities relating to PSW, Inc.'s websites.

Board designated - represents funds set aside by the Board of Directors for future programmatic needs. These funds may only be used with the approval of the Board of Directors.

Temporarily Restricted Net Assets

PSW, Inc. receives grants that are designated by donors for specific purposes. These grants are recorded as temporarily restricted net assets until they are expended for their designated purposes. There were no temporarily restricted net assets at June 30, 2017 or 2016.

Revenue Recognition

Contract and program service revenue is recorded as services are provided. Contract and program service fees received before services are provided are recorded as deferred revenue. Unrestricted grants and contributions are recorded as unrestricted revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenue and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or as time restrictions lapse. All other revenue is recorded when earned.

Expense Allocation

Expenses related directly to a function are distributed to that function, while indirect expenses are allocated based upon management's estimate of the percentage attributable to each function (see Note 8).

Fair Value Measurements

PSW, Inc. follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that PSW, Inc. would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

PSW, Inc. uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of PSW, Inc. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Income Taxes

PSW, Inc. accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. PSW, Inc. has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2017 and 2016. PSW, Inc.'s information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 9, 2017, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements, other than as disclosed in Note 3.

3. LEASE AGREEMENTS

PSW, Inc. leases administrative space under an operating agreement that expires in December 2017, with required monthly payments of \$4,847. This space is leased from a company owned by a former member of PSW, Inc.'s Board of Directors (see Note 7). Rent expense for each of the years ended June 30, 2017 and 2016, was \$58,170.

The remaining minimum lease payments under this agreement are \$29,085 for fiscal year 2018.

PSW, Inc. has entered into the following sublease agreements:

- Office space for the period July 1, 2015, through June 30, 2017, with required monthly payments of \$450 through June 2016, at which time the required monthly payments increased to \$475 through June 2017. The agreement was subsequently extended through June 30, 2018, with required monthly payments of \$500.
- Office space for the period July 1, 2015, through June 30, 2017, with required monthly payments of \$450 through October 2015, at which time the required monthly payments increased to \$500 through June 2016. Beginning July 2016, the required monthly payments increased to \$550 through June 2017. The agreement was subsequently extended through June 30, 2018, with required monthly payments of \$550.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2017 and 2016

3. LEASE AGREEMENTS (Continued)

Rental income for fiscal years 2017 and 2016 was \$12,926 and \$10,725, respectively, and is included in rentals and other revenue in the accompanying statements of activities and changes in net assets. Expected rental income for fiscal year 2018 is \$12,600.

4. FUNDING AND RELATED CONCENTRATIONS

During fiscal year 2017, PSW, Inc. received approximately 66% and 31% of its support and revenue from various departments of the Commonwealth of Massachusetts (the Commonwealth) and two not-for-profit agencies, respectively. During fiscal year 2016, PSW, Inc. received approximately 68% and 29% of its support and revenue from various departments of the Commonwealth and two not-for-profit agencies, respectively. Payments to PSW, Inc. are subject to audit by the Commonwealth. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of PSW, Inc. as of June 30, 2017 and 2016, or on its results of operations for the years then ended.

Approximately 71% and 25% of PSW, Inc.'s accounts receivable at June 30, 2017, were due from various departments of the Commonwealth and two not-for-profit agencies, respectively. Approximately 48% and 52% of PSW, Inc.'s accounts receivable at June 30, 2016, were due from various departments of the Commonwealth and two not-for-profit agencies, respectively.

5. LINE OF CREDIT

PSW, Inc. has available up to \$125,000 under a line of credit agreement. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime lending rate (4.25% and 3.5% at June 30, 2017 and 2016, respectively), with a floor of 4.5%. The line of credit is secured by certain assets of PSW, Inc. As of June 30, 2017 and 2016, there was no outstanding balance under this agreement.

6. WEBSITES

Websites consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Websites	\$ 133,730	\$ 133,730
Less – accumulated amortization	<u>97,003</u>	<u>52,426</u>
Websites, net	<u>\$ 36,727</u>	<u>\$ 81,304</u>

Amortization expense for the years ended June 30, 2017 and 2016 was \$44,577 and \$37,660, respectively.

7. RELATED PARTY TRANSACTION

PSW, Inc. leases its administrative office from a company owned by a former member of the Board of Directors. Rent expense under this lease is disclosed in Note 3. This Board member did not participate in any Board resolutions related to this lease while a member of the Board through May 2016.

8. EXPENSE CLASSIFICATIONS

In 2017, PSW, Inc. evaluated its expense allocation methods and revised its allocation of indirect expenses to program and general and administrative functions. This change had no effect on either net assets or the changes in net assets for the year ended June 30, 2017.