

**BROCCOLI HALL, INC.**

*dba* **THE CORWIN-RUSSELL SCHOOL**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED JUNE 30, 2012 AND 2011**

**Smith  Sullivan  
& Company PC**

**CERTIFIED PUBLIC ACCOUNTANTS**

80 Flanders Road, Suite 200, Westborough, Massachusetts 01581  
Tel: 508.871.7178 Fax: 508.871.7179 [www.smithsullivancpa.com](http://www.smithsullivancpa.com)

**BROCCOLI HALL, INC.**

*dba* **THE CORWIN-RUSSELL SCHOOL**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2012 AND 2011**

*"An independent secondary school that creates confidence,  
competence and connection in smart kids with style."*

**Mission Statement**

*Corwin-Russell School at Broccoli Hall has a single goal.  
Rooted in the Latin "educare," we define ourselves as leading students to discover  
and develop the best in themselves: academically, creatively, socially, personally.  
In an environment centered in connectedness, we engage students in their own progress,  
and force them to believe in their futures. Through involvement in thinking, learning,  
communicating and evaluating, we build resourcefulness and self-responsibility.  
Through an uncommon depth of caring, we instill the confidence to risk unlocking  
interests, talents, academic and personal potential. We set each student on the  
road to discovering his or her true value.*

BROCCOLI HALL, INC.

*dba* THE CORWIN-RUSSELL SCHOOL

REPORT ON FINANCIAL STATEMENTS


YEARS ENDED JUNE 30, 2012 AND 2011

**C O N T E N T S**

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## INDEPENDENT AUDITORS' REPORT

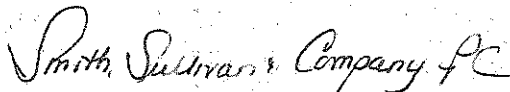
To the Board of Directors  
Broccoli Hall, Inc.  
Sudbury, Massachusetts

We have audited the accompanying statement of financial position of Broccoli Hall, Inc. (a Massachusetts not-for-profit corporation) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Broccoli Hall, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Broccoli Hall, Inc.'s fiscal year 2011 financial statements and, in our report dated November 3, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broccoli Hall, Inc. as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 27, 2012 on our consideration of Broccoli Hall, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



Westborough, Massachusetts  
November 27, 2012

BROCCOLI HALL, INC.  
*dba* THE CORWIN-RUSSELL SCHOOL

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS:</u></b>		
Cash	\$ 320,782	\$ 47,393
Accounts Receivable, Tuition	13,640	141,976
Accounts Receivable, Other	-	9,303
Prepaid Expenses	9,666	9,666
Total Current Assets	<u>344,088</u>	<u>208,338</u>
<b><u>PROPERTY AND EQUIPMENT:</u></b>		
Land	174,000	174,000
Buildings	397,374	397,374
Vehicles	126,211	126,211
Leasehold Improvements	57,067	14,812
Furniture and Equipment	10,955	9,856
Subtotal	<u>765,607</u>	<u>722,253</u>
Less: Accumulated Depreciation	<u>(156,217)</u>	<u>(129,618)</u>
Net Property and Equipment	<u>609,390</u>	<u>592,635</u>
<b><u>NON-CURRENT ASSETS:</u></b>		
Building Fund Investments	15,000	221,602
Lease Deposits	30,400	30,400
Total Non-Current Assets	<u>45,400</u>	<u>252,002</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 998,878</u></b>	<b><u>\$ 1,052,975</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES:</u></b>		
Line-of-Credit	\$ 80,000	\$ 11,967
Current Portion of Long-Term Debt	10,272	9,627
Accounts Payable	31,537	84,905
Accrued Expenses	18,906	14,600
Accrued Payroll and Related Costs	27,742	43,261
Employee Savings Accounts	7,502	8,581
Deferred Revenue	226,253	61,500
Total Current Liabilities	<u>402,212</u>	<u>234,441</u>
<b><u>NON-CURRENT LIABILITIES:</u></b>		
Non-Current Portion of Long-Term Debt	<u>20,555</u>	<u>30,789</u>
Total Non-Current Liabilities	<u>20,555</u>	<u>30,789</u>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>422,767</u></b>	<b><u>265,230</u></b>
<b><u>NET ASSETS:</u></b>		
Unrestricted Net Assets	377,598	532,661
Temporarily Restricted Net Assets	<u>198,513</u>	<u>255,084</u>
Total Net Assets	<u>576,111</u>	<u>787,745</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 998,878</u></b>	<b><u>\$ 1,052,975</u></b>

BROCCOLI HALL, INC.  
dba THE CORWIN-RUSSELL SCHOOL

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
*(With Summarized Comparative Totals for 2011)*

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2012</u>	<u>2011</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>				
<i>Program Service Revenues:</i>				
Tuition Fees and Reimbursements:				
Private Tuition	\$ 831,593	-	\$ 831,593	\$ 732,322
Cities, Towns and School Departments	1,006,778	-	1,006,778	1,150,193
Other Program Revenue	59,295	-	59,295	76,585
Total Program Service Revenues	<u>1,897,666</u>	<u>-</u>	<u>1,897,666</u>	<u>1,959,100</u>
<i>Public Support and Other Revenues:</i>				
Gifts, Grants and Contributions	62,045	16,395	78,440	75,933
Interest Income	644	-	644	643
Total Public Support and Other Revenues	<u>62,689</u>	<u>16,395</u>	<u>79,084</u>	<u>76,576</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	72,966	(72,966)	-	-
<b>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</b>	<u>2,033,321</u>	<u>(56,571)</u>	<u>1,976,750</u>	<u>2,035,676</u>
<b><u>FUNCTIONAL EXPENSES:</u></b>				
Program Services	1,989,161	-	1,989,161	1,890,798
Administrative	199,223	-	199,223	148,863
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>2,188,384</u>	<u>-</u>	<u>2,188,384</u>	<u>2,039,661</u>
<b>CHANGES IN NET ASSETS</b>	<u>(155,063)</u>	<u>(56,571)</u>	<u>(211,634)</u>	<u>(3,985)</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>532,661</u>	<u>255,084</u>	<u>787,745</u>	<u>791,730</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 377,598</u>	<u>\$ 198,513</u>	<u>\$ 576,111</u>	<u>\$ 787,745</u>

BROCCOLI HALL, INC.

dba THE CORWIN-RUSSELL SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

(With Summarized Comparative Totals for 2011)

	PROGRAM SERVICES	ADMINI- STRATIVE	TOTAL FUNCTIONAL EXPENSES	
			2012	2011
Salaries and Wages	\$ 983,129	\$ 44,409	\$ 1,027,538	\$ 979,992
Payroll Taxes/Workers' Comp. Insurance	108,540	4,996	113,536	84,049
Employee Benefits	280,878	12,688	293,566	313,305
Contracted Services/Consultants	71,823	53,847	125,670	141,430
Staff Training and Development	11,674	-	11,674	11,130
Rent Expense	186,713	16,191	202,904	142,368
Utilities	14,445	760	15,205	15,171
Real Estate Taxes	11,119	-	11,119	8,689
Repairs and Maintenance	21,412	1,873	23,285	25,198
Minor Equipment/Program Furnishings	1,260	-	1,260	1,009
Equipment Rental and Service	2,402	601	3,003	1,991
Depreciation Expense	25,269	1,330	26,599	17,103
General and Liability Insurance	14,796	2,079	16,875	9,435
Vehicle Insurance and Leases	7,588	-	7,588	9,889
Vehicle Repairs and Maintenance	9,234	-	9,234	5,681
Storage Fees	12,265	923	13,188	6,058
Educational Supplies and Expenses	109,314	-	109,314	83,136
Recreational and Activity Expenses	41,173	-	41,173	82,985
Staff Travel and Client Transportation	14,571	-	14,571	15,381
Food and Meals	16,250	4,062	20,312	16,444
Postage and Shipping	8,819	464	9,283	7,335
Office Supplies and Expenses	7,651	1,913	9,564	3,825
Printing and Copying	6,014	1,504	7,518	2,757
Telephone/Internet Access	8,560	450	9,010	12,824
Dues and Subscriptions	12,337	660	13,197	13,905
Legal Fees	-	17,016	17,016	1,650
Audit Fees	-	19,916	19,916	14,600
Interest Expense and Finance Charges	-	10,653	10,653	5,051
Miscellaneous Expenses	1,725	2,888	4,613	7,270
<b>Total Functional Expenses</b>	<b>\$ 1,989,161</b>	<b>\$ 199,223</b>	<b>\$ 2,188,384</b>	<b>\$ 2,039,661</b>

BROCCOLI HALL, INC.  
dba THE CORWIN-RUSSELL SCHOOL

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets from Operations	\$ (211,634)	\$ (3,985)
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Depreciation Expense	26,599	17,103
Investment Income	(644)	(643)
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Tuition	128,336	(112,010)
Accounts Receivable, Other	9,303	(3,682)
Prepaid Expenses	-	29,174
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(53,368)	62,003
Accrued Expenses	4,306	(7,051)
Accrued Payroll and Related Costs	(15,519)	26,246
Employee Savings Accounts	(1,079)	5,312
Deferred Revenue	164,753	(46,890)
Net Adjustment	262,687	(30,438)
<b><u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>	<b><u>51,053</u></b>	<b><u>(34,423)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Reclassification of Building Fund Investments to Cash	206,602	(28,227)
Investment Income	644	643
Purchase of Vehicle	-	(49,036)
Purchase of Leasehold Improvements	(42,255)	-
Purchase of Land and Buildings	-	(10,984)
Purchase of Furniture and Equipment	(1,099)	-
Net Cash Flows From Investing Activities	<u>163,892</u>	<u>(87,604)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Net Cash Advance on Line-of Credit	68,033	11,967
Proceeds from Vehicle Note	-	42,000
Principal Reduction on Long-Term Debt	(9,589)	(816)
Net Cash Flows From Financing Activities	<u>58,444</u>	<u>53,151</u>
<b><u>NET INCREASE (DECREASE) IN CASH BALANCES</u></b>	<b><u>273,389</u></b>	<b><u>(68,876)</u></b>
<b><u>CASH - BEGINNING OF YEAR</u></b>	<b><u>47,393</u></b>	<b><u>116,269</u></b>
<b><u>CASH - END OF YEAR</u></b>	<b><u>\$ 320,782</u></b>	<b><u>\$ 47,393</u></b>
<i>Supplemental Disclosures:</i>		
Interest Paid	<u>\$ 10,653</u>	<u>\$ 5,051</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>



BROCCOLI HALL, INC.  
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1      ORGANIZATION

Broccoli Hall, Inc. *dba* The Corwin-Russell School (the "Organization" or "Broccoli Hall"), was incorporated in May 1997 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit educational institution under Section 501(c)(3) of the Internal Revenue Code. Broccoli Hall, Inc. has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. Broccoli Hall, Inc. became an approved Chapter 766 school effective September 1998.

NOTE 2      PROGRAM SERVICES

Broccoli Hall, Inc., *dba* The Corwin-Russell School, is a co-ed college preparatory school for 55 exceptionally bright students whose performance in school is not in keeping with their extraordinary potential. Some students suffer from increasing boredom and/ or a lack of awareness of their abilities in larger settings; some students have non-verbal learning disabilities, Asperger's syndrome; some are simply in the alphabet soup of learning styles; all have been under appreciated, and most arrive disheartened with education. Students are in grades 6 - post graduate, and are 11 - 19 years old. Broccoli Hall provides multi-modal, imaginative instruction in all traditional academic areas, as well as foreign language study, career and social service opportunities. An infusion of social skill development strengthens the curriculum; personal growth and a desire for change are valued highly. Despite the small size, Broccoli Hall offers outstanding visual and performing arts, an outdoor challenge experience, Project Feat, and a varied afterschool program which can include drama, engineering, Ultimate Frisbee, debate, creative writing, music and study skills. Students interested in dance or special areas of the arts can enjoy Broccoli Hall's offerings or, for the advanced, partnerships with various museums, schools and conservatories in the area. Broccoli Hall provides individualized teaching in class groups, and a tutorial program for advancing areas of interest or reinforcing organization/executive function or skill development. Communication skill development is an additional focus.

The school also has a campus in the Adirondack Park in upstate New York, which is used for Project Feat, as well as the summer program, Wild Asparagus.

The Broccoli Hall philosophy is based on trust, process, negotiation, and a strong sense of community in which each member plays a valuable part, and where each student finds a voice. The school is committed to helping students understand and believe in themselves, recognize and use their strengths, and then, to share their many gifts with the larger world.

NOTE 3      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of Broccoli Hall, Inc.'s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

BROCCOLI HALL, INC.  
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

*(Continued)*

NOTE 3     *(Continued)*

Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, has in management's opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

**Basis of Accounting:**

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

**Fair Value of Financial Instruments:**

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

For the years presented, the Organization did not have any investments that require re-measurement on a recurring basis, which would be required to be classified under the fair value hierarchy.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets* - consists of assets, public support and program revenues which are available and used for operations, programs and capital expenditures. Unrestricted net assets represents the portion of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

BROCCOLI HALL, INC.  
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

*(Continued)*

NOTE 3     *(Continued)*

Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets includes funds which represent unrestricted resources designated by the Board of Directors for the Building Fund.

*Temporarily Restricted Net Assets* - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests and investment income earned on restricted funds.

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, Broccoli Hall, Inc. did not have any assets of this nature.

The accompanying financial statements include certain FY 2011 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and, in the Statement of Functional Expenses, FY 2011 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**Accounts Receivable, Tuition:**

*Accounts Receivable, Tuition* consists of amounts due from individuals and municipalities and is considered fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, based on management's determination, they will be charged to activities when that determination is made. There were no bad debts from uncollectible tuition for the years presented.

**Property and Equipment:**

Property, equipment, furnishing and improvement purchases, which exceed \$2,500 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenues over the estimated useful lives of the assets, as expressed in terms of years.

**Building Fund Investments:**

Since its inception, Broccoli Hall, Inc. has been raising and accumulating funds for the acquisition of a permanent school facility. All investments included in *Building Fund Investments* in the accompanying financial statements consist of cash held in savings accounts.

BROCCOLI HALL, INC.  
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

*(Continued)*

NOTE 3 *(Continued)*

As the *Building Fund Investments* are intended for long-term purposes and capital acquisition, these funds have been classified in the accompanying Statements of Financial Position as long-term, regardless of investment composition or liquidity.

**Revenue Recognition:**

Broccoli Hall, Inc. has established monthly tuition rates that are approved by the Massachusetts Department of Elementary and Secondary Education each fiscal year. The authorized rate was \$33,758 and \$33,197 for the years ended June 30, 2012 and 2011, respectively. The policy for private pay tuition requires a deposit of 10% of the full year's tuition from attendees due upon registration, which is applied toward the following school year's September tuition. These deposits are treated as revenues collected in advance.

Revenues collected in advance are unearned, and as such, deferred amounts are reported as current liabilities. *Deferred Revenue* amounted to \$226,253 and \$61,500 as of June 30, 2012 and 2011, respectively.

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

**In-Kind Goods and Services:**

The Organization maintains a policy whereby the value of donated goods and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses. For the years presented, the Organization did not receive any goods or services which met the recognition criteria.

BROCCOLI HALL, INC.  
*dba* THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 3 (Continued)

**Functional Expenses:**

Broccoli Hall, Inc. allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated with formulas that are based upon time and space usage.

Supporting services are those related to operating and managing Broccoli Hall, Inc. and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to Broccoli Hall, Inc.'s internal management and accounting for program services.

*Fund Raising* - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for Broccoli Hall, Inc.'s programs. For the years presented, all such activities have been performed by parents and volunteers.

**Tax Position:**

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to FY 2008 are no longer subject to examination by tax authorities.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2012 and 2011:

<u>Description</u>	<u>Life/ # Years</u>	<u>Cost Basis</u>	<u>Accum. Depreciation</u>	<u>Net Book Value</u>	
				<u>2012</u>	<u>2011</u>
Land	-	\$174,000	\$ -	\$174,000	\$174,000
Buildings	39	397,374	40,049	357,325	368,714
Vehicles	5	126,211	91,861	34,350	44,132
Leasehold Improvements	*	57,067	16,168	40,899	3,405
Computer Equipment	3	7,955	7,223	732	-
Classroom and Outdoor Furnishings	5-10	3,000	916	2,084	2,384
<b>Total</b>		<u>\$765,607</u>	<u>\$156,217</u>	<u>\$609,390</u>	<u>\$592,635</u>

\* Term of Lease

BROCCOLI HALL, INC.  
*dba* THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

*(Continued)*

NOTE 4      *(Continued)*

In October 2008, Broccoli Hall, Inc. purchased land and buildings in the Adirondack region of New York, consisting of 2.8 acres of a wooded campsite with three buildings, adjacent to Silver Lake. The site is used for outdoor educational activities and overnight retreats for the students.

In June 2003, Broccoli Hall, Inc. received a donation in the form of real estate, consisting of 75 acres of raw land in Lyndeboro, New Hampshire. The land was appraised at \$45,000, which is the value assigned to the related asset in the accompanying financial statements. The land has limited accessibility and usage due to a pre-existing beaver dam which presently blocks the access road. The cost and potential liability to remedy this property has not been addressed and cannot be reasonably estimated, nor is it the intent of the Organization to pursue such possibilities at this time. Therefore, while the ultimate use of this property has not yet been determined, Broccoli Hall, Inc. intends to utilize the land as a nature reserve for educational purposes in the conduct of its program mission.

NOTE 5      DEBT

**Vehicle Note:**

In 2011, Broccoli Hall, Inc. purchased a Chevrolet Suburban. The total vehicle cost, which was \$49,036, was financed in part through a Cambridge Trust Company loan of \$42,000. The installment note, dated May 5, 2011, calls for 48 fixed monthly payments of \$998, which includes principal and interest calculated at a fixed interest rate of 6.5%.

The aggregate portion of this debt scheduled for payment in FY 2013 is \$10,272, and the remaining non-current portion is due in subsequent periods as scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2014	\$10,960
June 30, 2015	<u>9,595</u>
Total	<u>\$20,555</u>

**Line-of-Credit:**

Broccoli Hall, Inc. has a working capital line-of-credit with the Cambridge Trust Company. The borrowing limit on the line-of-credit is \$100,000, payable on demand, with interest calculated at 1% over the Wall Street Journal Prime Rate with a minimum interest rate of 5.0% (5.0% as of June 30, 2012 and 2011). The balance due on the line-of-credit as of June 30, 2012 and 2011 was \$80,000 and \$11,967, respectively. Pursuant to a Pledged Collateral Agreement, the line-of-credit is secured by all business assets of the Organization.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 6     RESTRICTED NET ASSETS

As of June 30, 2012 and 2011, temporarily restricted net assets include donor restricted contributions which are to be used for the following purposes:

<u>Nature of Restriction</u>	<u>2012</u>	<u>2011</u>
Building Fund	\$167,531	\$221,602
Technology Program	-	5,250
Elaine E. Wade Scholarship Fund	1,291	1,291
Development Consultant	6,325	6,325
Silver Lake Campus Expenses	20,616	20,616
Land Improvements	2,750	-
Total	<u>\$198,513</u>	<u>\$255,084</u>

For the years presented, net assets were released from restriction for the following projects and purposes:

<u>Nature of Restriction</u>	<u>2012</u>	<u>2011</u>
Building Fund	\$61,070	\$10,984
Technology Program	9,500	-
Education Programs	-	39,858
Student Activities	2,396	3,472
Total	<u>\$72,966</u>	<u>\$54,314</u>

NOTE 7     TAX-DEFERRED ANNUITY PLAN

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan allows full-time employees of the Organization to defer a percentage of their earnings from current taxation by investing in annuities. The Plan allows discretionary employer contributions to be determined on an annual basis by the Board of Directors. For the years ended June 30, 2012 and 2011, the employer contributions to the benefit plan were \$40,122 and \$26,435 respectively, and are included on the *Employee Benefits* line on the Statement of Functional Expenses. During FY 2011, payments to the Plan were not remitted in compliance with the Department of Labor requirements. As of June 30, 2011, the Organization owed employee deferrals of \$14,238 and employer contributions of \$10,075 to the Plan.

NOTE 8     LEASE OBLIGATIONS

**Facility Lease:**

Broccoli Hall, Inc. leases a facility for its classrooms and administration consisting of approximately 11,214 square feet of a building in Sudbury, Massachusetts. The lease is exclusive of utilities and maintenance costs and calls for annual cost of living increases in increments in direct proportion to the change in the Consumer Price Index and reimbursement for a prorated portion of the real estate tax assessment. The lease expires on August 30, 2015.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 8 (Continued)

In April 2011, the Organization assumed the lease of another suite in the building. The base rent, effective May 2011, was \$15,873 per month, increased to \$16,437 in January 2012. A security deposit of \$30,400 is held by the landlord.

Broccoli Hall, Inc. also rents performance space, on an ad-hoc basis, for its student plays, as part of the required curriculum.

For the years ended June 30, 2012 and 2011, *Rent Expense* consisted of the following costs:

	<u>2012</u>	<u>2011</u>
Classroom and Administration Facility Rent	\$196,706	\$138,518
Performance Venue Rent	<u>6,198</u>	<u>3,850</u>
Total	<u>\$202,904</u>	<u>\$142,368</u>

**Copier Equipment Lease:**

The Organization rents copier equipment under a four-year non-cancelable lease which provides for monthly payments of \$263. The agreement is properly classified as an operating lease and as such, payments are charged directly to current activities. The term of the present lease is 48 months beginning on December 9, 2008 and ending on January 8, 2013.

As of June 30, 2012, the future minimum lease payments for the above lease commitments are scheduled below:

<u>Fiscal Year Ended</u>	<u>Copier Lease Obligation</u>	<u>Facility Lease Obligation</u>	<u>Total</u>
June 30, 2013	\$1,578	\$197,244	\$198,822
June 30, 2014	-	197,244	197,244
June 30, 2015	-	197,244	197,244
June 30, 2016	-	<u>32,874</u>	<u>32,874</u>
Total	<u>\$1,578</u>	<u>\$624,606</u>	<u>\$626,184</u>

NOTE 9 RELATED-PARTY ACTIVITIES

The Organization's founder is also the full-time Head of School and the President of the Board. Two of the Head of School's immediate family members are employed by the School.

Broccoli Hall, Inc. occasionally uses the credit cards of its key employees for travel expenses and on-line purchasing. Payments are made directly to the credit card institutions in lieu of expense reimbursements. For the years ended June 30, 2012 and 2011, the School purchased equipment and supplies totaling \$2,462 and \$5,341, respectively, from three companies which are owned by Board Members.



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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 10    CONCENTRATION OF CREDIT RISK

The Organization is subject to some credit risk through cash balances in checking and savings accounts which are placed with high credit quality financial institutions. At times during the year, the Organization's balances may exceed FDIC and other insured limits. The Organization had \$130,859 and \$86,246 in excess of federally insured and other insured limits as of June 30, 2012 and 2011, respectively.

NOTE 11    CONTINGENCIES

**Legal Matters:**

The Organization is party to claims arising in the normal course of business. While the ultimate resolution of these claims or other proceedings against the Organization cannot be predicted with certainty, management does not expect these matters to have a materially adverse effect on the Organization's financial position or results of operations.

NOTE 12    SURPLUS REVENUE RETENTION

The Commonwealth of Massachusetts Division of Purchased Services' regulation, 808 CMR 1.19(3), *Not-for-Profit Surplus Revenue Retention*, allows social service providers to retain a surplus up to five percent of total revenues attributable to or generated by Commonwealth agreements for the provision of social services to clients of the Commonwealth and to use such surplus revenue for charitable purposes of the Organization. The cumulative amount of surplus which can be retained may not in total exceed 20% of the provider's prior year's gross revenue from Commonwealth purchasing agencies.

The Division of Purchased Services is responsible for the determination of a provider's surplus as it pertains to the Surplus Revenue Retention Policy, and in addition, the Division shall be responsible for determining the amount of surplus that may be retained by Broccoli Hall, Inc. in any given year and may determine whether any excess surplus shall be used to reduce future prices or be recouped. The Organization, following the guidelines established by the Commonwealth, has calculated its Revenue Retention Surplus (deficit) as \$(137,222) for the year ended June 30, 2012 with a cumulative surplus (deficit) of \$(379,498) which includes fiscal years 1999 through 2012. A deficit in state funding for the education program indicates that Broccoli Hall supplements state revenue by funding a portion of program costs with funding from other sources, such as private contributions.

NOTE 13    SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through November 27, 2012, the date which the financial statements were available for issue, and noted no events which met the criteria.