

# OFFICE OF PERFORMANCE MANAGEMENT AND OVERSIGHT

## Reporting Entity Fiscal Year 2018 Annual Report

### Reporting Agency Overview

#### Reporting Agency Name

Commonwealth Corporation

#### General Description

Commonwealth Corporation administers the Workforce Training Fund, the Workforce Competitiveness Trust Fund, and YouthWorks. CommCorp is also the lead partner in a collaboration to provide education and re-entry services to youth who are clients in the Department of Youth Services and provides technical assistance and capacity building activities for a number of state workforce initiatives. For more information, please refer to [www.commcorp.org](http://www.commcorp.org). This year CommCorp has also been asked to support the Secretariats of Labor and Workforce Development, Education, Health and Human Services and Housing and Economic Development in designing and administering the Learn to Earn grant program, leveraging the Workforce Competitiveness Trust Fund regional industry sector partnership model and adding cohort-based coaching, family-focused supports and benefits counseling.

Commonwealth Corporation does not provide direct services to youth, adults or business. We advance our mission and goals through grant-making, technical assistance, research and evaluation that inform practice and policy, and the development and dissemination of tools, resources and models that enhance service delivery and performance.

Our primary goals relevant to this plan are as follows:

- Support regional industry sector partnerships that bring together business, education and workforce partners to prepare unemployed and underemployed workers for high demand jobs.
- Provide low-income teens and young adults with work experience and work readiness training that prepares them to find and retain private sector jobs.
- Support businesses in strengthening their competitiveness by investing in the skills of their incumbent workers.

#### Agency Mission

Commonwealth Corporation strengthens the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organizations. We seek to meet the immediate and emerging needs of businesses and workers so they can thrive in our dynamic economy.

#### Agency Budget funded by the Commonwealth of Massachusetts

\$52,300,000 (note: \$1,785,000 million of this amount is federal funding passed through Commonwealth of Massachusetts agencies (Department of Youth Services and Executive Office of Labor and Workforce Development/Department of Career Services))

#### Agency Total Budget (*including Commonwealth of Massachusetts funding*)

\$52,300,000 (note: \$1,785,000 million of this amount is federal funding passed through Commonwealth of Massachusetts agencies (Department of Youth Services and Executive Office of Labor and Workforce Development/Department of Career Services))

#### Agency Budget funded by the Commonwealth of Massachusetts *Expended*

\$52,600,000 (note: \$1,785,000 million of this amount is federal funding passed through Commonwealth of Massachusetts agencies (Department of Youth Services and Executive Office of Labor and Workforce Development/Department of Career Services))

## PROGRAM & INITIATIVES

### Program / Initiative Information

#### Program / Initiative #1

Name

Workforce Training Fund

Program Citation (Legislation) - if applicable

MGL Ch 29 Section 2RR: Workforce Training Trust Fund

Legislation Website Link - if applicable

MGL Ch 29 Section 2RR: Workforce Training Trust Fund

Bill Item Number - if applicable

Not Applicable

Program / Initiative Website Link - if one exists

<http://workforcetrainingfund.org/>

Description of Program / Initiative

The purpose of the Workforce Training Fund is to provide resources to Massachusetts' businesses and workers to train current and newly hired employees, supporting businesses' productivity and competitiveness.

Fiscal Year 2018 Line Item Number (##### - #####) - if applicable

Not Applicable

Fiscal Year 2018 Budget

\$25,196,218 to be expended over three fiscal years

Total Fiscal Year 2018 Budget expended

\$17,000,000.00

Total Budget (Total \$, including other sources)

\$25,196,218.00

Details of additional funding sources

Not Applicable

#### Program / Initiative #2

Name

Workforce Competitiveness Trust Fund (Fiscal Year 17 Appropriation)

Program Citation (Legislation) - if applicable

Section 2WWW of Chapter 168 of Acts of 2006

Legislation Website Link - if applicable

<https://malegislature.gov/Laws/SessionLaws/Acts/2006/Chapter168>

Bill Item Number - if applicable

Program / Initiative Website Link - if one exists

<http://commcorp.org/programs/workforce-competitiveness-trust-fund-wctf/>

### Description of Program / Initiative

The Workforce Competitiveness Trust Fund (WCTF) was created by the Legislature in 2006 to develop training pipelines to meet the skill needs of businesses in high demand occupations. It supports partnerships of employers, education and workforce organizations to train and upgrade the skills of new and incumbent workers. The WCTF Fiscal Year 17 Appropriation funding is invested in support services, training, and job placement programs designed by partnerships to support the needs of individuals with limited or no attachment to the labor force within the last three to five years, with a particular emphasis on serving populations identified by Governor Baker's Economic Opportunity Task Force as having experienced chronic rates of unemployment from 7-20%. These populations include African Americans/Blacks, Hispanics/Latinos, Native Americans, persons with disabilities, and Gulf War Era II Veterans.

Fiscal Year 2018 Line Item Number (#### - ####) - if applicable

Not Applicable- this information is about funds appropriated in Fiscal Year 17 - see below

### Fiscal Year 2018 Budget

\$500,000 to be expended over 3 fiscal years (Fiscal Year 17, Fiscal Year 18 and Fiscal Year 19)

Total Fiscal Year 2018 Budget expended

\$271,538.00

Total Budget (Total \$, including other sources)

\$500,000.00

### Details of additional funding sources

Note - \$500,000 was appropriated to the Trust Fund in Fiscal Year 17 and \$450,000 is planned to be expended over 3 fiscal years in grants. The Fiscal Year 18 expended total provided above represents cumulative grantee expenditures through the end of Fiscal Year 18

## Program / Initiative #3

### Name

Learn to Earn (Fiscal Year 18 Appropriation, combined with Fiscal Year 18 Workforce Competitiveness Trust Fund appropriation)

Program Citation (Legislation) - if applicable

Section 2WWW of Chapter 168 of Acts of 2006

Legislation Website Link - if applicable

[http://budget.digital.mass.gov/bb/gaa/fy2018/app\\_18/act\\_18/h70021075.htm](http://budget.digital.mass.gov/bb/gaa/fy2018/app_18/act_18/h70021075.htm)

Bill Item Number - if applicable

Fiscal Year 18 Budget Line items 7002-1080 and 7002-1075

Program / Initiative Website Link - if one exists

<http://commcorp.org/available-funding/>

### Description of Program / Initiative

The Learn to Earn Initiative (LTE), proposed by Governor Charlie Baker and Lt. Governor Karen Polito and adopted by the Legislature in the Fiscal Year 18 General Appropriations Act, is a comprehensive approach to providing unemployed and underemployed individuals who are receiving assistance from public benefit programs with the supports, skills, and credentials they need to gain and retain employment in occupations for which employers have persistent demand. Learn to Earn Partnerships will develop and test models to serve participants in the context of their family/household. Learn to Earn Programs will help participants set and achieve goals necessary for employment and sustained economic stability, such as maintaining and growing family net resources and minimizing the real or perceived potential impact of increased earned income on benefit receipt, including improving coordination across benefit programs and reducing benefit cliff

Fiscal Year 2018 Line Item Number (##### - #####) - if applicable

Fiscal Year 18 Budget Line items 7002-1080 and 7002-1075

Fiscal Year 2018 Budget

\$1,790,000 to be expended over three to four fiscal years

Total Fiscal Year 2018 Budget expended

\$103,489.00

Total Budget (Total \$, including other sources)

Fiscal Year 18 Budget Line items 7002-1080 and 7002-1075

Details of additional funding sources

Note - \$1,990,000 was appropriated to the Workforce Competitiveness Trust Fund in Fiscal Year 18 and \$1,790,000 is planned to be expended over 3 to 4 fiscal years in grants. The Fiscal Year 18 expended total provided above represents cumulative grantee expenditures through the end of Fiscal Year 18.

## Program / Initiative #4

Name

YouthWorks (Fiscal Year 17 Appropriation)

Program Citation (Legislation) - if applicable

Not Applicable

Legislation Website Link - if applicable

Not Applicable

Bill Item Number - if applicable

Program / Initiative Website Link - if one exists

<http://commcorp.org/programs/youthworks/>

Description of Program / Initiative

YouthWorks is a state-funded youth employment program that helps teens and young adults get the skills and experience needed to find and keep jobs. Participants take part in paid short-term work placements during the summer and/or school year at public, private and nonprofit worksites. Participants also receive training in core soft skills so they can practice professional behaviors and learn how to relate to supervisors and co-workers at their worksites. They also learn how to take the next steps in their education and career pathways. All YouthWorks programs use the Signal Success curriculum to help young people learn and practice the skills that matter at work, at school, and in life. YouthWorks is forward-funded; the Fiscal Year 17 appropriation is spent in the summer of 2017 (first few months of Fiscal Year 18) and in the winter of 2017-2018. □



Fiscal Year 2018 Line Item Number (#### - ####) - if applicable

7002-0012

Fiscal Year 2018 Budget

\$10,268,000.00

Total Fiscal Year 2018 Budget expended

\$10,268,000.00

Total Budget (Total \$, including other sources)

\$10,268,000.00

Details of additional funding sources

NOTE: YouthWorks is forward-funded; the Fiscal Year 17 appropriation is spent in the summer of 2017 (first few months of Fiscal Year 18) and in the winter of 2017-2018. □

**OUTCOMES OF GOALS LISTED WITHIN AGENCY'S FISCAL YEAR 2018  
OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT ANNUAL PLAN**

**Goal:** Support businesses in strengthening their competitiveness by investing in the skills of their incumbent workers.

Opportunities for All Category: ☒ Business ☐ Citizens ☐ Communities

Relevant Program(s) & Initiative(s)	Metrics	Completed?	Results -or- Reason why not complete
Workforce Training Fund (Please note: businesses submit applications throughout the year; grants are reviewed and awarded throughout the year. The metrics provided are estimates based on historical data.)	Provide General Program skills training grants to ~200 Massachusetts businesses collectively planning to train ~10,000 workers over two years from the date their grant begins.	Partially	Provided General Program grants involving 170 businesses collectively planning to train 10,361 workers. This was an estimate, based on Fiscal Year 17 usage and assuming a similar growth curve. General Program grant applications plateaued in Fiscal Year 18 but Express Program applications increased substantially and exceed expectations. see below.
Workforce Training Fund (Please note: businesses submit applications throughout the year; grants are reviewed and awarded throughout the year. The metrics provided are estimates based on historical data.)	Provide Express Program skills training grants to ~350 Massachusetts small businesses (100 or fewer employees) collectively planning to train ~3,000 workers over two years from the date their grant begins.	Yes	Provided Express Program grants to 406 Massachusetts small businesses, collectively planning to train 3,600 employees.

**Goal:** Support regional industry sector partnerships that bring together business, education and workforce partners to prepare unemployed and underemployed workers for high demand jobs.

Opportunities for All Category: ☒ Business ☒ Citizens ☒ Communities

Relevant Program(s) & Initiative(s)	Metrics	Completed?	Results -or- Reason why not complete
Workforce Competitiveness Trust Fund (Fiscal year 17 Appropriation)	Over a two-year period from July 2017 through June 2019, enroll 48 individuals with limited or no attachment to the labor force; place 34 in employment.	Partially	By the end of Fiscal Year 18, programs had enrolled 35 participants from the target population. The goal of 48 is a two year goal to be completed by the end of Fiscal Year 19.

Learn to Earn (Fiscal year18 Appropriation, combined with Fiscal year18 WCTF appropriation)	Over a two-year period from April 2018 through March 2020, enroll 115 individuals receiving public benefits; place 80 in employment. (Please note: the procurement for these programs is just beginning; the numbers may change when funding decisions are finalized and program designs are completed.)	Partially	These programs engaged in program design work, including their recruitment and enrollment plans, through the end of Fiscal Year 18. They were not scheduled to begin enrolling individuals until Fiscal Year 19.
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**Goal:** Provide low-income teens and young adults with work experience and work readiness training that prepares them to find and retain private sector jobs.

Opportunities for All Category: ☐ Business ☒ Citizens ☐ Communities

Relevant Program(s) & Initiative(s)	Metrics	Completed?	Results -or- Reason why not complete
YouthWorks (Fiscal year17 Appropriation)	In the summer of 2017, enroll and place 3,307 youth/ young adults in subsidized employment opportunities in 31 cities and towns with the highest poverty rates; provide all program participants with 125 hours of paid work and a minimum of 20 hours of work readiness through the Signal Success curriculum.	Yes	In the summer of 2017, enrolled and placed 3,852 young adults. Participants were provided with 125 hours of paid work and a minimum of 20 hours of work readiness.
YouthWorks (Fiscal year17 Appropriation)	In the fall/ winter of 2017-2018, enroll and place 100 youth/ young adults in a skills-based subsidized paid work experience; provide all participants with a minimum of 25 hours of work readiness curriculum.	Partially	In the fall/winter of 2017-2018, enrolled and placed 97 young adults. All participants were provided with a minimum of 25 hours of work readiness.

**INVESTMENTS AND GRANTS AWARDED OR PROVIDED BY THE AGENCY  
DURING FISCAL YEAR 2018**

**Award Overview**

Name of Award Program - or - Investment	Name of Recipient	Description of Award or Investment	Amount (if applicable)	Municipality of Recipient <input type="checkbox"/>
Learn To Earn	Central MA Workforce Investment Board	City of Worcester/Central MA Workforce Investment Board - Implementation LTE FY18	\$302,694.55	Worcester
Learn To Earn	Central MA Workforce Investment Board	City of Worcester/Central MA Workforce Investment Board - Program Design LTE FY18	\$19,743.58	Worcester
Learn To Earn	Holyoke Community College	Holyoke Community College - Implementation LTE FY18	\$309,568.00	Holyoke
Learn To Earn	Holyoke Community College	Holyoke Community College - Program Design LTE Program Design FY18	\$20,432.22	Holyoke
Learn To Earn	Merrimack Valley Workforce Investment Board	Merrimack Valley Workforce Investment Board - Implementation LTE FY18	\$305,000.00	Lawrence
Learn To Earn	Merrimack Valley Workforce Investment Board	Merrimack Valley Workforce Investment Board - Program Design LTE Program Design FY18	\$25,000.00	Lawrence
Learn To Earn	New England Center for Arts & Technology	New England Center for Arts & Technology - Implementation LTE FY18	\$315,427.71	Boston
Learn To Earn	New England Center for Arts & Technology	New England Center for Arts & Technology - Program Design LTE FY18	\$21,572.28	Boston
Learn To Earn	UTEC, Inc.	UTEC, Inc. - Implementation LTE FY18	\$305,000.00	Lowell
Learn To Earn	UTEC, Inc.	UTEC, Inc. - Program Design LTE FY18	\$25,000.00	Lowell
Workforce Competitiveness Trust Fund	Bristol County Training Consortium	Bristol Workforce Investment Board - WCTF FY17	\$225,000.00	Fall River

Workforce Competitiveness Trust Fund	Merrimack Valley Workforce Investment Board	Merrimack Valley Workforce Investment Board - WCTF FY17	\$225,000.00	Lawrence
YouthWorks	Workforce Central Career Center (Worcester)	Central MA Workforce Investment Board - FY18 YouthWorks Year-Round	\$75,000.00	Worcester
YouthWorks	City of Lowell/Greater Lowell Workforce Development Board	Greater Lowell - FY18 YouthWorks Year-Round	\$75,000.00	Lowell
YouthWorks	South Shore Workforce Development Board	South Shore - FY18 YouthWorks Year-Round	\$75,000.00	Quincy
YouthWorks	Greater New Bedford Workforce Board	Greater New Bedford - FY18 YouthWorks Year-Round	\$75,000.00	New Bedford
YouthWorks	Merrimack Valley Workforce Investment Board	Merrimack Valley - FY18 YouthWorks Year-Round	\$75,000.00	Lawrence
YouthWorks	Berkshire Training & Employment Program	Berkshire Training & Employment Program - YouthWorks Summer 2017	\$129,018.00	Pittsfield
YouthWorks	Bristol County Training Consortium	Bristol County Training Consortium - YouthWorks Summer 2017	\$495,682.00	Fall River
YouthWorks	Brockton Area Workforce Investment Board	Brockton Area Workforce Investment Board - YouthWorks Summer 2017	\$309,694.00	Brockton
YouthWorks	Career Center of Lowell	Career Center of Lowell - YouthWorks Summer 2017	\$427,489.00	Lowell

YouthWorks	City of Lawrence - Division of Grant Administration	City of Lawrence - Division of Grant Administration - YouthWorks Summer 2017	\$625,642.00	Lawrence
YouthWorks	Employment Links, Inc.	Employment Links, Inc. - YouthWorks Summer 2017	\$278,853.00	Leominster
YouthWorks	Franklin/ Hampshire Employment & Training Consortium	Franklin/ Hampshire Employment & Training Consortium - YouthWorks Summer 2017	\$59,626.00	Greenfield
YouthWorks	Greater New Bedford Workforce Board	Greater New Bedford Workforce Investment Board - YouthWorks Summer 2017	\$430,916.00	New Bedford
YouthWorks	Job Training and Employment Corporation	Job Training & Employment Corporation (JTEC) - YouthWorks Summer 2017	\$75,046.00	Hyannis
YouthWorks	Mayor's Office of Workforce Development	Mayor's Office of Workforce Development - YouthWorks Summer 2017	\$2,707,500.00	South Boston
YouthWorks	Metro North Regional Employment Board	Metro North Regional Employment Board - YouthWorks Summer 2017	\$721,763.00	Cambridge
YouthWorks	North Shore Workforce Investment Board	North Shore Workforce Investment Board - YouthWorks Summer 2017	\$495,682.00	Salem
YouthWorks	Partnerships for a Skilled Workforce	Partnerships for a Skilled Workforce, Inc. - YouthWorks Summer 2017	\$103,745.00	Marlborough
YouthWorks	MassHire Hampden County Workforce Board, Inc.	Regional Employment Board of Hampden County - YouthWorks Summer 2017	\$1,254,282.00	Springfield



YouthWorks	South Coastal Career Development Administration	South Coastal Career Development Administration - YouthWorks Summer 2017	\$307,210.00	Quincy
YouthWorks	Workforce Central Career Center (Worcester)	Workforce Central Career Center (Worcester) - YouthWorks Summer 2017	\$602,854.00	Worcester
Workforce Training Fund	Avista Pharma Solutions, Inc.	Number of trainees: 70	\$204,640.00	Agawam
Workforce Training Fund	Governors America Corporation	Number of trainees: 71	\$128,800.00	Agawam
Workforce Training Fund	ARC Technologies, Inc.	Number of trainees: 154	\$87,925.00	Amesbury
Workforce Training Fund	Amherst Machine, Inc.	Number of trainees: 11	\$39,370.00	Amherst
Workforce Training Fund	CyberGrants	Number of trainees: 108	\$246,400.00	Andover
Workforce Training Fund	Draeger Medical Systems, Inc.	Number of trainees: 28	\$74,000.00	Andover
Workforce Training Fund	Armstrong Ambulance Service	Number of trainees: 182	\$247,800.00	Arlington
Workforce Training Fund	Hi-Tech, Inc.	Number of trainees: 23	\$30,000.00	Attleboro
Workforce Training Fund	Distron Corporation	Number of trainees: 64	\$139,698.00	Attleboro Falls
Workforce Training Fund	Accelerated Media Technologies, Inc.	Number of trainees: 37	\$53,774.00	Auburn
Workforce Training Fund	Micorp	Number of trainees: 68	\$80,000.00	Auburn
Workforce Training Fund	The Village Bank	Number of trainees: 84	\$145,600.00	Auburndale
Workforce Training Fund	Controller Service & Sales	Number of trainees: 20	\$46,200.00	Avon
Workforce Training Fund	Amptek, Inc.	Number of trainees: 31	\$84,000.00	Bedford

Workforce Training Fund	Cambridge Technology	Number of trainees: 191	\$28,800.00	Bedford
Workforce Training Fund	Thermo Fisher Scientific	Number of trainees: 130	\$109,400.00	Bedford
Workforce Training Fund	Account Matters	Number of trainees: 23	\$33,900.00	Bellingham
Workforce Training Fund	Hi-Tech Metals, Inc.	Number of trainees: 30	\$72,800.00	Bellingham
Workforce Training Fund	Medical Component Specialists, Inc.	Number of trainees: 22	\$69,600.00	Bellingham
Workforce Training Fund	Fiorella's	Number of trainees: 118	\$245,880.00	Belmont
Workforce Training Fund	Amphenol PCD, Inc.	Number of trainees: 73	\$246,625.00	Beverly
Workforce Training Fund	DMB Financial, LLC	Number of trainees: 148	\$240,800.00	Beverly
Workforce Training Fund	Entegris, Inc.	Number of trainees: 36	\$114,200.00	Billerica
Workforce Training Fund	Bar Mezzana	Number of trainees: 50	\$70,000.00	Boston
Workforce Training Fund	Boston Baking, Inc.	Number of trainees: 49	\$90,764.00	Boston
Workforce Training Fund	Boston Interactive	Number of trainees: 45	\$127,573.00	Boston
Workforce Training Fund	Brookline Bancorp, Inc. **	Number of trainees: 366	\$239,660.00	Boston
Workforce Training Fund	Corcoran Jennison Management Company	Number of trainees: 214	\$216,456.00	Boston
Workforce Training Fund	Ellenzweig	Number of trainees: 44	\$140,700.00	Boston
Workforce Training Fund	Guardian Healthcare	Number of trainees: 167	\$205,810.00	Boston
Workforce Training Fund	ISlide	Number of trainees: 24	\$89,400.00	Boston
Workforce Training Fund	LaVoieHealthScience	Number of trainees: 13	\$22,392.00	Boston
Workforce Training Fund	Long Hagan Huff-Harris	Number of trainees: 8	\$72,600.00	Boston
Workforce Training Fund	Rightpoint	Number of trainees: 10	\$36,400.00	Boston
Workforce Training Fund	Rue La La **	Number of trainees: 214	\$250,000.00	Boston
Workforce Training Fund	TRADE	Number of trainees: 57	\$103,885.00	Boston

Workforce Training Fund	US Green Building Council of MA **	Number of trainees: 264	\$249,588.00	Boston
Workforce Training Fund	Honematic Machine Corporation	Number of trainees: 12	\$36,600.00	Boylston
Workforce Training Fund	Desktop Metal	Number of trainees: 58	\$249,757.00	Burlington
Workforce Training Fund	Camio Cabinetry	Number of trainees: 11	\$52,000.00	Canton
Workforce Training Fund	Gray, Gray, & Gray, LLP	Number of trainees: 130	\$203,440.00	Canton
Workforce Training Fund	ECO Logic	Number of trainees: 17	\$69,242.00	Charlestown
Workforce Training Fund	KARL STORZ Endovision, Inc.	Number of trainees: 131	\$63,700.00	Charlton
Workforce Training Fund	Massachusetts Eye Associates	Number of trainees: 16	\$69,280.00	Chelmsford
Workforce Training Fund	Mechanical Drive Components, Inc.	Number of trainees: 9	\$33,630.00	Chicopee
Workforce Training Fund	EMD Millipore	Number of trainees: 159	\$241,925.00	Danvers
Workforce Training Fund	Polhemus Savery DaSilva, Inc.	Number of trainees: 39	\$78,375.00	East Harwich
Workforce Training Fund	Brady Enterprises, Inc.	Number of trainees: 27	\$57,600.00	East Weymouth
Workforce Training Fund	Millstone Medical Outsourcing	Number of trainees: 57	\$112,700.00	Fall River
Workforce Training Fund	Eye Physicians of Northampton, PC	Number of trainees: 13	\$63,075.00	Florence
Workforce Training Fund	Accutech Packaging, Inc.	Number of trainees: 92	\$135,240.00	Foxboro
Workforce Training Fund	Samiotes Consultant, Inc.	Number of trainees: 15	\$103,168.00	Framingham
Workforce Training Fund	BMP Medical	Number of trainees: 48	\$89,600.00	Gardner

Workforce Training Fund	GAP Promotions, LLC	Number of trainees: 10	\$34,250.00	Gloucester
Workforce Training Fund	Valley Medical Group	Number of trainees: 427	\$242,850.00	Greenfield
Workforce Training Fund	Brennan Machine Company	Number of trainees: 6	\$30,800.00	Hanson
Workforce Training Fund	President Titanium, Inc.	Number of trainees: 20	\$58,110.00	Hanson
Workforce Training Fund	Meridian Industrial Group, LLC	Number of trainees: 22	\$58,180.00	Holyoke
Workforce Training Fund	Ruwac, Inc.	Number of trainees: 28	\$63,990.00	Holyoke
Workforce Training Fund	Western Mass Physician Associates	Number of trainees: 14	\$15,940.00	Holyoke
Workforce Training Fund	New City Microcreamery & Less Than Greater Than	Number of trainees: 18	\$36,400.00	Hudson
Workforce Training Fund	Plastic Molding Manufacturing	Number of trainees: 64	\$156,900.00	Hudson
Workforce Training Fund	Saliga Machine Company, Inc.	Number of trainees: 5	\$34,200.00	Hudson
Workforce Training Fund	Shepley Wood Products, Inc.	Number of trainees: 156	\$170,573.00	Hyannis
Workforce Training Fund	The Cooperative Bank of Cape Cod	Number of trainees: 35	\$55,750.00	Hyannis
Workforce Training Fund	Excelsior Integrated, Inc.	Number of trainees: 20	\$48,750.00	Lee
Workforce Training Fund	Porchlight Home Care **	Number of trainees: 20	\$22,504.00	Lee
Workforce Training Fund	Fosta-Tek Optics, Inc.	Number of trainees: 16	\$104,725.00	Leominster

Workforce Training Fund	Spectro Coating Corporation	Number of trainees: 71	\$185,750.00	Leominster
Workforce Training Fund	Hitec	Number of trainees: 52	\$62,500.00	Littleton
Workforce Training Fund	Luso Federal Credit Union	Number of trainees: 32	\$21,700.00	Ludlow
Workforce Training Fund	Hauthaway Corporation	Number of trainees: 19	\$95,900.00	Lynn
Workforce Training Fund	Kettle Cuisine, LLC	Number of trainees: 180	\$232,700.00	Lynn
Workforce Training Fund	Piantedosi Baking Company	Number of trainees: 45	\$250,000.00	Malden
Workforce Training Fund	Charles A. Richardson, Inc.	Number of trainees: 10	\$19,000.00	Mansfield
Workforce Training Fund	Massachusetts Container Corporation	Number of trainees: 84	\$147,780.00	Marlboro
Workforce Training Fund	Atlas Travel & Technology Group	Number of trainees: 92	\$248,192.00	Marlborough
Workforce Training Fund	Holographix, LLC	Number of trainees: 14	\$36,400.00	Marlborough
Workforce Training Fund	KAZ USA, Inc.	Number of trainees: 65	\$190,050.00	Marlborough
Workforce Training Fund	Main Street Bank	Number of trainees: 177	\$222,920.00	Marlborough
Workforce Training Fund	Language Scientific	Number of trainees: 43	\$172,900.00	Medford
Workforce Training Fund	Charles River Bank	Number of trainees: 48	\$55,780.00	Medway
Workforce Training Fund	ActivMed Practices and Research, Inc.	Number of trainees: 23	\$67,960.00	Methuen
Workforce Training Fund	ULVAC Technologies, Inc.	Number of trainees: 34	\$96,000.00	Methuen
Workforce Training Fund	Salem Metal, Inc.	Number of trainees: 51	\$127,400.00	Middleton
Workforce Training Fund	Millbury Credit Union	Number of trainees: 71	\$73,790.00	Millbury

Workforce Training Fund	Millbury Credit Union *	Number of trainees: 71	\$57,460.00	Millbury
Workforce Training Fund	New England Insurance Group	Number of trainees: 27	\$130,800.00	Needham
Workforce Training Fund	Acushnet Company	Number of trainees: 187	\$244,635.00	New Bedford
Workforce Training Fund	Epec Engineered Technologies	Number of trainees: 43	\$67,250.00	New Bedford
Workforce Training Fund	Five Star Surgical,	Number of trainees: 8	\$15,946.00	New Bedford
Workforce Training Fund	HTP Comfort Solutions, LLC	Number of trainees: 86	\$203,450.00	New Bedford
Workforce Training Fund	Morgan Advanced Materials	Number of trainees: 48	\$135,990.00	New Bedford
Workforce Training Fund	Revolution Armor	Number of trainees: 6	\$30,000.00	New Bedford
Workforce Training Fund	Arwood Machine	Number of trainees: 82	\$134,825.00	Newburyport
Workforce Training Fund	C&K Components, Inc.	Number of trainees: 60	\$238,784.00	Newton
Workforce Training Fund	Panasonic Boston Laboratory	Number of trainees: 9	\$65,808.00	Newton
Workforce Training Fund	Checon Corporation	Number of trainees: 34	\$81,200.00	North Attleboro
Workforce Training Fund	Aved Electronics	Number of trainees: 105	\$170,645.00	North Billerica
Workforce Training Fund	FLIR **	Number of trainees: 37	\$35,070.00	North Billerica
Workforce Training Fund	Ree Machine Works, Inc.	Number of trainees: 7	\$33,090.00	North Billerica
Workforce Training Fund	Ree Machine Works, Inc. *	Number of trainees: 12	\$39,195.00	North Billerica
Workforce Training Fund	Washington Mills	Number of trainees: 75	\$116,135.00	North Grafton
Workforce Training Fund	Blue Grace Logistics	Number of trainees: 83	\$249,948.00	North Quincy
Workforce Training Fund	Riverdale Mills Corporation	Number of trainees: 147	\$202,861.00	Northbridge



Workforce Training Fund	Riverdale Mills Corporation *	Number of trainees: 147	\$172,575.00	Northbridge
Workforce Training Fund	Zildjian	Number of trainees: 113	\$70,000.00	Norwell
Workforce Training Fund	Absolute Metal Finishing, Inc.	Number of trainees: 39	\$105,200.00	Norwood
Workforce Training Fund	Olympic Adhesives, Inc.	Number of trainees: 36	\$40,600.00	Norwood
Workforce Training Fund	Training Wheels of NE, Inc.	Number of trainees: 35	\$35,625.00	Orleans
Workforce Training Fund	HTS Engineering	Number of trainees: 24	\$65,800.00	Peabody
Workforce Training Fund	Duromar	Number of trainees: 10	\$37,100.00	Pembroke
Workforce Training Fund	Moldmaster Engineering, Inc.	Number of trainees: 24	\$58,250.00	Pittsfield
Workforce Training Fund	Onset Computer Corporation	Number of trainees: 101	\$87,900.00	Pocasset
Workforce Training Fund	1199SEIU Training & Employment Funds **	Number of trainees: 121	\$83,358.00	Quincy
Workforce Training Fund	J. Calnan & Associates	Number of trainees: 102	\$134,480.00	Quincy
Workforce Training Fund	M.D. Stetson	Number of trainees: 33	\$13,000.00	Randolph
Workforce Training Fund	Polymer Corporation	Number of trainees: 114	\$173,000.00	Rockland
Workforce Training Fund	AE Ventures, Inc.	Number of trainees: 14	\$10,934.00	South Easton
Workforce Training Fund	Gladding-Hearn Shipbuilding	Number of trainees: 89	\$189,572.00	Somerset
Workforce Training Fund	South Shore Bank	Number of trainees: 218	\$249,820.00	South Weymouth
Workforce Training Fund	Whalley Precision, Inc.	Number of trainees: 23	\$58,215.00	Southwick
Workforce Training Fund	Dakin Humane Society	Number of trainees: 16	\$44,400.00	Springfield

Workforce Training Fund	Super Brush, LLC	Number of trainees: 43	\$122,990.00	Springfield
Workforce Training Fund	T&T Anodizing	Number of trainees: 12	\$41,080.00	Stoneham
Workforce Training Fund	Mechanics Cooperative Bank	Number of trainees: 94	\$176,650.00	Taunton
Workforce Training Fund	TCG	Number of trainees: 47	\$31,961.00	Tewksbury
Workforce Training Fund	C&C Machine, Inc.	Number of trainees: 38	\$193,760.00	Tyngsboro
Workforce Training Fund	Innovent	Number of trainees: 17	\$86,980.00	Wakefield
Workforce Training Fund	Picis Clinical Solutions, Inc.	Number of trainees: 65	\$199,200.00	Wakefield
Workforce Training Fund	Rolls-Royce Marine North America, Inc.	Number of trainees: 71	\$93,890.00	Walpole
Workforce Training Fund	Sharp Manufacturing, Inc.	Number of trainees: 8	\$18,600.00	West Bridgewater
Workforce Training Fund	Chatham Sheet Metal	Number of trainees: 32	\$60,000.00	West Chatham
Workforce Training Fund	Cyalume Technologies	Number of trainees: 98	\$139,100.00	West Springfield
Workforce Training Fund	Package Printing Company	Number of trainees: 20	\$56,510.00	West Springfield
Workforce Training Fund	Valentine Plating	Number of trainees: 26	\$59,920.00	West Springfield
Workforce Training Fund	Curry Printing	Number of trainees: 28	\$58,955.00	Westborough
Workforce Training Fund	Precise Turning and Manufacturing Company	Number of trainees: 7	\$29,890.00	Westfield
Workforce Training Fund	Juniper	Number of trainees: 129	\$149,150.00	Westford
Workforce Training Fund	T&K Asphalt Services, Inc.	Number of trainees: 45	\$146,650.00	Whitman
Workforce Training Fund	Analog Devices	Number of trainees: 540	\$249,700.00	Wilmington

Workforce Training Fund	L3-SSG	Number of trainees: 44	\$237,905.00	Wilmington
Workforce Training Fund	Monogram Foods	Number of trainees: 35	\$72,035.00	Wilmington
Workforce Training Fund	Air Liquide	Number of trainees: 29	\$127,000.00	Woburn
Workforce Training Fund	Arborjet, Inc.	Number of trainees: 29	\$66,000.00	Woburn
Workforce Training Fund	Boston Centerless	Number of trainees: 50	\$93,500.00	Woburn
Workforce Training Fund	Custom Machine	Number of trainees: 61	\$83,780.00	Woburn
Workforce Training Fund	Kamco Supply Corporation of Boston	Number of trainees: 135	\$246,350.00	Woburn
Workforce Training Fund	CoorsTek, Inc.	Number of trainees: 140	\$168,008.00	Worcester
Workforce Training Fund	MassMEP **	Number of trainees: 54	\$132,975.00	Worcester
Workforce Training Fund	MassMEP **	Number of trainees: 25	\$40,000.00	Worcester

TECHNICAL ASSISTANCE PROVIDED BY THE AGENCY  
DURING FISCAL YEAR 2018

**Overview**

Name of Recipient	Description of Technical Assistance provided
All grantees	learning community convening and technical assistance with respect to program design and implementation

LOANS, REAL ESTATE LOANS, WORKING CAPITAL LOANS AND GUARANTEES  
APPROVED BY THE AGENCY IN FISCAL YEAR 2018

Overview

NONE

## OTHER FINANCIAL ASSISTANCE PROVIDED

### Overview

Not Applicable



PATENTS & PRODUCTS RESULTING FROM AGENCY-FUNDED ACTIVITIES

Name of Recipient

NONE



# OFFICE OF PERFORMANCE MANAGEMENT AND OVERSIGHT

## POINT OF CONTACTS

### Point of Contact for Head of Agency

Name

Dr. JD LaRock

Title

President & CEO

Agency

Commonwealth Corporation

Email Address

JDLaRock@commcorp.org

Phone Number (123-456-7890)

617-717-6924

### Point of Contact for Performance Reporting Matters

Name

Dr. J.D. LaRock

Title

President & CEO

Agency

Commonwealth Corporation

Email Address

JDLaRock@commcorp.org

Phone Number (123-456-7890)

617-717-6924



**COMMENTS, OBSERVATIONS AND RECOMMENDATIONS  
ON INTERNAL CONTROLS, PROCEDURES  
AND OTHER MATTERS  
OCTOBER 2018**



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Westborough, MA 01581  
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To the Board of Directors and Management of  
Commonwealth Corporation:

In planning and performing our audit of the general purpose financial statements of Commonwealth Corporation (the Corporation) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's general purpose financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We are pleased to provide management with an appendix containing comments, observations and recommendations on internal controls, procedures and other matters which came to our attention during the audit of the Corporation. These comments, observations and recommendations are not considered to be material weaknesses, but are areas in which the Corporation can improve its operations and procedures in a cost-effective manner. Before deciding on a course of action based on our comments, you may wish to assess the expected benefits and related costs of our suggestions. We would be glad to clarify any of our comments or discuss with you how we can provide further assistance.

This communication is intended solely for the information and use of management, the Audit and Finance Committee, the Board of Directors, Federal awarding agencies and pass-through entities, and others within the Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Boston, Massachusetts  
October 25, 2018

## **COMMONWEALTH CORPORATION**

Comments, Observations and Recommendations on Internal  
Controls, Procedures and Other Matters  
October 2018

---

### **GENERAL**

We thank management for their assistance during the June 30, 2018 audit. The following are comments, observations and recommendations noted during the prior year audit. We make these comments to encourage management's continuing efforts to develop and strengthen the internal control systems and procedures.

### **PRIOR YEAR ITEM ADDRESSED**

Management developed and implemented procedures to ensure adequate segregation of duties in the cash receipts cycle.

### **PRIOR YEAR ITEM IN PROCESS**

#### **Accounting Policies and Procedures**

The Corporation has written accounting procedures relating to the various functions that the business office performs. These procedures are in the process of being updated and compiled into a formalized comprehensive accounting policies and procedures manual. The manual should be revised and include updated descriptions of the methods, procedures and accounting principles to be followed, including explanations and examples of principal transactions.

### **IMPLEMENTATION SCHEDULE**

Management should give consideration to implementing this item based on analysis of the expected costs and related benefits. This item should be placed on a schedule with the prioritization of the item, assignment of responsibility for implementation, and a timetable for completion. This schedule can be used by the Board of Directors and management to monitor progress. We are available to assist in implementing the above item.





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October 25, 2018

To the Board of Directors and Management of  
Commonwealth Corporation:

We have audited the general purpose financial statements of Commonwealth Corporation (the Corporation) for the year ended June 30, 2018, and have issued our report thereon dated October 25, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Required Communications

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the general purpose financial statements in the proper period.

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the general purpose financial statements were:

- Allocation of costs, which is based on time and usage tracked relative to a particular program or function.
- Contract cost accruals, which are based on a survey of sub-grantees costs incurred before year end.
- Estimated useful lives of capital assets, which are based on management's expectation of the period of time the class of asset will provide future economic benefit to the Corporation.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the general purpose financial statements taken as a whole.

The general purpose financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties dealing with management in performing and completing our audit.



Required Communications (Continued)

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the general purpose financial statements. Management has determined that its effect is immaterial to the general purpose financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 25, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the Schedule of Expenditures of Federal Awards and the Management's Discussion and Analysis accompanying the general purpose financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the general purpose financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the general purpose financial statements or to the general purpose financial statements themselves.

For Your Information - Accounting Standards Updates

***New Revenue Recognition Standard***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new revenue recognition standard affects all entities, including public, private, and not-for-profit entities that have contracts with customers, except where there is other specific revenue recognition guidance issued by the FASB.

This new revenue recognition standard effectively eliminates the transaction-specific and industry-specific revenue recognition guidance under current accounting principles generally accepted in the United States of America (U.S. GAAP) and replaces it with a principles-based approach for determining an entity's revenue recognition policies. The core principle of the new revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The effective date for this new revenue recognition standard for nonpublic entities is for annual reporting periods beginning after December 15, 2018. Although the Governmental Accounting Standards Board (GASB) has not yet adopted this standard, we believe it will do so and will then set an implementation date for government entities, such as the Corporation.

Based on our understanding of the Corporation's revenue streams, this ASU has the potential to cause changes in revenue recognition of the Corporation's contracts with customers, such as program service fees and this may have significant effects on the financial statements. The Corporation should be prepared to update policies and procedures accordingly. Further assessment should be performed before making quantitative conclusions regarding the financial statement effect of Topic 606.

***Revenue and Expense Recognition Standard for Grants and Contributions***

On June 21, 2018, the FASB issued a final ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and reduce the current diversity in practice in accounting for grants and contributions. ASU 2018-08 applies primarily to nonprofits, but also applies to business entities that receive or make contributions of cash and other assets. The ASU does not apply to transfers of assets from government entities to business entities.

***Contributions Received***

ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. Distinguishing between contributions and exchange transactions determines which revenue or expense recognition guidance is to be applied.

In an exchange transaction, the resource provider (i.e. a government agency, foundation, corporation or other entity) receives commensurate value in return for the resources transferred (i.e. cash or other assets). The resource recipient will follow the guidance within ASC Topic 606, *Revenue from Contracts with Customers*, or other applicable guidance, to recognize the revenue. If the resource provider does not receive commensurate value in return for the resources transferred, the transaction is deemed to be a contribution.



For Your Information - Accounting Standards Updates (Continued)

***Revenue and Expense Recognition Standard for Grants and Contributions*** (Continued)

*Contributions Received* (Continued)

Contributions received will be accounted for using the guidance in ASC Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition – Contributions*. In addition, the resource provider is not synonymous with the general public. A benefit received by the general public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. Similarly, execution of the resource provider's mission or the positive sentiment from acting as a donor shall not constitute commensurate value received by the resource provider for purposes of determining whether the transfer of assets is a contribution or an exchange transaction.

Once a transaction is deemed to be a contribution, entities must determine whether a contribution (or a promise) is conditional or unconditional. According to ASU 2018-08, an entity is required to overcome a barrier before it is entitled to the assets transferred or promised. ASU 2018-08 provides further guidance and examples in determining whether an agreement contains a barrier.

*Contributions Made*

The resource provider will follow the guidance included in ASC Subtopic 720-25, *Other Expense – Contributions Made*, when making contributions of cash and other assets or a promise to give. Nonprofits should also follow additional guidance included in ASC Subtopic 958-720, *Not-for-Profit Entities – Other Expenses*, to recognize expenses for contributions made.

The same guidance on determining whether a contribution is conditional or unconditional applies to both a recipient of contributions received and a resource provider of contributions made.

*Effective Date and Transition*

The effective date for transactions in which an entity serves as the resource recipient is as follows:

- For public businesses and nonprofits that are conduit bond obligors or with publicly-traded securities, the ASU is effective for fiscal years beginning after June 15, 2018.
- For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018.

The effective date for transactions in which an entity serves as the resource provider is as follows:

- For public businesses and nonprofits that are conduit bond obligors or with publicly-traded securities, the ASU is effective for fiscal years beginning after December 15, 2018.
- For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019.

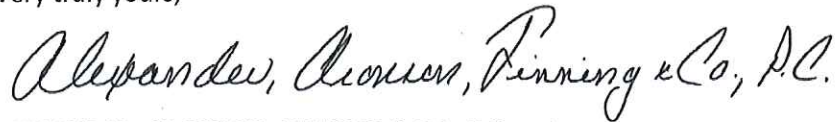
The ASU should be applied on a modified prospective basis. Under modified prospective basis, the ASU will apply to agreements that are not completed or entered into after the effective date. In other words, the ASU should be applied only to the portion of revenue or expense that has not yet been recognized as of the effective date. No prior-period results should be restated and there should be no cumulative-effect adjustment to the opening balance of net assets or retained earnings at the beginning of the year of adoption. However, retrospective application is permitted.

If you have any questions or need further assistance with these updates, please contact a member of your audit service team.

Board of Directors and Management of  
Commonwealth Corporation  
October 25, 2018  
Page V

This information is intended solely for the use of the Audit and Finance Committee, the Board of Directors, and management of the Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Alexander, Aronson, Finning & Co., P.C.".

ALEXANDER, ARONSON, FINNING & CO., P.C.  
Certified Public Accountants

## COMMONWEALTH CORPORATION

Uncorrected Misstatement Report  
June 30, 2018

PAGE #	Adjustment Accounts	Journal Entry		Description of Audit Difference	General Purpose Financial Statement Effect			
		Debit	Credit		Total Assets	Total Liabilities	Total Net Position	Change in Net Position
1	Rent Expense	\$ 6,672	\$ -	To properly state deferred rent as of June 30, 2018.	\$ -	\$ -	\$ -	\$ (6,672)
1	Deferred Rent	-	6,672		-	6,672	(6,672)	-
	Net Unadjusted Audit Differences - Current Year				-	6,672	(6,672)	(6,672)
	Effect of Unadjusted Audit Differences - Prior Years				-	49,537	(49,537)	(49,537)
	Combined Current and Prior Year Audit Differences				\$ -	\$ 56,209	\$ (56,209)	\$ (56,209)



**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**COMMONWEALTH CORPORATION**

Contents  
June 30, 2018 and 2017

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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, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years 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, 2018 and 2017, 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 8 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 25, 2018

## COMMONWEALTH CORPORATION

### Management's Discussion and Analysis June 30, 2018 and 2017

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This Management's Discussion and Analysis provides an overview of the Commonwealth Corporation's (the Corporation) financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Corporation's general purpose financial statements and related footnotes, which begin on page 9.

#### Description of Major Programs by Division

The Corporation designs and executes workforce and youth development 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.

The Corporation invests in programs in three primary areas:

- Preparing and connecting unemployed and underemployed individuals to in-demand jobs.
- Providing work experience and work readiness skills development for teens and young adults.
- Upgrading the skills 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 revenues of \$21.82 million compared to an annual budget of \$21.20 million. The following major programs are being administered through this division:
  - **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 2018, the majority of funds were awarded in 3 programs: (1) General Program - 151 training grants involving 170 businesses. The total amount awarded was \$16.85 million. These businesses plan to train 10,300 workers with these funds. (2) Express Program - 545 grant awards to 406 small businesses (100 or fewer employees), seeking a total of \$3.023 million to train more than 3,600 employees. (3) Direct Access Program. In fiscal year 2017, the Corporation conducted a competitive procurement process awarding grants to 18 training organizations to offer training seats through the Direct Access Program to businesses across the Commonwealth. This round of funding was designed to provide businesses with access to training through the end of fiscal year 2018. In fiscal year 2018, the 18 organizations trained 1,439 workers from 350 businesses and were reimbursed \$1,355,687.



## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### Description of Major Programs by Division (Continued)

- **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 2016 with an appropriation of \$2 million; The Corporation awarded \$1.82 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 job seekers. Those grants ended in fiscal year 2018. WCTF received an additional appropriation of \$500,000 in fiscal year 2017. The Corporation awarded \$450,000 in grants to 2 organizations to be expended through fiscal year 2019 to partner with businesses to prepare and place long-term unemployed individuals. In fiscal year 2018, the WCTF received an additional appropriation of \$990,000, which was supplemented with a transfer of \$1,000,000 from a new state budget appropriation called Learn to Earn. The Corporation awarded \$1.6 million in grants from combined WCTF and Learn to Earn funds to 5 organizations to be expended through fiscal year 2020. These organizations will partner with businesses to prepare and place unemployed and underemployed job seekers who are participating in one or more public benefit programs.
- **The Health Care Workforce Transformation 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-nine training grants were awarded between 2015 and 2016; these grants ended in fiscal year 2017. In fiscal year 2018, the Corporation awarded up to \$1.35 million in six additional grants to be expended through fiscal year 2019 to partner with businesses to prepare and place long-term unemployed individuals in health care positions.
- **The Youth Pathways Division** with revenues of \$30.8 million compared to a budget of \$31.14 million. The following major programs are being administered:
  - **YouthWorks** is a youth at risk program that represents a \$10.27 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's staff works with workforce boards, career centers and their community providers to organize and structure summer and year-round employment and skills training opportunities for approximately 4,000 youth each year.
  - **Signal Success** is a work readiness curriculum developed by several staff on the Youth Pathways team, and is aimed at improving long-term employment outcomes for young people. The curriculum is being implemented in YouthWorks, to more than 50 community-based organizations and in selected public vocational and district high schools. In the last year, the YouthWorks/ Signal Success staff in the Youth Pathways Division has expanded the reach to offer customized versions of the product to the Department of Elementary and Secondary Education for the High Quality College and Career Pathways. It has 5 workforce regions to implement a customized version of Signal Success as a pilot for their federally-funded Workforce Innovation and Opportunity Act (WIOA) programming, and another customized version of the Disability Employment Initiative in several cities. Fee-for-service contracts are in place in cities outside of Massachusetts including Phoenix, AZ, Miami, FL, Detroit, MI, and Providence, RI. Additional programs are funded through the Massachusetts Clean Energy Center, a corporate grant from the State Street Foundation, and SkillWorks. Contracts excluding YouthWorks and WIOA funding, totaled \$285,795 for fiscal year 2018.

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### Description of Major Programs by 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 2018 is the fourth year of a multi-year contract with annual revenue of about \$20.2 million.
- **The Safe and Successful Youth Initiative (SSYI)** is a multi-faceted effort led by the Executive Office of Health and Human Services (EOHHS) to reduce youth violence in Massachusetts. The program seeks to engage young men aged 17 to 24 who have been identified as 'proven risk', or at the highest risk for being perpetrators and/or victims of violence. EOHHS provides funding to 13 cities to implement a coordinated intervention strategy that includes identification of potential participants by law enforcement, constant outreach and in-reach to incarcerated individuals, trauma counseling, and case management support as well as education, employability and transitional employment services. The Corporation is under contract to deliver technical assistance and provide program management to the SSYI communities. Our staff works to ensure that local partners are providing appropriate services, and that each community is collecting and reporting data that document services and outcomes.

### The Statements of Net Position (Page 9)

The Statements of Net Position show comparative financial data from June 30, 2018 and 2017, and include all assets and liabilities of the Corporation, as a whole. Additionally, these statements report total net position.

- **Total Assets** in the amount of \$37.53 million increased by \$796,306 from the previous year total of \$36.73 million:
  - Cash and cash equivalents in the amount of \$21.63 million decreased by \$8.46 million from last year's \$30.09 million.
    - Cash for operations is deposited in a bank account and includes non-interest bearing checking accounts and an interest bearing operations/ sweep account.
    - Cash was lower at the end of fiscal year 2018 due to the timing of cash received from grant receivables at year end.
  - Grants, contracts, and other receivables in the amount of \$15.78 million increased by \$9.27 million from last year's \$6.51 million.
  - Capital assets depreciated in value by \$28,367 (net of additions) from \$109,361 to \$80,994.



## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### The Statements of Net Position (Page 9) (Continued)

- **Total Liabilities and Net Position** increased by \$796,306. This increase in liabilities comes primarily from an increase in grants payable and other contract expenses.
  - Deferred revenue totaled \$29.02 million, a decrease of \$1.02 million compared to \$30.04 million last year.
  - The Net Position balance of \$673,375 represents a \$5,230 increase from last year's balance of \$668,145.

### The Statements of Revenues, Expenses and Changes in Net Position (Page 10)

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 (Subrecipient contracts) G&A; Facilities/ Occupancy; and Information Technology.
- **Restricted Grants and Contract Funds:** 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. The vast majority of funds received by the Corporation is restricted by nature, including MMDT invested funds.

### Operating Revenues and Expenses

Fiscal year 2018 shows a \$2.45 million reduction in revenue and a \$2.53 million reduction in expenditures from fiscal year 2017. Annual revenue and expenditures both totaled \$52.63 million for the 2018 fiscal year. While there are some individual variances (see below), the totals show the overall general purpose financial statements to be consistent with last year's performance.

- **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 match total revenue recognized by fund).
  - Interest income totaled \$343,902. Interest earned on assets is distributed on a prorated cash balance basis. Interest earned and distributed in fiscal year 2018:

<u>Fund</u>	<u>Interest</u>
WTFP	\$ 324,223
WCTF	13,588
General Fund	<u>6,091</u>
	<u>\$ 343,902</u>

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
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### The Statements of Revenues, Expenses and Changes in Net Position (Continued)

#### Operating Revenues and Expenses (Continued)

- Operating Expenses
  - Salaries and wages in the amount of \$3.45 million decreased by \$135,555 as compared to last year's total of \$3.59 million. This decrease is partly due to a severance expense incurred in 2017 and a few open positions at the end of the 2018 fiscal year.
  - Fringe benefits at \$1.10 million decreased by \$20,581 relative to the decrease in salaries.
  - Professional services were \$211,203 less than the prior year due to a contract with the Office of the State Auditor to conduct a study on trends in supply and demand for different types of health care workers. This study was completed in fiscal year 2017.
  - Equipment and facilities had an increase of \$35,824 due to increase in yearly office lease.
  - Other program costs include program supplies, stipends and program start-up costs in the Youth Pathways Division. Expenses were higher this year by \$18,464 due to the purchase of twenty new laptops to be distributed to the youth serviced by this division.
  - Subrecipient contracts in the amount of \$46.49 million decreased by \$2.20 million as compared to last year's total of \$48.69 million.

The table below compares current and last year sub-recipient expenditures:

<u>Fund Description</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Workforce Competitive Trust Fund (WCTF)	\$ 1,075,261	\$ 1,298,106	\$ (222,845)
Workforce Training Fund (WTFP)	16,991,152	15,169,326	1,821,826
Demonstration Workforce Development Program	117,764	187,490	(69,726)
Summer Jobs Program - Youth at Risk	8,955,726	10,887,270	(1,931,544)
Youth with Disabilities	135,000	-	135,000
Safe & Successful Youth Initiative (SSYI)	194,886	165,251	29,635
Healthcare Workforce Transformation Fund	752,030	2,864,242	(2,112,212)
DYS Youth State Funds	17,252,187	17,202,669	49,518
DYS Youth Federal Funds	983,193	785,360	197,833
Miscellaneous	27,975	126,863	(98,888)
	<u>\$ 46,485,174</u>	<u>\$ 48,686,577</u>	<u>\$ (2,201,403)</u>

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
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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 2018 corporate expenditures against the 2018 fiscal year budget:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Grants and contracts	\$ 52,275,943	\$ 52,346,283	\$ (70,340)
Interest income	343,902	-	343,902
Other income	11,745	-	11,745
Total operating revenues	<u>52,631,590</u>	<u>52,346,283</u>	<u>285,307</u>
<b>Operating Expenses:</b>			
Salaries and wages	3,453,167	3,517,926	(64,759)
Fringe benefits	1,095,362	1,077,852	17,510
Equipment and facilities	698,018	655,264	42,754
Professional services	476,299	583,585	(107,286)
Office costs and supplies	109,754	56,956	52,798
Other program costs	103,365	60,950	42,415
Travel	93,821	105,303	(11,482)
Meetings and conferences	72,597	42,700	29,897
Depreciation	38,803	37,100	1,703
Operating expenses before contracts	6,141,186	6,137,636	3,550
Sub-recipient contracts	<u>46,485,174</u>	<u>46,208,647</u>	<u>276,527</u>
Total operating expenses	<u>52,626,360</u>	<u>52,346,283</u>	<u>280,077</u>
Changes in net position from operations	<u>\$ 5,230</u>	<u>\$ -</u>	<u>\$ 5,230</u>

Overall total budget targets were met. Operating expenses before sub-recipient contracts were slightly over budget by \$3,550, while sub-recipient expenditures were above budget by \$276,527. The increase in sub-recipient expenditures was mostly due to an improved process of collecting year end expenses from grantees.

- Salaries and wages were below budget by 1.8%. Salaries and wages account for the second largest corporate expense and it is closely managed against the budget. Salaries and wages from the last five years compared to operating expenses before sub-recipient contracts and total operating expenses:

	<u>Salaries</u>	<u>Expenses Before Contracts</u>	<u>%</u>	<u>Total Corporate</u>	<u>%</u>
2018	\$ 3,453,167	\$ 6,173,963	55.93%	\$ 52,626,360	6.56%
2017	\$ 3,588,722	\$ 6,472,294	55.45%	\$ 55,158,871	6.51%
2016	\$ 3,562,834	\$ 6,322,141	56.35%	\$ 55,202,317	6.45%
2015	\$ 3,440,849	\$ 6,198,568	55.51%	\$ 57,351,931	6.00%
2014	\$ 3,000,084	\$ 5,547,630	54.08%	\$ 48,487,413	6.19%



## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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

- Fiscal year 2018 executive staff salaries:

Chief Executive Officer	\$ 165,000
SR Vice President Sector and Regional Strategies	\$ 126,294
Vice President Youth Pathways	\$ 120,554
Vice President Finance/ CFO	\$ 122,412

- Fringe benefits in the amount of \$1.10 million exceeded the \$1.08 million budget total by \$17,510. The Corporation had a 1.6% increase from Harvard Pilgrim Health Care, this increase became effective at the end of March 2018.
- Professional services were lower than budget by \$107,286 due to contracts for program expenses estimated at a higher amounts during the budget process.
- Subrecipient contracts with a budget of \$46.21 million and with sub-recipient expenditures in the amount of \$46.49 million had a net positive variance of \$276,527.

### Current Known Facts, Decisions and Conditions

The Corporation's total operating revenues for the fiscal year 2018 were higher than budget by \$285,307. This positive variance was due to the unbudgeted interest income received from its investments in the Massachusetts Municipal Depository Trust.

The Corporation has positioned itself as a strong and effective player in the workforce development, youth development, and economic development fields and has a solid history of cost effective service delivery and performance. The tight labor market and the current Massachusetts low unemployment rate 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.

During the spring of 2018, the Governor of Massachusetts designated the Corporation to organize and lead a new Commission on Digital Innovation and Lifelong Learning. The Commission will examine how Massachusetts can dramatically expand affordable, high-quality, employer-aligned education, training, and lifelong learning opportunities for many more people in this era of accelerating technological change. A final report with recommendations will be presented to the Governor in the fall of 2018, which may lead to future opportunities of impact for the Corporation.

The Corporation has a long-term solid revenue base of four core programs totaling \$50 million:

- For the Department of Youth Services, fiscal year 2018 will be the fifth year of a multi-year contract. Funding is forecasted in the amount of approximately \$19 million.
- The Workforce Training Fund Program received obligational authority for a total of \$25 million. Actual expenditures are forecasted at \$17 million.
- Workforce Competitiveness Trust Fund expenditures are forecasted at \$1.5 million.
- For the Youth Works Summer Program, the Legislature appropriated almost \$12 million to be used in the summer of 2019 and the fall-winter of 2019-2020. (YouthWorks if forward-funded; funds are for the fiscal year and expended in the following fiscal year.)

### 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  
June 30, 2018 and 2017

Assets	2018			2017		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
Current Assets:						
Cash and cash equivalents	\$ 866,839	\$ 20,762,298	\$ 21,629,137	\$ 847,214	\$ 29,242,027	\$ 30,089,241
Grants, contracts and other receivables	4,028	15,772,998	15,777,026	1,420	6,507,419	6,508,839
Prepaid expenses and other	39,095	-	39,095	22,505	-	22,505
Total current assets	909,962	36,535,296	37,445,258	871,139	35,749,446	36,620,585
Capital Assets, net	80,994	-	80,994	109,361	-	109,361
Total assets	\$ 990,956	\$ 36,535,296	\$ 37,526,252	\$ 980,500	\$ 35,749,446	\$ 36,729,946
<b>Liabilities and Net Position</b>						
Current Liabilities:						
Grants and other payables	\$ 55,994	\$ 6,098,455	\$ 6,154,449	\$ 15,037	\$ 4,485,328	\$ 4,500,365
Accrued contract expenses	-	1,417,736	1,417,736	-	1,226,987	1,226,987
Accrued payroll and other	261,587	-	261,587	297,318	-	297,318
Deferred revenue	-	29,019,105	29,019,105	-	30,037,131	30,037,131
Total current liabilities	317,581	36,535,296	36,852,877	312,355	35,749,446	36,061,801
Net Position:						
Unrestricted net position	592,381	-	592,381	558,784	-	558,784
Invested in capital assets	80,994	-	80,994	109,361	-	109,361
Total net position	673,375	-	673,375	668,145	-	668,145
Total liabilities and net position	\$ 990,956	\$ 36,535,296	\$ 37,526,252	\$ 980,500	\$ 35,749,446	\$ 36,729,946

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, 2018 and 2017

	2018			2017		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
<b>Operating Revenues:</b>						
Grants and contracts	\$ -	\$ 52,275,943	\$ 52,275,943	\$ -	\$ 54,899,973	\$ 54,899,973
Interest income	6,091	337,811	343,902	6,200	165,807	172,007
Other income	-	11,745	11,745	-	11,892	11,892
Total operating revenues	6,091	52,625,499	52,631,590	6,200	55,077,672	55,083,872
<b>Operating Expenses:</b>						
Salaries and wages	770,078	2,683,089	3,453,167	846,131	2,742,591	3,588,722
Fringe benefits	244,758	850,604	1,095,362	320,102	795,841	1,115,943
Equipment and facilities	619,988	78,030	698,018	598,144	64,050	662,194
Professional services	182,143	294,156	476,299	186,525	500,977	687,502
Office costs and supplies	58,571	51,183	109,754	39,136	62,694	101,830
Other program costs	-	103,365	103,365	-	84,901	84,901
Travel	4,118	89,703	93,821	3,327	100,423	103,750
Meetings and conferences	2,824	69,773	72,597	3,859	78,276	82,135
Depreciation	38,803	-	38,803	45,317	-	45,317
Indirect operating expense allocation	(1,920,422)	1,920,422	-	(1,961,342)	1,961,342	-
Total operating expenses before subrecipient contracts	861	6,140,325	6,141,186	81,199	6,391,095	6,472,294
Subrecipient contracts	-	46,485,174	46,485,174	-	48,686,577	48,686,577
Total operating expenses	861	52,625,499	52,626,360	81,199	55,077,672	55,158,871
Changes in net position	5,230	-	5,230	(74,999)	-	(74,999)
<b>Net Position:</b>						
Beginning of year	668,145	-	668,145	743,144	-	743,144
End of year	\$ 673,375	\$ -	\$ 673,375	\$ 668,145	\$ -	\$ 668,145

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

# COMMONWEALTH CORPORATION

## Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from grantors	\$ 41,989,730	\$ 63,833,090
Collections of interest and other income	355,647	183,899
Payments to employees	(3,452,072)	(3,579,029)
Payments of employee benefits	(1,131,084)	(1,061,665)
Payments to subrecipients	(44,681,298)	(50,312,887)
Payments to vendors and suppliers	(1,530,591)	(1,846,586)
Net cash provided by (used in) operating activities	(8,449,668)	7,216,822
<b>Cash Flows from Investing Activities:</b>		
Acquisition of capital assets	(10,436)	(9,045)
<b>Net Change in Cash and Cash Equivalents</b>	(8,460,104)	7,207,777
<b>Cash and Cash Equivalents:</b>		
Beginning of year	30,089,241	22,881,464
End of year	<u>\$ 21,629,137</u>	<u>\$ 30,089,241</u>
<b>Reconciliation of Changes in Net Position to Net Cash</b>		
<b>Provided by (Used in) Operating Activities:</b>		
Changes in net position	\$ 5,230	\$ (74,999)
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:		
Depreciation	38,803	45,317
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(9,268,187)	(201,841)
Prepaid expenses and other	(16,590)	927
Grants and other payables	1,654,084	(1,481,916)
Accrued contract expenses	190,749	(159,261)
Accrued payroll and other	(35,731)	(46,363)
Deferred revenue	(1,018,026)	9,134,958
Net cash provided by (used in) operating activities	<u>\$ (8,449,668)</u>	<u>\$ 7,216,822</u>

## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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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 for the Foundation were \$50,000 and \$100,000 for the years ended June 30, 2018 and 2017, respectively. Expenses for the Foundation for the years ended June 30, 2018 and 2017, were \$50,000 and \$150,000, 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 Internal Revenue Code (IRC) Section 115.

The Foundation is exempt from Federal income taxes as an organization (not a 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, 2018 and 2017

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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, and savings accounts, and other highly liquid investment instruments issued with maturities of 90 days or less, including amounts held in the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see below and 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 (GASB 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 GASB 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 Other Receivables

Grants, contracts and other receivables (see Note 4) include revenue amounts due from state and Federal agencies (see page 14), as well as advance payments to subrecipients. Advance payments to subrecipients (see page 14) 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 operating expenses as the subrecipient provides evidence of grant expenditures applicable to the advance.

#### Capital Assets

Capital assets (see Note 5) 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 6).

#### 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.

- **The general fund** represents funds that are for unrestricted activity that is not specific to other funds.
- **Restricted grant and contract fund** - Restricted grant and contract funds represent resources that are to be expended for specified purposes as determined by grantor agreements, contractual terms and conditions, and donor requirements. The vast majority of funds received by the Corporation is restricted by nature, including MMDT invested funds.

**Invested in capital assets** - This classification is used to account for net equity related to capital assets (see above) purchased by the Corporation and used in operations.

## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

Grants and contracts revenue (including state and Federal grants received through the Commonwealth) is earned in accordance with funding agreements as expenses are incurred. Substantially all grants and contracts have constraints imposed by grantors and are accordingly classified as restricted revenue (Restricted Grant and Contract Fund). 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.

#### Subrecipient Contracts

Subrecipient contracts are recorded when expenses are incurred and supporting documentation have been provided by subrecipients.

#### Indirect Operating Expenses

The Corporation's indirect costs are cost categories that are not directly charged to programs. These costs are accumulated in cost pools and allocated to programs based on actual time worked and historical cost trends. These indirect cost pools are included in unrestricted operating expenses and include occupancy, information technology, and fringe benefits as well as administrative costs. Indirect operating expenses totaled \$1,920,422 and \$1,961,342 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of the 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 25, 2018, 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 (see Note 2) in the amount of \$20,670,687 and \$29,273,790 at June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
1 - 30 Days	71.7%	59.1%
31 - 90 Days	20.4%	25.0%
91 - 180 Days	7.9%	14.0%
181 - Days or more	0.0%	1.9%
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 (see Note 2). 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, 2018 and 2017

**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:

	Cash Portfolio Quality Diversification	
	First Tier	Second Tier
2018	100.0%	-
2017	100.0%	-

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

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

	2018	2017
State agencies	\$ 13,260,858	\$ 4,559,677
Net advance payments	2,480,897	1,849,681
Other	35,271	99,481
	<u>\$ 15,777,026</u>	<u>\$ 6,508,839</u>

**5. CAPITAL ASSETS**

The following schedule presents the changes in capital assets for the year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets, depreciable:				
Equipment	\$ 393,111	\$ 10,436	\$ 218,747	\$ 184,800
Leasehold improvements	183,202	-	101,060	82,142
Furniture and fixtures	56,855	-	-	56,855
Total	<u>633,168</u>	<u>10,436</u>	<u>(319,807)</u>	<u>323,797</u>
Less - accumulated depreciation:				
Equipment	349,406	22,690	218,747	153,349
Leasehold improvements	144,554	10,426	101,060	53,920
Furniture and fixtures	29,847	5,687	-	35,534
Total accumulated depreciation	<u>523,807</u>	<u>38,803</u>	<u>319,807</u>	<u>242,803</u>
Capital assets, net	<u>\$ 109,361</u>	<u>\$ (28,367)</u>	<u>\$ -</u>	<u>\$ 80,994</u>



# COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

## 5. CAPITAL ASSETS (Continued)

The following schedule presents the changes in capital assets for the year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Capital assets, depreciable:				
Equipment	\$ 384,066	\$ 9,045	\$ -	\$ 393,111
Leasehold improvements	183,202	-	-	183,202
Furniture and fixtures	56,855	-	-	56,855
Total	624,123	9,045	-	633,168
Less - accumulated depreciation:				
Equipment	320,200	29,206	-	349,406
Leasehold improvements	134,128	10,426	-	144,554
Furniture and fixtures	24,162	5,685	-	29,847
Total accumulated depreciation	478,490	45,317	-	523,807
Capital assets, net	\$ 145,633	\$ (36,272)	\$ -	\$ 109,361

## 6. COMMITMENTS

### Facility and Equipment Leases

The Corporation leases office space under two operating leases expiring through June 2022. Aggregate monthly rents range from \$32,322 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 in the amount of \$106,000. As of June 30, 2018 and 2017, there were no draws against the letter of credit. Rent expense under the facility leases was approximately \$416,000 and \$410,000 for the years ended June 30, 2018 and 2017, 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:

	Facility	Equipment
2019	\$ 402,040	\$ 36,452
2020	403,293	14,735
2021	396,561	-
2022	383,177	-
Total	\$ 1,585,071	\$ 51,187

## **COMMONWEALTH CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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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 dates. These employees do not participate in the Federal social security system. 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. Employees hired prior to December 31, 1996, are not eligible for this plan. During fiscal years 2018 and 2017, the Corporation made contributions of 13.2%. This plan does not permit employee contributions.

Additionally, employees hired by one of the Corporation's predecessor entities prior to December 1996, participate in a separate plan, 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 2018 and 2017 totaled approximately \$453,000 and \$468,000, 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. CONCENTRATIONS AND CONTINGENCIES**

The Corporation maintains certain 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 3) are not FDIC insured. As of June 30, 2018 and 2017, the Corporation's exposure for uninsured funds was approximately \$21,400,000 and \$29,800,000, 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.

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.



**GENERAL PURPOSE FINANCIAL STATEMENTS  
IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
UNIFORM GUIDANCE  
JUNE 30, 2018 AND 2017**

## COMMONWEALTH CORPORATION

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June 30, 2018 and 2017

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**Unmodified Opinion on General Purpose Financial Statements  
by Other Information – Governmental Entity**

**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 (the Corporation), a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years 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 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 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 on page one present fairly, in all material respects, the net position of Commonwealth Corporation as of June 30, 2018 and 2017, 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 8 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.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2018, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the general purpose 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 general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the general purpose financial statements or to the general purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the general purpose financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

  
Boston, Massachusetts  
October 25, 2018



## COMMONWEALTH CORPORATION

### Management's Discussion and Analysis June 30, 2018 and 2017

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This Management's Discussion and Analysis provides an overview of the Commonwealth Corporation's (the Corporation) financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Corporation's general purpose financial statements and related footnotes, which begin on page 9.

#### Description of Major Programs by Division

The Corporation designs and executes workforce and youth development 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.

The Corporation invests in programs in three primary areas:

- Preparing and connecting unemployed and underemployed individuals to in-demand jobs.
- Providing work experience and work readiness skills development for teens and young adults.
- Upgrading the skills 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 revenues of \$21.82 million compared to an annual budget of \$21.20 million. The following major programs are being administered through this division:
  - **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 2018, the majority of funds were awarded in 3 programs: (1) General Program - 151 training grants involving 170 businesses. The total amount awarded was \$16.85 million. These businesses plan to train 10,300 workers with these funds. (2) Express Program - 545 grant awards to 406 small businesses (100 or fewer employees), seeking a total of \$3.023 million to train more than 3,600 employees. (3) Direct Access Program. In fiscal year 2017, the Corporation conducted a competitive procurement process awarding grants to 18 training organizations to offer training seats through the Direct Access Program to businesses across the Commonwealth. This round of funding was designed to provide businesses with access to training through the end of fiscal year 2018. In fiscal year 2018, the 18 organizations trained 1,439 workers from 350 businesses and were reimbursed \$1,355,687.

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### Description of Major Programs by Division (Continued)

- **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 2016 with an appropriation of \$2 million; The Corporation awarded \$1.82 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 job seekers. Those grants ended in fiscal year 2018. WCTF received an additional appropriation of \$500,000 in fiscal year 2017. The Corporation awarded \$450,000 in grants to 2 organizations to be expended through fiscal year 2019 to partner with businesses to prepare and place long-term unemployed individuals. In fiscal year 2018, the WCTF received an additional appropriation of \$990,000, which was supplemented with a transfer of \$1,000,000 from a new state budget appropriation called Learn to Earn. The Corporation awarded \$1.6 million in grants from combined WCTF and Learn to Earn funds to 5 organizations to be expended through fiscal year 2020. These organizations will partner with businesses to prepare and place unemployed and underemployed job seekers who are participating in one or more public benefit programs.
- **The Health Care Workforce Transformation 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-nine training grants were awarded between 2015 and 2016; these grants ended in fiscal year 2017. In fiscal year 2018, the Corporation awarded up to \$1.35 million in six additional grants to be expended through fiscal year 2019 to partner with businesses to prepare and place long-term unemployed individuals in health care positions.
- **The Youth Pathways Division** with revenues of \$30.8 million compared to a budget of \$31.14 million. The following major programs are being administered:
  - **YouthWorks** is a youth at risk program that represents a \$10.27 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's staff works with workforce boards, career centers and their community providers to organize and structure summer and year-round employment and skills training opportunities for approximately 4,000 youth each year.
  - **Signal Success** is a work readiness curriculum developed by several staff on the Youth Pathways team, and is aimed at improving long-term employment outcomes for young people. The curriculum is being implemented in YouthWorks, to more than 50 community-based organizations and in selected public vocational and district high schools. In the last year, the YouthWorks/ Signal Success staff in the Youth Pathways Division has expanded the reach to offer customized versions of the product to the Department of Elementary and Secondary Education for the High Quality College and Career Pathways. It has 5 workforce regions to implement a customized version of Signal Success as a pilot for their federally-funded Workforce Innovation and Opportunity Act (WIOA) programming, and another customized version of the Disability Employment Initiative in several cities. Fee-for-service contracts are in place in cities outside of Massachusetts including Phoenix, AZ, Miami, FL, Detroit, MI, and Providence, RI. Additional programs are funded through the Massachusetts Clean Energy Center, a corporate grant from the State Street Foundation, and SkillWorks. Contracts excluding YouthWorks and WIOA funding, totaled \$285,795 for fiscal year 2018.



## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### Description of Major Programs by 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 2018 is the fourth year of a multi-year contract with annual revenue of about \$20.2 million.
- **The Safe and Successful Youth Initiative (SSYI)** is a multi-faceted effort led by the Executive Office of Health and Human Services (EOHHS) to reduce youth violence in Massachusetts. The program seeks to engage young men aged 17 to 24 who have been identified as 'proven risk', or at the highest risk for being perpetrators and/or victims of violence. EOHHS provides funding to 13 cities to implement a coordinated intervention strategy that includes identification of potential participants by law enforcement, constant outreach and in-reach to incarcerated individuals, trauma counseling, and case management support as well as education, employability and transitional employment services. The Corporation is under contract to deliver technical assistance and provide program management to the SSYI communities. Our staff works to ensure that local partners are providing appropriate services, and that each community is collecting and reporting data that document services and outcomes.

### The Statements of Net Position (Page 9)

The Statements of Net Position show comparative financial data from June 30, 2018 and 2017, and include all assets and liabilities of the Corporation, as a whole. Additionally, these statements report total net position.

- **Total Assets** in the amount of \$37.53 million increased by \$796,306 from the previous year total of \$36.73 million:
  - Cash and cash equivalents in the amount of \$21.63 million decreased by \$8.46 million from last year's \$30.09 million.
    - Cash for operations is deposited in a bank account and includes non-interest bearing checking accounts and an interest bearing operations/ sweep account.
    - Cash was lower at the end of fiscal year 2018 due to the timing of cash received from grant receivables at year end.
  - Grants, contracts, and other receivables in the amount of \$15.78 million increased by \$9.27 million from last year's \$6.51 million.
  - Capital assets depreciated in value by \$28,367 (net of additions) from \$109,361 to \$80,994.

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### The Statements of Net Position (Page 9) (Continued)

- **Total Liabilities and Net Position** increased by \$796,306. This increase in liabilities comes primarily from an increase in grants payable and other contract expenses.
  - Deferred revenue totaled \$29.02 million, a decrease of \$1.02 million compared to \$30.04 million last year.
  - The Net Position balance of \$673,375 represents a \$5,230 increase from last year's balance of \$668,145.

### The Statements of Revenues, Expenses and Changes in Net Position (Page 10)

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 (Subrecipient contracts) G&A; Facilities/ Occupancy; and Information Technology.
- **Restricted Grants and Contract Funds:** 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. The vast majority of funds received by the Corporation is restricted by nature, including MMDT invested funds.

### Operating Revenues and Expenses

Fiscal year 2018 shows a \$2.45 million reduction in revenue and a \$2.53 million reduction in expenditures from fiscal year 2017. Annual revenue and expenditures both totaled \$52.63 million for the 2018 fiscal year. While there are some individual variances (see below), the totals show the overall general purpose financial statements to be consistent with last year's performance.

- **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 match total revenue recognized by fund).
  - Interest income totaled \$343,902. Interest earned on assets is distributed on a prorated cash balance basis. Interest earned and distributed in fiscal year 2018:

<u>Fund</u>	<u>Interest</u>
WTFP	\$ 324,223
WCTF	13,588
General Fund	<u>6,091</u>
	<u>\$ 343,902</u>



## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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

#### Operating Revenues and Expenses (Continued)

- Operating Expenses
  - Salaries and wages in the amount of \$3.45 million decreased by \$135,555 as compared to last year's total of \$3.59 million. This decrease is partly due to a severance expense incurred in 2017 and a few open positions at the end of the 2018 fiscal year.
  - Fringe benefits at \$1.10 million decreased by \$20,581 relative to the decrease in salaries.
  - Professional services were \$211,203 less than the prior year due to a contract with the Office of the State Auditor to conduct a study on trends in supply and demand for different types of health care workers. This study was completed in fiscal year 2017.
  - Equipment and facilities had an increase of \$35,824 due to increase in yearly office lease.
  - Other program costs include program supplies, stipends and program start-up costs in the Youth Pathways Division. Expenses were higher this year by \$18,464 due to the purchase of twenty new laptops to be distributed to the youth serviced by this division.
  - Subrecipient contracts in the amount of \$46.49 million decreased by \$2.20 million as compared to last year's total of \$48.69 million.

The table below compares current and last year sub-recipient expenditures:

<u>Fund Description</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Workforce Competitive Trust Fund (WCTF)	\$ 1,075,261	\$ 1,298,106	\$ (222,845)
Workforce Training Fund (WTFP)	16,991,152	15,169,326	1,821,826
Demonstration Workforce Development Program	117,764	187,490	(69,726)
Summer Jobs Program - Youth at Risk	8,955,726	10,887,270	(1,931,544)
Youth with Disabilities	135,000	-	135,000
Safe & Successful Youth Initiative (SSYI)	194,886	165,251	29,635
Healthcare Workforce Transformation Fund	752,030	2,864,242	(2,112,212)
DYS Youth State Funds	17,252,187	17,202,669	49,518
DYS Youth Federal Funds	983,193	785,360	197,833
Miscellaneous	27,975	126,863	(98,888)
	<u>\$ 46,485,174</u>	<u>\$ 48,686,577</u>	<u>\$ (2,201,403)</u>

## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

### 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 2018 corporate expenditures against the 2018 fiscal year budget:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Grants and contracts	\$ 52,275,943	\$ 52,346,283	\$ (70,340)
Interest income	343,902	-	343,902
Other income	11,745	-	11,745
Total operating revenues	<u>52,631,590</u>	<u>52,346,283</u>	<u>285,307</u>
<b>Operating Expenses:</b>			
Salaries and wages	3,453,167	3,517,926	(64,759)
Fringe benefits	1,095,362	1,077,852	17,510
Equipment and facilities	698,018	655,264	42,754
Professional services	476,299	583,585	(107,286)
Office costs and supplies	109,754	56,956	52,798
Other program costs	103,365	60,950	42,415
Travel	93,821	105,303	(11,482)
Meetings and conferences	72,597	42,700	29,897
Depreciation	<u>38,803</u>	<u>37,100</u>	<u>1,703</u>
Operating expenses before contracts	6,141,186	6,137,636	3,550
Sub-recipient contracts	<u>46,485,174</u>	<u>46,208,647</u>	<u>276,527</u>
Total operating expenses	<u>52,626,360</u>	<u>52,346,283</u>	<u>280,077</u>
Changes in net position from operations	<u>\$ 5,230</u>	<u>\$ -</u>	<u>\$ 5,230</u>

Overall total budget targets were met. Operating expenses before sub-recipient contracts were slightly over budget by \$3,550, while sub-recipient expenditures were above budget by \$276,527. The increase in sub-recipient expenditures was mostly due to an improved process of collecting year end expenses from grantees.

- Salaries and wages were below budget by 1.8%. Salaries and wages account for the second largest corporate expense and it is closely managed against the budget. Salaries and wages from the last five years compared to operating expenses before sub-recipient contracts and total operating expenses:

	<u>Salaries</u>	<u>Expenses Before Contracts</u>	<u>%</u>	<u>Total Corporate</u>	<u>%</u>
2018	\$ 3,453,167	\$ 6,173,963	55.93%	\$ 52,626,360	6.56%
2017	\$ 3,588,722	\$ 6,472,294	55.45%	\$ 55,158,871	6.51%
2016	\$ 3,562,834	\$ 6,322,141	56.35%	\$ 55,202,317	6.45%
2015	\$ 3,440,849	\$ 6,198,568	55.51%	\$ 57,351,931	6.00%
2014	\$ 3,000,084	\$ 5,547,630	54.08%	\$ 48,487,413	6.19%



## COMMONWEALTH CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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

- Fiscal year 2018 executive staff salaries:

Chief Executive Officer	\$ 165,000
SR Vice President Sector and Regional Strategies	\$ 126,294
Vice President Youth Pathways	\$ 120,554
Vice President Finance/ CFO	\$ 122,412

- Fringe benefits in the amount of \$1.10 million exceeded the \$1.08 million budget total by \$17,510. The Corporation had a 1.6% increase from Harvard Pilgrim Health Care, this increase became effective at the end of March 2018.
- Professional services were lower than budget by \$107,286 due to contracts for program expenses estimated at a higher amounts during the budget process.
- Subrecipient contracts with a budget of \$46.21 million and with sub-recipient expenditures in the amount of \$46.49 million had a net positive variance of \$276,527.

### Current Known Facts, Decisions and Conditions

The Corporation's total operating revenues for the fiscal year 2018 were higher than budget by \$285,307. This positive variance was due to the unbudgeted interest income received from its investments in the Massachusetts Municipal Depository Trust.

The Corporation has positioned itself as a strong and effective player in the workforce development, youth development, and economic development fields and has a solid history of cost effective service delivery and performance. The tight labor market and the current Massachusetts low unemployment rate 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.

During the spring of 2018, the Governor of Massachusetts designated the Corporation to organize and lead a new Commission on Digital Innovation and Lifelong Learning. The Commission will examine how Massachusetts can dramatically expand affordable, high-quality, employer-aligned education, training, and lifelong learning opportunities for many more people in this era of accelerating technological change. A final report with recommendations will be presented to the Governor in the fall of 2018, which may lead to future opportunities of impact for the Corporation.

The Corporation has a long-term solid revenue base of four core programs totaling \$50 million:

- For the Department of Youth Services, fiscal year 2018 will be the fifth year of a multi-year contract. Funding is forecasted in the amount of approximately \$19 million.
- The Workforce Training Fund Program received obligational authority for a total of \$25 million. Actual expenditures are forecasted at \$17 million.
- Workforce Competitiveness Trust Fund expenditures are forecasted at \$1.5 million.
- For the Youth Works Summer Program, the Legislature appropriated almost \$12 million to be used in the summer of 2019 and the fall-winter of 2019-2020. (YouthWorks if forward-funded; funds are for the fiscal year and expended in the following fiscal year.)

### 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  
June 30, 2018 and 2017

Assets	2018			2017		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
Current Assets:						
Cash and cash equivalents	\$ 866,839	\$ 20,762,298	\$ 21,629,137	\$ 847,214	\$ 29,242,027	\$ 30,089,241
Grants, contracts and other receivables	4,028	15,772,998	15,777,026	1,420	6,507,419	6,508,839
Prepaid expenses and other	39,095	-	39,095	22,505	-	22,505
Total current assets	909,962	36,535,296	37,445,258	871,139	35,749,446	36,620,585
Capital Assets, net	80,994	-	80,994	109,361	-	109,361
Total assets	\$ 990,956	\$ 36,535,296	\$ 37,526,252	\$ 980,500	\$ 35,749,446	\$ 36,729,946
<b>Liabilities and Net Position</b>						
Current Liabilities:						
Grants and other payables	\$ 55,994	\$ 6,098,455	\$ 6,154,449	\$ 15,037	\$ 4,485,328	\$ 4,500,365
Accrued contract expenses	-	1,417,736	1,417,736	-	1,226,987	1,226,987
Accrued payroll and other	261,587	-	261,587	297,318	-	297,318
Deferred revenue	-	29,019,105	29,019,105	-	30,037,131	30,037,131
Total current liabilities	317,581	36,535,296	36,852,877	312,355	35,749,446	36,061,801
Net Position:						
Unrestricted net position	592,381	-	592,381	558,784	-	558,784
Invested in capital assets	80,994	-	80,994	109,361	-	109,361
Total net position	673,375	-	673,375	668,145	-	668,145
Total liabilities and net position	\$ 990,956	\$ 36,535,296	\$ 37,526,252	\$ 980,500	\$ 35,749,446	\$ 36,729,946

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, 2018 and 2017

	2018			2017		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
<b>Operating Revenues:</b>						
Grants and contracts	\$ -	\$ 52,275,943	\$ 52,275,943	\$ -	\$ 54,899,973	\$ 54,899,973
Interest income	6,091	337,811	343,902	6,200	165,807	172,007
Other income	-	11,745	11,745	-	11,892	11,892
Total operating revenues	6,091	52,625,499	52,631,590	6,200	55,077,672	55,083,872
<b>Operating Expenses:</b>						
Salaries and wages	770,078	2,683,089	3,453,167	846,131	2,742,591	3,588,722
Fringe benefits	244,758	850,604	1,095,362	320,102	795,841	1,115,943
Equipment and facilities	619,988	78,030	698,018	598,144	64,050	662,194
Professional services	182,143	294,156	476,299	186,525	500,977	687,502
Office costs and supplies	58,571	51,183	109,754	39,136	62,694	101,830
Other program costs	-	103,365	103,365	-	84,901	84,901
Travel	4,118	89,703	93,821	3,327	100,423	103,750
Meetings and conferences	2,824	69,773	72,597	3,859	78,276	82,135
Depreciation	38,803	-	38,803	45,317	-	45,317
Indirect operating expense allocation	(1,920,422)	1,920,422	-	(1,961,342)	1,961,342	-
Total operating expenses before subrecipient contracts	861	6,140,325	6,141,186	81,199	6,391,095	6,472,294
Subrecipient contracts	-	46,485,174	46,485,174	-	48,686,577	48,686,577
Total operating expenses	861	52,625,499	52,626,360	81,199	55,077,672	55,158,871
Changes in net position	5,230	-	5,230	(74,999)	-	(74,999)
<b>Net Position:</b>						
Beginning of year	668,145	-	668,145	743,144	-	743,144
End of year	\$ 673,375	\$ -	\$ 673,375	\$ 668,145	\$ -	\$ 668,145

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

**COMMONWEALTH CORPORATION**

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from grantors	\$ 41,989,730	\$ 63,833,090
Collections of interest and other income	355,647	183,899
Payments to employees	(3,452,072)	(3,579,029)
Payments of employee benefits	(1,131,084)	(1,061,665)
Payments to subrecipients	(44,681,298)	(50,312,887)
Payments to vendors and suppliers	(1,530,591)	(1,846,586)
Net cash provided by (used in) operating activities	(8,449,668)	7,216,822
<b>Cash Flows from Investing Activities:</b>		
Acquisition of capital assets	(10,436)	(9,045)
<b>Net Change in Cash and Cash Equivalents</b>	(8,460,104)	7,207,777
<b>Cash and Cash Equivalents:</b>		
Beginning of year	30,089,241	22,881,464
End of year	<u>\$ 21,629,137</u>	<u>\$ 30,089,241</u>
<b>Reconciliation of Changes in Net Position to Net Cash Provided by (Used in) Operating Activities:</b>		
Changes in net position	\$ 5,230	\$ (74,999)
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:		
Depreciation	38,803	45,317
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(9,268,187)	(201,841)
Prepaid expenses and other	(16,590)	927
Grants and other payables	1,654,084	(1,481,916)
Accrued contract expenses	190,749	(159,261)
Accrued payroll and other	(35,731)	(46,363)
Deferred revenue	(1,018,026)	9,134,958
Net cash provided by (used in) operating activities	<u>\$ (8,449,668)</u>	<u>\$ 7,216,822</u>



## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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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 for the Foundation were \$50,000 and \$100,000 for the years ended June 30, 2018 and 2017, respectively. Expenses for the Foundation for the years ended June 30, 2018 and 2017, were \$50,000 and \$150,000, 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 Internal Revenue Code (IRC) Section 115.

The Foundation is exempt from Federal income taxes as an organization (not a 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, 2018 and 2017

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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, and savings accounts, and other highly liquid investment instruments issued with maturities of 90 days or less, including amounts held in the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see below and 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 (GASB 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 GASB 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 Other Receivables

Grants, contracts and other receivables (see Note 4) include revenue amounts due from state and Federal agencies (see page 14), as well as advance payments to subrecipients. Advance payments to subrecipients (see page 14) 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 operating expenses as the subrecipient provides evidence of grant expenditures applicable to the advance.

#### Capital Assets

Capital assets (see Note 5) 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 6).

#### 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.

- **The general fund** represents funds that are for unrestricted activity that is not specific to other funds.
- **Restricted grant and contract fund** - Restricted grant and contract funds represent resources that are to be expended for specified purposes as determined by grantor agreements, contractual terms and conditions, and donor requirements. The vast majority of funds received by the Corporation is restricted by nature, including MMDT invested funds.

**Invested in capital assets** - This classification is used to account for net equity related to capital assets (see above) purchased by the Corporation and used in operations.



## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

Grants and contracts revenue (including state and Federal grants received through the Commonwealth) is earned in accordance with funding agreements as expenses are incurred. Substantially all grants and contracts have constraints imposed by grantors and are accordingly classified as restricted revenue (Restricted Grant and Contract Fund). 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.

#### Subrecipient Contracts

Subrecipient contracts are recorded when expenses are incurred and supporting documentation have been provided by subrecipients.

#### Indirect Operating Expenses

The Corporation's indirect costs are cost categories that are not directly charged to programs. These costs are accumulated in cost pools and allocated to programs based on actual time worked and historical cost trends. These indirect cost pools are included in unrestricted operating expenses and include occupancy, information technology, and fringe benefits as well as administrative costs. Indirect operating expenses totaled \$1,920,422 and \$1,961,342 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of the 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 25, 2018, 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 (see Note 2) in the amount of \$20,670,687 and \$29,273,790 at June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
1 - 30 Days	71.7%	59.1%
31 - 90 Days	20.4%	25.0%
91 - 180 Days	7.9%	14.0%
181 - Days or more	<u>0.0%</u>	<u>1.9%</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 (see Note 2). 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, 2018 and 2017

## 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:

	Cash Portfolio Quality Diversification	
	First Tier	Second Tier
2018	100.0%	-
2017	100.0%	-

## 4. GRANTS, CONTRACTS AND OTHER RECEIVABLES

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

	2018	2017
State agencies	\$ 13,260,858	\$ 4,559,677
Net advance payments	2,480,897	1,849,681
Other	35,271	99,481
	<u>\$ 15,777,026</u>	<u>\$ 6,508,839</u>

## 5. CAPITAL ASSETS

The following schedule presents the changes in capital assets for the year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets, depreciable:				
Equipment	\$ 393,111	\$ 10,436	\$ 218,747	\$ 184,800
Leasehold improvements	183,202	-	101,060	82,142
Furniture and fixtures	56,855	-	-	56,855
Total	<u>633,168</u>	<u>10,436</u>	<u>(319,807)</u>	<u>323,797</u>
Less - accumulated depreciation:				
Equipment	349,406	22,690	218,747	153,349
Leasehold improvements	144,554	10,426	101,060	53,920
Furniture and fixtures	29,847	5,687	-	35,534
Total accumulated depreciation	<u>523,807</u>	<u>38,803</u>	<u>319,807</u>	<u>242,803</u>
Capital assets, net	<u>\$ 109,361</u>	<u>\$ (28,367)</u>	<u>\$ -</u>	<u>\$ 80,994</u>

**COMMONWEALTH CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

**5. CAPITAL ASSETS (Continued)**

The following schedule presents the changes in capital assets for the year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Capital assets, depreciable:				
Equipment	\$ 384,066	\$ 9,045	\$ -	\$ 393,111
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>9,045</u>	<u>-</u>	<u>633,168</u>
Less - accumulated depreciation:				
Equipment	320,200	29,206	-	349,406
Leasehold improvements	134,128	10,426	-	144,554
Furniture and fixtures	<u>24,162</u>	<u>5,685</u>	<u>-</u>	<u>29,847</u>
Total accumulated depreciation	<u>478,490</u>	<u>45,317</u>	<u>-</u>	<u>523,807</u>
Capital assets, net	<u>\$ 145,633</u>	<u>\$ (36,272)</u>	<u>\$ -</u>	<u>\$ 109,361</u>

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

The Corporation leases office space under two operating leases expiring through June 2022. Aggregate monthly rents range from \$32,322 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 in the amount of \$106,000. As of June 30, 2018 and 2017, there were no draws against the letter of credit. Rent expense under the facility leases was approximately \$416,000 and \$410,000 for the years ended June 30, 2018 and 2017, 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>
2019	\$ 402,040	\$ 36,452
2020	403,293	14,735
2021	396,561	-
2022	<u>383,177</u>	<u>-</u>
Total	<u>\$ 1,585,071</u>	<u>\$ 51,187</u>



## COMMONWEALTH CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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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 dates. These employees do not participate in the Federal social security system. 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. Employees hired prior to December 31, 1996, are not eligible for this plan. During fiscal years 2018 and 2017, the Corporation made contributions of 13.2%. This plan does not permit employee contributions.

Additionally, employees hired by one of the Corporation's predecessor entities prior to December 1996, participate in a separate plan, 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 2018 and 2017 totaled approximately \$453,000 and \$468,000, 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. CONCENTRATIONS AND CONTINGENCIES

The Corporation maintains certain 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 3) are not FDIC insured. As of June 30, 2018 and 2017, the Corporation's exposure for uninsured funds was approximately \$21,400,000 and \$29,800,000, 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.

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.



## COMMONWEALTH CORPORATION

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Education:</b>				
Passed-Through Commonwealth of Massachusetts, Department of Youth Services:				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	SCDYS 9636 14140163016 DYS POS#2014-01	\$ 984,847	\$ 968,197
Career and Technical Education - Basic Grants to States	84.048	SCDYS 9636 14140163016 DYS POS#2014-01	30,000	15,000
<b>U.S. Department of Labor:</b>				
Passed-Through Commonwealth of Massachusetts, Division of Career Services:				
WIA/WIOA Adult Program (WIOA Cluster)	17.258	07COMM/CORPWIA 16COMM/CORSECTORPART00	609,924	6,766
Employment Service/Wager-Peyser Funded Activities (Employment Service Cluster)	17.207	CTEOL3250 17COMM/CORDIV0000 MI-29686-16-60-A-25	34,406	-
Direct Program:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	MASSASOIT CC BID#2015-08	125,828	-
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,785,005</u>	<u>\$ 989,963</u>

**Note 1.** Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Note 2.** Indirect Cost Rate

The Corporation has elected to not use the 10% de minimis cost rate for its Federal programs.



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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of General Purpose Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditor's Report**

To the Board of Directors of  
Commonwealth Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of Commonwealth Corporation (the Corporation), which comprise the statement of net position as of June 30, 2018, 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, and have issued our report thereon dated October 25, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the general purpose financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's general purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boston, Massachusetts  
October 25, 2018





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**Report on Compliance for Each Major Federal Program and Report on Internal Control  
Over Compliance Required by the Uniform Guidance**

**Independent Auditor's Report**

To the Board of Directors of  
Commonwealth Corporation:

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

We have audited Commonwealth Corporation's (the Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major Federal program for the year ended June 30, 2018. The Corporation's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Corporation's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2018.



## Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on page 22. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Corporation's internal control over compliance.

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

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

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

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

Boston, Massachusetts  
October 25, 2018

**COMMONWEALTH CORPORATION**Schedule of Findings and Questioned Costs  
June 30, 2018

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**1. SUMMARY OF AUDITOR'S RESULTS****General Purpose Financial Statements**

Type of auditor's report issued on whether the general purpose financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? ☐ Yes ☒ No

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to general purpose financial statements noted? ☐ Yes ☒ No**Federal Awards**

Internal control over major Federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major Federal programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**COMMONWEALTH CORPORATION**

Schedule of Findings and Questioned Costs  
June 30, 2018

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**2. GENERAL PURPOSE FINANCIAL STATEMENT FINDINGS**

None

**3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None