



**GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

# COMMONWEALTH CORPORATION

Contents  
June 30, 2016 and 2015

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## Independent Auditor's Report

To the Board of Directors of  
Commonwealth Corporation:

### **Report on the General Purpose Financial Statements**

We have audited the accompanying general purpose financial statements of Commonwealth Corporation, a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the general purpose financial statements.

### ***Management's Responsibility for the General Purpose Financial Statements***

Management is responsible for the preparation and fair presentation of these general purpose 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 general purpose 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 general purpose 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 general purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the general purpose 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 general purpose 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 general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the net position of Commonwealth Corporation as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 2 through 10 be presented to supplement the basic general purpose financial statements. Such information, although not a part of the basic general purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic general purpose financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic general purpose financial statements, and other knowledge we obtained during our audit of the basic general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Boston, Massachusetts  
October 27, 2016

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
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Commonwealth Corporation's (the Corporation) Management's Discussion and Analysis provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Corporation's general purpose financial statements and related footnotes, which begin on page 11.

### Description of Major Programs by Division

The Corporation designs and executes workforce programs in partnership with businesses, educators, and providers across the Commonwealth of Massachusetts (the Commonwealth). These programs address persistent workforce challenges, such as the skills gap for targeted industries and populations.

As part of a broader workforce development community that is dedicated to meeting the needs of job seekers, students of all ages and businesses in Massachusetts, we work across the Commonwealth with sensitivity to regional economic differences. The context for our work is the knowledge and innovation economy of the Commonwealth.

The Corporation's strategy is to invest in the development of regional training partnerships among businesses, education and workforce organizations in high demand and emerging industry sectors, as well as youth pathways that combine work and learning. Our mission and goals are advanced through grant-making, technical assistance, research and evaluation that informs to practice policy and the development and dissemination of tools, resources and models that enhance service delivery and performance.

We invest in programs in three primary areas:

- Preparing and connecting unemployed and underemployed individuals to in-demand jobs.
- Work experience and work readiness skills development for teens and young adults.
- Skills upgrading of incumbent workers, so that Massachusetts businesses can improve their competitiveness in the global economy.

The Corporation includes two operational divisions:

- **The Sector & Regional Strategies Division** with fiscal year 2016 revenues and expenditures of \$24.51 million exceeding a budget of \$21.36 million.

FY2016 (million)			FY2015 (million)		
<u>Rev/Exp</u>	<u>Budget</u>	<u>Variance</u>	<u>Rev/Exp</u>	<u>Budget</u>	<u>Variance</u>
\$ 24.51	\$ 21.36	\$ 3.15	\$ 26.46	\$ 20.62	\$ 5.84

- **The Youth Pathways Division** with fiscal year 2016 revenues and expenditures of \$30.69 million exceeding a budget of \$29.99 million.

FY2016 (million)			FY2015 (million)		
<u>Rev/Exp</u>	<u>Budget</u>	<u>Variance</u>	<u>Rev/Exp</u>	<u>Budget</u>	<u>Variance</u>
\$ 30.69	\$ 29.99	\$ 0.70	\$ 30.89	\$ 29.73	\$ 1.16

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### The Sector & Regional Strategies Division's Major Funds

- **The Workforce Training Fund Program (WTFP)**, which helps Massachusetts businesses address productivity and competitiveness by providing them with resources to upgrade the skills of their employees. The grant program is funded through quarterly assessments on Massachusetts unemployment insurance contributions. Assessments accumulate in a trust fund to be distributed to businesses in the form of training grants. In fiscal year 2016, the majority of funds were awarded in 3 programs: (1) General Program - 157 training grants involving 185 businesses. The total amount awarded was \$18.16 million. These businesses plan to train close to 14,000 workers with these funds; (2) Express Program - 399 grant awards to 303 small businesses (100 or fewer employees), seeking a total of \$1.86 million to train more than 2,400 employees; (3) Regional Training Capacity Pilot Program - supplemental funding of \$158,000 to organizations originally awarded \$1.84 million in grants in fiscal year 2016 to train employees in a set of pre-approved programs.
- **The Workforce Competitiveness Trust Fund (WCTF)**, a fund created to develop programs to meet the skill needs of businesses with high-demand occupations. As a result of this investment, businesses have documented significant improvements in productivity, profitability, increased sales, employee retentions and other measures. WCTF was recapitalized in fiscal year 2012 with \$5 million. The Corporation awarded \$4.5 million in grants to 15 organizations and the final grant closed at the end of fiscal year 2016. WCTF was recapitalized in fiscal year 2016 with an appropriation of \$2 million. The Corporation awarded \$1.825 million in grants to 14 organizations to be expended over a period of not more than two years to partner with businesses to prepare and place unemployed and underemployed.
- **The Health Care Workforce Transformation Fund** provides \$16 million in funding to the Corporation. This fund was designed for the health care industry to train workers to meet required operational changes to comply with health care cost containment and quality improvement objectives articulated in Chapter 224 of the Acts of 2012. Fifty-two training grants were awarded in fiscal year 2015 and four additional grants were awarded in fiscal year 2016. Grants to subrecipients are not to exceed two years. The fund covers a four year period from May 2013 through June 2017.

### Major Program Areas Within the Youth Pathways Division

- **YouthWorks** is a youth at risk program that represents a \$9.63 million state budget appropriation to provide subsidized employment and work-readiness training for low-income teens in more than thirty cities and towns across Massachusetts. The Corporation staff works with workforce boards and their community providers to organize summer and year-round jobs for more than 5,000 youth each year.
- **Signal Success** is a work readiness curriculum developed by the Corporation's Youth Pathways team, aimed at improving long-term employment outcomes for young people. The curriculum is being implemented through the YouthWorks employment program, and is being tested in several public high schools that are focusing on soft-skill development and assessment for career readiness. Youth Pathway staff provides training and coaching to teachers from partner schools. The curriculum and demonstration programs are funded through grants from the Boston Foundation, Cummings Foundation, Beveridge Family Foundation and BNY Mellon.

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### Major Program Areas Within the Youth Pathways Division (Continued)

- The Corporation in partnership with the Collaborative for Education Services (CES) is under contract to deliver education and workforce transition services to all youth who are in custody of the Commonwealth's **Department of Youth Services (DYS)**. The work helps ensure that youth and teens committed to **DYS** have access to high-quality education and employability opportunities. Youth Pathways staff helped design core standards that define educational quality in **DYS** residential programs, and support programs in meeting these standards through assessment and technical assistance. Staff also manages Bridging the Opportunity Gap, an initiative that provides career readiness and vocational programming for **DYS** youth who have returned to their community. Finally, staff work to integrate the arts into **DYS** residential and community programming through visual art education, arts engagement, community arts partnerships, and an annual youth art showcase. Fiscal year 2016 is the third year of a multi-year contract, with annual revenue of about \$20 million.
- The **Safe and Successful Youth Initiative (SSYI)** is a multi-faceted strategy for reducing youth violence in Massachusetts. Using a public health and public safety approach, the effort helps address gaps in services for young men aged 14 to 24 who have been identified as being 'proven risk' or at the highest risk for being perpetrators of violence. The Corporation is under contract to the Executive Office of Health and Human Services (EOHHS) to deliver technical assistance to eleven **SSYI** communities. EOHHS provides funding to cities to implement a coordinated intervention strategy in partnership with community-based organizations, education, training, and workforce development programs that also include street outreach, trauma counseling, and case management support. Youth Pathways staff work with each **SSYI** community to ensure that local partners are providing appropriate outreach, engagement, and service delivery strategies, and that each community grantee is collecting and reporting data that document services and outcome.

### The Statements of Net Position (Page 11)

The Statements of Net Position include all assets and liabilities of the Corporation, as a whole. Additionally, these statements report net position. The Corporation's net position - the difference between assets and liabilities, represents one way to measure The Corporation's financial health or its financial stability. The Statements of Net Position show comparative financial data from June 30, 2016 and 2015.

- Total Assets in the amount of \$29.36 million increased by \$134,561 (.46%) from the previous year total of \$29.49 million:
  - Cash and cash equivalents in the amount of \$22.88 million increased by \$1.55 million from last year's \$21.33 million.
  - Cash for operations is deposited into a bank and this includes non-interest bearing checking accounts, debit card accounts and an interest bearing operations/sweep account. Operating cash increased by \$98,277 from \$901,258 to \$999,535 between fiscal year 2015 and 2016.
  - The Corporation also holds cash through investment accounts in the Massachusetts Municipal Depository Trust (MMDT). June 30, 2016 investments increased by \$1.45 million from \$20.43 million at June 30, 2015 to \$21.88 million.
  - The Workforce Training Fund Program (WTFP) account was recapitalized by \$9.5 million in January and by another \$7.5 million in May of 2016.
  - On June 30, 2016 and 2015 the thirty day MMDT yield was 0.57% and 0.23%, respectively.
  - Grants, contracts and other receivables in the amount of \$6.31 million decreased by \$1.64 million from last year's \$7.95 million.
  - Capital assets depreciated in value by \$44,110 from \$189,743 to \$145,633; no new capital assets were added in fiscal year 2016.

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### The Statements of Net Position (Page 11) (Continued)

- Total liabilities and net position increased by the same \$134,561. This increase in liabilities comes primarily from an increase in deferred revenue.
  - Deferred revenue composes \$20.90 million of liabilities compared to \$20.39 million last year.
  - The net position balance of \$743,144 represents a \$4,674 increase from last year's balance of \$738,470. The end of year net position balance of the last five years:

FY 2016	\$ 743,144
FY 2015	\$ 738,470
FY 2014	\$ 734,925
FY 2013	\$ 814,159
FY 2012	\$ 810,713

The main source of corporate net income is the interest on funds without any contractual restrictions. Funds with interest restrictions are Federal funds and any other funds that require any investment earned on the assets of the fund to be credited to the fund.

### Statements of Revenues, Expenses and Changes in Net Position (Page 12)

The statements of revenues, expenses and changes in net position accounts for two basic fund groups:

- Unrestricted Funds: This fund group is unrestricted in nature, and the related assets have no external restrictions imposed upon their use.
  - General Fund: This component accounts for unrestricted financial activity that is not specific to other funds.
  - Indirect Cost Pools: This component includes costs that are not identifiable with a particular cost objective but are necessary to the general operation of the Corporation. The Corporation's four indirect cost pools are Corporate General and Administrative (G&A); Field (Sub-recipient contracts) G&A; Facilities/Occupancy and Information Technology (IT).
- Restricted Grant and Contract Fund: This fund group includes resources that are to be expended for specified purposes as determined by grantor agreements, contractual terms and conditions, and donor/foundation requirements.

### Operating Revenues and Expenses

Fiscal year 2016 shows a reduction in revenue and expenditures from fiscal year 2015. Annual revenue and expenditures consist of \$55.20 million down from last year's \$57.36 million, a 3.77% decrease.

- Operating Revenues
  - There are two ways revenue is billed for and received: (1) expenditures have been incurred and billing takes place on a cost reimbursement basis or; (2) no expenditures have been incurred yet and billing takes place on an advance basis. Any grants and contracts revenue received in advance will be deferred and will not be recognized until an actual expense has occurred. Revenue each year will be recognized as part of a balanced budget (i.e., budget revenue will match budget expenses and actual fiscal year expenses incurred by fund will add up to revenue recognized by fund).



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### Statements of Revenues, Expenses and Changes in Net Position (Page 12) (Continued)

#### Operating Revenues and Expenses (Continued)

- Operating Revenues (Continued)
  - Interest income was \$77,508. Interest earned on assets is distributed on a prorated cash balance basis. Interest earned and distributed in 2016:

<u>Fund</u>	<u>Interest</u>
WTFP	\$ 70,802
General Fund	5,283
WCTF	<u>1,423</u>
	<u>\$ 77,508</u>

- Other income in the amount of \$8,587 accounts for revenue received through art sales during the annual DYS Statewide Youth Showcase.
- Operating Expenses
  - Salaries and wages in the amount of \$3.56 million increased by \$121,985 (3.55%) as compared to last year's total of \$3.44 million. Staffing levels have been consistent and are just below fifty full time employees. A two percent cost of living adjustment (COLA) plus merit bonuses, implemented retroactive to July 1, 2015, accounts for this increase.
  - Fringe benefits at \$1 million increased by \$49,127 (5.14%) compared to last year's amount of \$954,911. Two corporate benefits account for 82.36% of total benefit cost; Group Medical Insurance at \$366,530 (36.51%) and Pension Contribution at \$460,316 (45.85%). Fringe benefits calculate at 28.18% of salaries compared to 27.75% in fiscal year 2015.
  - Professional services amounted to \$689,784, a decrease of \$104,912 (13.2%) as compared to last year's \$794,696.
    - Corporate G&A professional services cost was reduced by \$55,389; IT consulting labor associated with the AccuFund Financial Suite implementation was reduced by \$43,744. Audit services cost was reduced by \$8,201.
    - Professional Services specific to individual programs decreased by \$49,523.
  - Equipment and facilities expenditures in the amount of \$677,384 increased by \$35,571 (5.54%) as compared to the previous year amount of \$641,813.
    - Salesforce database software agreements were \$18,000 to G&A; website development was \$10,000; service contracts decreased by \$4,169; facilities copier leasing increased by \$14,885 and building leasing increased by \$9,920. Direct program equipment charges decreased by \$13,065.
  - Office costs and supplies increased by \$18,987 from \$96,146 to \$115,133.
  - Travel increased by \$9,673 from \$102,830 to \$112,503.
    - YouthWorks and Signal Success was \$6,449 to in-state travel. The remaining \$3,227 can be contributed to DYS program related in-state travel.
  - Other program costs accounts for program supplies, stipends and program start-up cost in the Youth Pathways Division. No material change between the two fiscal years.
  - Meetings and conferences decreased by \$9,880 from \$57,334 to \$47,454.
  - Depreciation increased by \$2,644 from \$41,466 to \$44,110.
  - Sub-recipient contracts in the amount of \$48.83 million decreased by \$2.32 million (4.54%) as compared to last year's total of \$51.15 million. Bad debt write-off in the amount of \$47,059 in 2016 accounts for inception to date WTFP General Program payments made but unaccounted for.

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### Statements of Revenues, Expenses and Changes in Net Position (Page 12) (Continued)

#### Operating Revenues and Expenses (Continued)

- Operating Expenses (Continued)
  - The next table compares current and last year sub-recipient expenditures:

<u>Fund Description</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Workforce Competitive Trust Fund (WCTF)	\$ 279,933	\$ 1,646,108	\$ (1,366,175)
Workforce Training Fund Program (WTFP)	14,145,762	17,020,043	(2,874,281)
Employment Program for Specific Target Populations	659,536	1,510,938	(851,402)
Hampden County Earmark	214,000	-	214,000
Learn at Work - DESE	-	566,176	(566,176)
Summer Jobs Program - Youth at Risk	9,289,993	9,705,009	(415,016)
Youth with Disabilities	147,420	-	147,420
Pre-Apprenticeship Program DOT -State	206,622	-	206,622
Healthcare Workforce Transformation Fund	5,682,551	2,811,479	2,871,072
DYS Youth State Funds	17,148,337	17,055,845	92,492
Pre-Apprenticeship Program DOT - Federal	216,670	-	216,670
DYS Youth Federal Funds	825,205	801,582	23,623
Other Funding – Miscellaneous	<u>64,147</u>	<u>36,183</u>	<u>27,964</u>
	<u>\$ 48,880,176</u>	<u>\$ 51,153,363</u>	<u>\$ (2,273,187)</u>

#### Major variances:

- WCTF fiscal year 2013 four year appropriation in the amount of \$5 million went into its final year. A fiscal year 2016 three year appropriation of \$2 million was budgeted at only \$200,000 in fiscal year 2016; the remainder to be expended in the next two years.
  - WTFP includes multiple individual programs which are managed and reported on individually. The largest of these programs 'The General Program' amounted to \$12.01 million compared to \$10.73 million last fiscal year. 'The Hiring Incentive Training Grant' (HITG) program was discontinued last fiscal year; this segment accounted for \$4.36 million in expenses last fiscal year. The Advisory Board for WTFP voted to freeze the HITG program effective November 30, 2014. The Board took this action, at the recommendation of management, because funding requests for HITG were growing at an unsustainable rate. Requests received by mid-November in fiscal year 2015 amounted to the amount budgeted for this program for the entire fiscal year.
  - The Healthcare Workforce Transformation Fund is a \$14.7 million four year program that ends on June 30, 2017. Total inception to date sub-recipient expenses through the end of this year totals to \$10.02 million with \$5.68 million added just this year. There is no new funding appropriated for the continuation of this program.
- Net Position, End of Year: The net position increased from \$738,470 to \$743,144.

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### Analysis of Significant Actual to Budget Variances

Managing the corporate budget and accounting for actual to budget variances allows for timely measurement of fiscal performance against annual corporate expense and revenue forecasts; quarterly reviews allow for corrective action if required. The table below lists fiscal year 2016 corporate expenditures against the fiscal year budget:

<u>Description</u>	<u>Actual</u>	<u>Budget</u>	<u>\$ Var.</u>	<u>% Var.</u>
Salaries and wages	\$ 3,562,834	\$ 3,628,497	\$ (65,663)	-1.81%
Fringe benefits	1,004,038	1,021,468	(17,430)	-1.71%
Professional services	689,784	855,175	(165,391)	-19.34%
Equipment and facilities	677,384	687,951	(10,567)	-1.54%
Office costs and supplies	115,130	163,759	(48,629)	-29.70%
Travel	112,506	117,881	(5,375)	-4.56%
Other program costs	68,901	67,000	1,901	2.84%
Meetings and conferences	47,454	64,597	(17,143)	-26.54%
Depreciation	<u>44,110</u>	<u>47,500</u>	<u>(3,390)</u>	<u>-7.14%</u>
Total expenses	6,322,141	6,653,828	(331,687)	-4.98%
Sub-recipient contracts	<u>48,880,176</u>	<u>44,697,497</u>	<u>4,182,679</u>	<u>9.35%</u>
	<u>\$ 55,202,317</u>	<u>\$ 51,351,325</u>	<u>\$ 3,850,992</u>	<u>7.50%</u>
Corporate G&A	\$ 1,221,010	\$ 1,294,738	\$ (73,728)	-5.69%
Corp G&A Rate	9.52%	9.57%		-0.05%
Field G&A Rate	1.50%	1.75%		-0.25%
Fringe Benefit Rate	28.18%	28.20%		-0.02%

Overall budget targets were met. Expenditures less sub-recipient contracts were below budget by \$331,687 (4.98%) while sub-recipient expenditures exceeded budget by \$4.14 million (9.25%). Corporate G&A came in below budget by \$73,728 (5.69%).

- Salaries and wages were on target and totaled \$3.56 million compared to a budget of \$3.63 million, a favorable variance of \$65,663 (1.81%). Salaries and wages accounts for the second largest corporate expense and is closely managed against budget.
- Salaries and wages from the last five years compared to total corporate expenditures:

	<u>Salaries</u>	<u>Total Corp</u>	<u>%</u>
FY2016	\$ 3,562,834	\$ 55,202,317	6.45%
FY2015	\$ 3,440,849	\$ 57,351,931	6.00%
FY2014	\$ 3,000,084	\$ 48,487,413	6.19%
FY2013	\$ 2,610,175	\$ 36,397,065	7.17%
FY2012	\$ 2,569,380	\$ 34,436,658	7.46%

- As required by the Executive Office for Administration and Finance a listing of the fiscal year 2016 salaries for the executive staff:

Chief Executive Officer	\$ 170,000
SR Vice President Sector and Regional Strategies	\$ 123,806
Vice President Youth Pathways	\$ 118,178
Vice President Finance and Administration	\$ 120,000

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### Analysis of Significant Actual to Budget Variances (Continued)

- Fringe benefits are set at a standard rate the beginning of each fiscal year. In fiscal year 2016 the rate was set at 28.20% over salaries; the actual rate for the year was 28.18%. An end of year fringe benefit adjustment was made in the amount of \$9,399; final fringe expenditures against budget show a favorable variance of \$17,430.
- Professional services in the amount of \$689,784 were below budget by \$165,391 (19.34%). Professional service expenses within individual program budgets:
  - The Sector Strategies Division reported a below budget variance of \$113,639. Major below budget variances were WTFP at \$41,541; State Auditors grant at \$25,000; WCTF at \$13,282 and the Employment Programs for Special Targeted Populations Initiative at \$14,566.
  - The Youth Pathways Division reported a variance of \$40,971. YouthWorks budgeted at \$40,000 amounted to \$5,400 in actual expenditures.
  - Corporate G&A/Facilities/Info Tech reported a below budget variance of \$10,781.
- Equipment and facilities at \$677,384 are on target with a \$10,567 (1.54%) below budget variance.
- Office cost and supplies budgeted at \$163,759 had actual expenses of \$115,130, a variance of \$48,626. Corporate G&A/Facilities/Info Tech accounts for \$20,534; Program Office Supplies accounts for another \$28,092.
- Travel totaled \$112,506 in expenditures and is on target compared to the \$117,881 budget, a difference of \$5,375 (4.56%).
- Other program cost accounts for Youth Pathways program supplies, stipends, support services and program start-up cost. Actual cost of \$68,901 against a budget of \$67,000 with a variance of \$1,901.
- Meetings and conferences was \$47,454. This includes the cost of organizing meetings within the Commonwealth and the cost of Boston Financial District parking at \$5,929, which is below budget by \$17,143.
- Depreciation was \$44,110 for fiscal year 2016.
- Sub-recipient contracts budgeted at \$44.70 had actual sub-grantee expenditures in the amount of \$48.83 million, which resulted in a favorable variance of \$4.14 million (9.25%). Fully obligated funds, with a life of two or three years, are budgeted each year on forecasted expenditures. When there is a higher rate of spending than forecasted, it indicates a successful implementation of the programs funded.
  - WTFP expenses were \$14.10 million with an aggregate budget of \$10.35 million and a variance of \$3.75 million.
  - YouthWorks expenses were \$9.29 million with a budget of \$8.55 million and a variance of \$738,270.
  - All other sub-recipient contracts account for the remaining \$(351,353) variance.
- Corporate General & Administrative (G&A) expenses budgeted at \$1.29 million totaled \$1.22 million, a variance of \$73,278 (5.69%).
- The applied fiscal year 2015 corporate G&A budget rate was set at 9.57%, with a Field G&A rate of 1.75%. The actual fiscal year 2015 Corporate G&A rate was 9.52%, with a field rate of 1.50%.

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### Current Known Facts, Decisions, and Conditions

The short term financial future for fiscal year 2017 looks like a stable continuation of the previous fiscal years. Long term financing beyond fiscal year 2017 has more uncertainties because of the dependency of the Corporation to the Commonwealth of Massachusetts. The current budget deficit at the Commonwealth will impact all branches and quasi-public agencies of the state and new funding initiatives will be scarce and dependent on limited funding availability.

The Corporation has positioned itself as a strong and effective player in the workforce development field and has a solid history of cost effective service delivery and performance. The tight labor market and the current Massachusetts unemployment rate of 3.9% present opportunities for our work and our programs. The continuing pressure of the skills gap for businesses in Massachusetts presents another opportunity for the corporation.

The budget for fiscal year 2017 forecasts \$54 million in revenue and expenditures similar to 2016 actual expenditures in the amount \$55.20 million.

The Workforce Training Fund Program received obligational authority for a total of \$22.56 million. Actual expenditures are forecasted at \$14.76 million

The Health Care Workforce Transformation Fund will move into its final year. This fund was created through Chapter 224 of the Acts of 2012, "An Act Improving the Quality of Health Care and Reducing Costs through Increased Transparency". The Corporation is administering \$16 million over a four-year period. Expenditures are forecasted at \$4 million.

The Workforce Competitiveness Trust Fund has been recapitalized by the legislature with a \$2 million appropriation in fiscal year 2016. Expenditures are forecasted at \$1.12 million.

An additional \$1 million has been appropriated for fiscal year 2017.

For the YouthWorks Summer Program, the Legislature appropriated another \$11.5 million for the summer of 2016.

Fiscal year 2017 will be the fourth year of a multi-year contract with the Department of Youth Services. Level funding is forecasted in the amount of approximately \$19 million.

The financial database AccuFund implemented in 2015 will be further developed together with the programmatic customer relations management (CRM) database Salesforce. The building lease for the Boston location runs through fiscal year 2022 and the Hadley office lease expires in fiscal year 2020. The VOIP local area network hardware and software is current and up to date.

### Contacting The Corporation's Financial Management

This Management's Discussion and Analysis has been designed to provide the reader with a general overview of Commonwealth Corporation's finances and to show accountability for the funds it receives. If you have questions about this report or need additional information, please contact the Finance Department of the Corporation.

**COMMONWEALTH CORPORATION**

Statements of Net Position  
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<b>Assets</b>	<b>2016</b>			<b>2015</b>		
	<b>Unrestricted</b>	<b>Restricted Grant and Contract Fund</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Restricted Grant and Contract Fund</b>	<b>Total</b>
Current Assets:						
Cash and cash equivalents	\$ 835,844	\$ 22,045,620	\$ 22,881,464	\$ 1,263,489	\$ 20,065,346	\$ 21,328,835
Grants, contracts and other receivables	1,560	6,305,438	6,306,998	1,649	7,948,818	7,950,467
Prepaid expenses and other	23,432	-	23,432	23,043	-	23,043
Total current assets	860,836	28,351,058	29,211,894	1,288,181	28,014,164	29,302,345
Capital Assets, net	145,633	-	145,633	189,743	-	189,743
Total assets	<u>\$ 1,006,469</u>	<u>\$ 28,351,058</u>	<u>\$ 29,357,527</u>	<u>\$ 1,477,924</u>	<u>\$ 28,014,164</u>	<u>\$ 29,492,088</u>
<b>Liabilities and Net Position</b>						
Liabilities:						
Grants and other payables	\$ 29,904	\$ 5,952,377	\$ 5,982,281	\$ 405,289	\$ 5,749,218	\$ 6,154,507
Accrued contract expenses	-	1,386,248	1,386,248	-	1,818,059	1,818,059
Accrued payroll and other	233,421	110,260	343,681	334,165	54,000	388,165
Deferred revenue	-	20,902,173	20,902,173	-	20,392,887	20,392,887
Total liabilities	263,325	28,351,058	28,614,383	739,454	28,014,164	28,753,618
Net Position:						
Unrestricted net position	597,511	-	597,511	548,727	-	548,727
Invested in capital assets	145,633	-	145,633	189,743	-	189,743
Total net position	743,144	-	743,144	738,470	-	738,470
Total liabilities and net position	<u>\$ 1,006,469</u>	<u>\$ 28,351,058</u>	<u>\$ 29,357,527</u>	<u>\$ 1,477,924</u>	<u>\$ 28,014,164</u>	<u>\$ 29,492,088</u>

The accompanying notes are an integral part of these general purpose statements.

**COMMONWEALTH CORPORATION**

Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
<b>Operating Revenues:</b>						
Grants and contracts	\$ -	\$ 55,120,896	\$ 55,120,896	\$ -	\$ 57,301,087	\$ 57,301,087
Interest income	5,283	72,225	77,508	4,185	43,492	47,677
Other income	-	8,587	8,587	-	6,712	6,712
Total operating revenues	5,283	55,201,708	55,206,991	4,185	57,351,291	57,355,476
<b>Operating Expenses:</b>						
Salaries and wages	759,545	2,803,289	3,562,834	750,556	2,690,293	3,440,849
Fringe benefits	215,172	788,866	1,004,038	206,829	748,082	954,911
Professional services	160,216	529,568	689,784	215,605	579,091	794,696
Equipment and facilities	595,102	82,282	677,384	546,844	94,969	641,813
Office costs and supplies	54,244	60,889	115,133	56,333	39,813	96,146
Travel	2,565	109,938	112,503	2,191	100,639	102,830
Other program costs	-	68,901	68,901	-	68,523	68,523
Meetings and conferences	5,113	42,341	47,454	4,051	53,283	57,334
Depreciation	44,110	-	44,110	41,466	-	41,466
Indirect operating expense allocation	(1,835,458)	1,835,458	-	(1,823,235)	1,823,235	-
Total operating expenses before subrecipient contracts	609	6,321,532	6,322,141	640	6,197,928	6,198,568
Subrecipient contracts	-	48,880,176	48,880,176	-	51,153,363	51,153,363
Total operating expenses	609	55,201,708	55,202,317	640	57,351,291	57,351,931
Changes in net position from operations	4,674	-	4,674	3,545	-	3,545
<b>Net Position:</b>						
Beginning of year	738,470	-	738,470	734,925	-	734,925
End of year	\$ 743,144	\$ -	\$ 743,144	\$ 738,470	\$ -	\$ 738,470

The accompanying notes are an integral part of these general purpose statements.

**COMMONWEALTH CORPORATION**

Statements of Cash Flows  
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from grantors	\$ 57,273,651	\$ 61,130,764
Collections of interest and other income	86,095	54,389
Payments to employees	(3,663,373)	(3,420,050)
Payments of employee benefits	(1,006,323)	(938,374)
Payments to subrecipients	(49,108,828)	(51,005,763)
Payments to vendors and suppliers	<u>(2,028,593)</u>	<u>(1,502,056)</u>
Net cash provided by operating activities	1,552,629	4,318,910
<b>Cash Flows from Investing Activities:</b>		
Payments for capital assets	<u>-</u>	<u>(47,087)</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,552,629	4,271,823
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>21,328,835</u>	<u>17,057,012</u>
End of year	<u>\$ 22,881,464</u>	<u>\$ 21,328,835</u>
<b>Reconciliation of Changes in Net Position to Net Cash Provided By Operating Activities:</b>		
Changes in net position	\$ 4,674	\$ 3,545
Adjustments to reconcile changes in net position to net cash provided by operating activities:		
Depreciation	44,110	41,466
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	1,643,469	11,614,385
Prepaid expenses and other	(389)	(5,895)
Grants and other payables	(172,226)	387,565
Accrued contract expenses	(431,811)	103,592
Accrued payroll and other	(44,484)	(41,040)
Deferred revenue	<u>509,286</u>	<u>(7,784,708)</u>
Net cash provided by operating activities	<u>\$ 1,552,629</u>	<u>\$ 4,318,910</u>



## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2016 and 2015

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### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

Commonwealth Corporation (the Corporation) is a quasi-public agency established by the Commonwealth of Massachusetts (the Commonwealth) and signed into law by the Governor on August 13, 1996. The Corporation is governed, and its corporate powers exercised, by a Board of Directors whose members are appointed for a fixed term by the Governor of the Commonwealth. The Corporation strengthens the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organizations. The Corporation seeks to meet the immediate and emerging needs of businesses and workers so they can thrive in our dynamic economy.

The Commonwealth Corporation Foundation (the Foundation) was created during the year ended June 30, 2011, to support and further the charitable and educational purposes of the Corporation. Revenues of the Foundation were approximately \$216,000 for the year ended June 30, 2015. There were no revenues of the Foundation for the year ended June 30, 2016. Expenses for the Foundation for the years ended June 30, 2016 and 2015 were \$160,000 and \$151,000, respectively. Though the Foundation is considered a component unit of the Corporation, the Corporation has deemed the financial statements of the Foundation to be not material to these general purpose financial statements, and accordingly, has not included them in these general purpose financial statements.

#### Nonprofit Status

The Corporation is a quasi-public organization and an instrumentality of the Commonwealth and it is exempt from Federal and state income taxes under the Internal Revenue Code (IRC) Section 115.

The Foundation is exempt from Federal income taxes as an organization (not private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation - GASB Standards

The accompanying general purpose financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Because the Corporation is a quasi-public corporation, its accounting policies and general purpose financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). The Corporation follows GASB standards for Comprehensive Annual Financial Reporting. These standards outline financial reporting requirements for state and local governments. The Corporation is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB standards and, therefore, only has enterprise funds within its proprietary fund. The Corporation has no governmental funds. As such, the Corporation is not required to present government-wide financial statements, but rather only the accompanying fund financial statements. In applying the GASB provisions, organizations like the Corporation can use standards applicable to proprietary fund accounting, and need not follow the provisions of governmental fund accounting.

The Corporation follows the GASB standard, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB codifications. References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC) and the GASB Codification.

## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2016 and 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking, money market, savings accounts, other highly liquid investment instruments issued with maturities of 90 days or less and amounts held in the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see Note 3).

The MMDT cash portfolio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The MMDT cash portfolio adheres to GASB Statement 79 (GASB 79), *Certain External Investment Pools and Pool Participants*, which amends Statement 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. Under the amortized cost valuation method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity.

#### Grants, Contracts and Accounts Receivable

Grants, contracts and other receivables include amounts due from state and Federal agencies, as well as advance payments to subrecipients. Advance payments to subrecipients are made under specific grant awards that allow the subrecipients to receive advance payments to fund program operations. The Corporation reclassifies these advance payments to program expenses as the subrecipient provides evidence of grant expenditures applicable to the advance.

#### Capital Assets

Capital assets consist of office equipment, furniture and fixtures, and leasehold improvements, which are depreciated on the straight-line method over the lesser of their estimated useful lives of three to five years or the life of the lease (see Note 5).

#### Classification of Net Position

Resources are classified for accounting purposes into the following net position categories:

**Unrestricted net position** - Unrestricted net position represents the portion of unrestricted expendable funds that are used to support the Corporation's operations and accounts for funds for which the Corporation has met imposed restrictions in accordance with funding agreements or management contracts.

**Invested in capital assets** - This classification is used to account for all capital assets purchased by the Corporation and used in operations. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method.

## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2016 and 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

Grant and contract revenue (including state and Federal grants received through the Commonwealth) is earned in compliance with grant agreements as expenses are incurred. Substantially all grants have constraints imposed by grantors and are accordingly classified as restricted revenue. Interest and other income are recognized on an accrual basis when earned. Deferred revenue consists of grant funds received for which program expenses have not yet been incurred.

The Corporation expends resources in connection with Federal and state grants and contracts received through the Commonwealth that are subject to review and audit by the respective governments or their representatives. Such audits could result in requests for reimbursement to the government agency if expenditures are disallowed. Management is not aware of any specific disallowances and believes the results of any such audit would not produce material changes to these general purpose financial statements.

#### Indirect Operating Expenses

The Corporation's indirect costs are cost categories that are not directly charged to programs, but because of complexity of direct charging, are accumulated in cost pools and allocated to programs based on actual time worked and historical cost trends. These indirect cost pools include occupancy, information technology, and fringe benefits as well as administrative costs. Indirect operating expenses totaled \$1,835,458 and \$1,823,235 for the years ended June 30, 2016 and 2015, respectively.

#### Fair Value Measurements

The Corporation follows the accounting and disclosure standards pertaining to GASB 72, *Fair Value Measurements and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the Corporation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Corporation 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 the Corporation. 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. 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.

## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2016 and 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

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

#### Subsequent Events

Subsequent events have been evaluated through October 27, 2016, which is the date the general purpose financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the general purpose financial statements.

### 3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS

The Corporation holds investments in the Massachusetts Municipal Depository Trust's (MMDT) cash portfolio in the amount of \$21,881,271 and \$20,426,457 at June 30, 2016 and 2015, respectively. MMDT is an investment program, founded in 1977 under the supervision of the State Treasurer of the Commonwealth, in which municipalities may pool excess cash for investment. MMDT was established to provide professionally managed investment funds to meet the investment needs of the Commonwealth and its political subdivisions.

The table below represents the maturities of instruments held by MMDT in its cash portfolio. The MMDT cash portfolio is managed independently and the Corporation cannot influence how investments are allocated among the categories, which are disclosed as follows as of June 30:

<u>Securities With an Effective Maturity of:</u>	<u>Percentage of Total Net Position</u>	
	<u>2016</u>	<u>2015</u>
1 - 30 Days	54.7%	54.1%
31 - 90 Days	28.9	31.0
91 - 180 Days	10.8	11.5
181 - Days or more	<u>5.6</u>	<u>3.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The MMDT cash portfolio may only invest in securities rated in the highest rating category (if rated) or evaluated by the portfolio's investment adviser to be of equivalent credit quality (if unrated) and bank deposits meeting the portfolio credit quality requirements of GASB 79. Investments that were permissible at the time acquired may continue to be held to the extent consistent with GASB 79.

Securities rated in the highest short-term rating category (and unrated securities of comparable quality) are identified as First Tier securities. Securities rated in the second highest short-term rating category (and unrated securities of comparable quality) are identified as Second Tier securities. The MMDT cash portfolio follows applicable regulations in determining whether a security is rated and whether a security rated by multiple nationally recognized statistical rating organizations in different rating categories should be identified as a First or Second Tier security.

**COMMONWEALTH CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2016 and 2015

**3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS (Continued)**

Credit ratings for the securities in the cash portfolio are shown in the table below based on total market value as of June 30, 2016 and 2015:

<b>Cash Portfolio Quality Diversification</b>	
<u>First Tier</u>	<u>Second Tier</u>
97.0%	3.0%

**4. GRANTS, CONTRACTS AND OTHER RECEIVABLES**

Grants, contracts and other receivables consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
State agencies	\$ 4,641,166	\$ 6,846,622
Net advance payments	1,468,543	958,207
Other	<u>197,289</u>	<u>145,638</u>
	<u>\$ 6,306,998</u>	<u>\$ 7,950,467</u>

**5. CAPITAL ASSETS**

The following schedule presents the changes in capital assets for the year ended June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2016</u>
Capital assets, depreciable:				
Equipment	\$ 384,066	\$ -	\$ -	\$ 384,066
Leasehold improvements	183,202	-	-	183,202
Furniture and fixtures	<u>56,855</u>	<u>-</u>	<u>-</u>	<u>56,855</u>
Total	<u>624,123</u>	<u>-</u>	<u>-</u>	<u>624,123</u>
Less - accumulated depreciation:				
Equipment	292,201	27,999	-	320,200
Leasehold improvements	123,702	10,426	-	134,128
Furniture and fixtures	<u>18,477</u>	<u>5,685</u>	<u>-</u>	<u>24,162</u>
Total accumulated depreciation	<u>434,380</u>	<u>44,110</u>	<u>-</u>	<u>478,490</u>
Capital assets, net	<u>\$ 189,743</u>	<u>\$ (44,110)</u>	<u>\$ -</u>	<u>\$ 145,633</u>

**COMMONWEALTH CORPORATION**Notes to General Purpose Financial Statements  
June 30, 2016 and 2015**5. CAPITAL ASSETS (Continued)**

The following schedule presents the changes in capital assets for the year ended June 30, 2015:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2015</u>
Capital assets, depreciable:				
Equipment	\$ 359,099	\$ 24,967	\$ -	\$ 384,066
Leasehold improvements	161,082	22,120	-	183,202
Furniture and fixtures	56,855	-	-	56,855
Total	<u>577,036</u>	<u>47,087</u>	<u>-</u>	<u>624,123</u>
Less - accumulated depreciation:				
Equipment	265,740	26,461	-	292,201
Leasehold improvements	114,382	9,320	-	123,702
Furniture and fixtures	12,792	5,685	-	18,477
Total accumulated depreciation	<u>392,914</u>	<u>41,466</u>	<u>-</u>	<u>434,380</u>
Capital assets, net	<u>\$ 184,122</u>	<u>\$ 5,621</u>	<u>\$ -</u>	<u>\$ 189,743</u>

**6. COMMITMENTS****Facility and Equipment Leases**

The Corporation leases space under two operating leases expiring through June 2022. Aggregate monthly rents range from \$31,201 to \$34,678 under these two lease agreements over the course of their terms. As security for a lease, the Corporation was required to obtain an irrevocable letter of credit currently in the amount of \$106,000. As of June 30, 2016 and 2015, there were no draws against the letter of credit. Rent expense under the facility leases was approximately \$397,000 and \$387,000 for the years ended June 30, 2016 and 2015, respectively, which is included in equipment and facilities in the accompanying statements of revenues, expenses and changes in net position. The Corporation also leases equipment under various agreements expiring through November 2019, with monthly payments ranging from \$181 to \$2,947.

Future minimum lease payments under these agreements are as follows:

	<u>Facility</u>	<u>Equipment</u>
2017	\$ 387,600	\$ 37,540
2018	388,827	37,540
2019	402,040	36,452
2020	403,293	14,735
2021	396,561	-
Thereafter	<u>383,177</u>	<u>-</u>
Total	<u>\$ 2,361,498</u>	<u>\$ 126,267</u>

## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2016 and 2015

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### 7. RETIREMENT PLANS

Under the terms of the Corporation's Section 401 (a) retirement plan, adopted in December 1997, contributions are made on behalf of employees based on their employment date. A minimum contribution of 7.5% of salary plus an optional amount, subject to the Board of Directors approval, of up to 5.7% is made for employees hired after December 31, 1996. During fiscal years 2016 and 2015, the Corporation made contributions of 13.2%. These employees do not participate in the Federal social security system. This plan does not permit employee contributions.

Employees hired by of one the Corporation's predecessor entities prior to December 1996, participate in the Federal social security system. In addition to the required employer match of social security of 6.2%, a retirement plan contribution of 1.3% of salary is made by the Corporation.

Contributions to the plan in fiscal years 2016 and 2015 totaled approximately \$455,000 and \$416,000, respectively.

The Corporation also established a Section 457 employee deferred compensation plan, effective December 1, 1997. This is a voluntary plan in which employees who elect to participate can have funds withheld from their pay on a pre-tax basis. All employees are eligible to participate upon their employment commencement date. There is no minimum contribution, and employees are subject to the maximum deferral limits as set by the Internal Revenue Service. The Corporation does not make contributions to the plan.

### 8. CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalents balances in a bank in Massachusetts and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times, cash balances exceeded the insured amounts. In addition, cash and cash equivalents invested in MMDT (see Note 2) are not FDIC insured. As of June 30, 2016 and 2015, the Corporation's exposure for uninsured funds was approximately \$22,600,000 and \$20,700,000, respectively. The Corporation has not experienced any losses in such accounts and management believes the credit risk related to the Corporation's cash and cash equivalents is not significant.

### 9. RECLASSIFICATION

Certain amounts in the fiscal year 2015 general purpose financial statements have been reclassified to conform with the fiscal year 2016 presentation.