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BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2011 AND 2010

Smith  Sullivan
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200, Westborough, Massachusetts 01581
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BROCCOLI HALL, INC.

dba **THE CORWIN-RUSSELL SCHOOL**

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

*"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, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

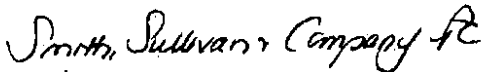
To the Board of Directors
Broccoli Hall, Inc.
Sudbury, Massachusetts

We have audited the accompanying statement of financial position of Broccoli Hall, Inc. (a Massachusetts not-for-profit corporation) as of June 30, 2011, 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 2010 financial statements and, in our report dated October 14, 2010, 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, 2011 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 October 25, 2011 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 3, 2011

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents <i>(Note 10)</i>	\$ 47,393	\$ 116,269
Accounts Receivable, Tuition	141,976	29,966
Accounts Receivable, Other	9,303	5,621
Prepaid Expenses	<u>9,666</u>	<u>38,840</u>
Total Current Assets	<u>208,338</u>	<u>190,696</u>
<u>PROPERTY AND EQUIPMENT: (Notes 4 and 9)</u>		
Land	174,000	174,000
Buildings	397,374	386,390
Vehicles	126,211	77,175
Furniture and Equipment	9,856	9,856
Leasehold Improvements	<u>14,812</u>	<u>14,812</u>
Subtotal	722,253	662,233
Less: Accumulated Depreciation	<u>(129,618)</u>	<u>(112,515)</u>
Net Property and Equipment	<u>592,635</u>	<u>549,718</u>
<u>NON-CURRENT ASSETS:</u>		
Building Fund Investments <i>(Note 10)</i>	221,602	194,143
Lease Deposits <i>(Note 8)</i>	<u>30,400</u>	<u>30,400</u>
Total Non-Current Assets	<u>252,002</u>	<u>224,543</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,052,975</u>	<u>\$ 964,957</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Line-of-Credit <i>(Note 5)</i>	\$ 11,967	\$ -
Current Portion of Long-Term Debt <i>(Note 5)</i>	9,627	-
Accounts Payable	84,905	22,902
Accrued Expenses	14,600	21,651
Accrued Payroll and Related Costs <i>(Note 7)</i>	43,261	17,015
Employee Savings Accounts	8,581	3,269
Deferred Revenue <i>(Note 3)</i>	<u>61,500</u>	<u>108,390</u>
Total Current Liabilities	<u>234,441</u>	<u>173,227</u>
<u>NON-CURRENT LIABILITIES:</u>		
Non-Current Portion of Long-Term Debt <i>(Note 5)</i>	<u>30,789</u>	<u>-</u>
Total Non-Current Liabilities	<u>30,789</u>	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>265,230</u>	<u>173,227</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	532,661	553,121
Temporarily Restricted Net Assets <i>(Note 6)</i>	<u>255,084</u>	<u>238,609</u>
Total Net Assets	<u>787,745</u>	<u>791,730</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,052,975</u>	<u>\$ 964,957</u>

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Comparative Totals for 2010)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2011</u>	<u>2010</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Service Revenues:</i>				
Tuition Fees and Reimbursements:				
Private Tuition	\$ 732,322	\$ -	\$ 732,322	\$ 855,906
Cities, Towns and School Departments	1,150,193	-	1,150,193	877,471
Other Program Revenue	76,585	-	76,585	95,957
Total Program Service Revenues	<u>1,959,100</u>	<u>-</u>	<u>1,959,100</u>	<u>1,829,334</u>
<i>Public Support and Other Revenues:</i>				
Gifts, Grants and Contributions	5,158	70,775	75,933	105,870
Interest Income	629	14	643	1,371
Total Public Support and Other Revenues	<u>5,787</u>	<u>70,789</u>	<u>76,576</u>	<u>107,241</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions (Note 6)	<u>54,314</u>	<u>(54,314)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>2,019,201</u>	<u>16,475</u>	<u>2,035,676</u>	<u>1,936,575</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	1,890,798	-	1,890,798	1,789,337
Administrative	148,863	-	148,863	157,227
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>2,039,661</u>	<u>-</u>	<u>2,039,661</u>	<u>1,946,564</u>
<u>CHANGES IN NET ASSETS</u>	<u>(20,460)</u>	<u>16,475</u>	<u>(3,985)</u>	<u>(9,989)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>553,121</u>	<u>238,609</u>	<u>791,730</u>	<u>801,719</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 532,661</u>	<u>\$ 255,084</u>	<u>\$ 787,745</u>	<u>\$ 791,730</u>

The Accompanying Notes are an Integral Part of these Financial Statements. . . . Page 3

BROCCOLI HALL, INC.

BROCCOLI HALL, INC.
 dba THE CORWIN-RUSSELL SCHOOL
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30 2011
 (With Summarized Comparative Totals for 2010)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
			<u>2011</u>	<u>2010</u>
Salaries and Wages (Note 9)	\$ 961,834	\$ 18,158	\$ 979,992	\$ 1,010,713
Payroll Taxes/Workers' Comp. Insurance	82,492	1,557	84,049	91,081
Employee Benefits (Note 7)	307,500	5,805	313,305	271,126
Contracted Services/Consultants	70,812	70,618	141,430	81,469
Staff Training and Development	11,130	-	11,130	8,480
Rent Expense (Note 8)	133,355	9,013	142,368	132,849
Utilities	14,412	759	15,171	18,050
Real Estate Taxes	8,689	-	8,689	8,940
Repairs and Maintenance	23,434	1,764	25,198	21,000
Minor Equipment/Program Furnishings	1,009	-	1,009	5,381
Equipment Rental and Service (Note 8)	1,593	398	1,991	3,240
Depreciation Expense (Note 4)	16,248	855	17,103	17,795
General and Liability Insurance	6,726	2,709	9,435	15,203
Vehicle Insurance and Leases	9,889	-	9,889	9,460
Vehicle Repairs and Maintenance	5,681	-	5,681	10,905
Storage Fees	5,634	424	6,058	10,789
Educational Supplies and Expenses	83,136	-	83,136	62,301
Recreational and Activity Expenses	82,985	-	82,985	70,303
Staff Travel and Client Transportation	15,381	-	15,381	15,688
Food and Meals	13,155	3,289	16,444	15,211
Postage and Shipping	6,968	367	7,335	6,479
Office Supplies and Expenses	3,060	765	3,825	6,328
Printing and Copying	2,206	551	2,757	5,519
Telephone/Internet Access	10,259	2,565	12,824	13,366
Dues and Subscriptions	13,210	695	13,905	13,366
Legal Fees	-	1,650	1,650	1,575
Audit Fees	-	14,600	14,600	15,363
Interest Expense	-	5,051	5,051	63
Miscellaneous Expenses	-	7,270	7,270	4,521
Total Functional Expenses	\$ 1,890,798	\$ 148,863	\$ 2,039,661	\$ 1,946,564

The Accompanying Notes are an Integral Part of these Financial Statements. . . Page 4

BROCCOLI HALL, INC.

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (3,985)	\$ (9,989)
<i>Adjustments to Reconcile the Above to Net Cash (Used) by Operating Activities:</i>		
Depreciation Expense	17,103	17,795
Investment Income	(643)	(1,371)
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Tuition	(112,010)	(19,442)
Accounts Receivable, Other	(3,682)	(3,749)
Prepaid Expenses	29,174	2,107
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	62,003	(23,085)
Accrued Expenses	(7,051)	143
Accrued Payroll and Related Costs	26,246	(4,146)
Employee Savings Accounts	5,312	(4,757)
Deferred Revenue	(46,890)	(6,188)
Net Adjustment	<u>(30,438)</u>	<u>(42,693)</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(34,423)</u>	<u>(52,682)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Reclassification of Cash (to) from Building Fund Investments	(28,227)	(57,491)
Investment Income	643	1,371
Purchase of Vehicle	(49,036)	-
Purchase of Leasehold Improvements	-	(11,887)
Purchase of Land and Buildings	(10,984)	-
Net Cash Flows From Investing Activities	<u>(87,604)</u>	<u>(68,007)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net Cash Advance on Line-of Credit	11,967	-
Proceeds from Vehicle Note	42,000	-
Principal Reduction on Long-Term Debt	(816)	(3,734)
Net Cash Flows From Financing Activities	<u>53,151</u>	<u>(3,734)</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(68,876)</u>	<u>(124,423)</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>116,269</u>	<u>240,692</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 47,393</u>	<u>\$ 116,269</u>
<i>Supplemental Disclosures:</i>		
Interest Paid	<u>\$ 5,051</u>	<u>\$ 63</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 35 - 55 high-potential students with varied learning styles. 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. Despite the small size, Broccoli Hall offers outstanding visual and performing arts, an outdoor challenge experience, and a varied after-school program which can include basketball, soccer, crew, drama and study skills. Students interested in dance, music or special areas of the arts can enjoy Broccoli Hall's partnerships with various museums, schools and other specialists in the area. Broccoli Hall provides individualized teaching in class groups, and a tutorial program for advancing areas of interest or reinforcing organization or skill development. 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.

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. 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:

As required by the *FASB Accounting Standards Codification*TM, the Organization adopted the provisions of Fair Value Measurements, and has applied its provisions to assets and liabilities that are recognized or disclosed at fair value on a recurring or nonrecurring basis (at least annually).

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 *(Continued)*

Fair value measurement defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances the disclosure requirements for fair value measurements.

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 - inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, 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. 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 2010 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 2010 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, 2010, from which the summarized information was derived.

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 (Continued)

Cash and Cash Equivalents:

For the purpose of these financial statements, cash and cash equivalents are defined as cash balances in checking, money market and savings accounts.

Accounts Receivable, Tuition:

Accounts Receivable, Tuition has been confirmed 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 market 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 equivalents. Investments are classified as short or long-term depending upon the nature of the investments and the intentions of management. 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 \$33,197 and \$32,949 for the years ended June 30, 2011 and 2010, 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. As of June 30, 2011 and 2010, the Organization had also collected deposits of \$2,000 and \$21,594, respectively, for summer programs to commence in July of each respective year. Revenues collected in advance are unearned, and as such, deferred amounts are reported as current liabilities. *Deferred Revenue* amounted to \$61,500 and \$108,390 as of June 30, 2011 and 2010, respectively.

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 (Continued)

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, 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.

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.

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 *(Continued)*

Tax Position:

The *FASB Accounting Standards Codification*TM provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. The Organization adopted the provisions of this standard on July 1, 2009. The implementation of this standard did not have any impact on the financial position or net assets of the Organization.

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. The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. 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 2007 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, 2011 and 2010:

<u>Description</u>	<u>Life/ # Years</u>	<u>Cost Basis</u>	<u>Accum. Depreciation</u>	<u>Net Book Value</u>	
				<u>2011</u>	<u>2010</u>
Land	-	\$174,000	\$ -	\$174,000	\$174,000
Buildings	39	397,374	28,660	368,714	369,094
Vehicles	5	126,211	82,079	44,132	-
Leasehold Improvements	*	14,812	11,407	3,405	3,940
Computer Equipment	3	6,856	6,856	-	-
Classroom and Outdoor Furnishings	5-10	<u>3,000</u>	<u>616</u>	<u>2,384</u>	<u>2,684</u>
Total		<u>\$722,253</u>	<u>\$129,618</u>	<u>\$592,635</u>	<u>\$549,718</u>

* Term of Lease

Depreciation Expense amounted to \$17,103 and \$17,795 for the years ended June 30, 2011 and 2010, respectively.

During FY 2010, fully depreciated property and equipment with an original cost of \$63,080 was removed from the books. This equipment disposition had no impact on the change in net assets.

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.

BROCCOLI HALL, INC.
dba THE CORWIN-RUSSELL SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 4 *(Continued)*

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 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 2012 is \$9,627, and the remaining non-current portion is due in subsequent periods as scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2013	\$10,272
June 30, 2014	10,960
June 30, 2015	<u>9,557</u>
Total	<u>\$30,789</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, 2011 and 2010). The balance due on the line-of-credit as of June 30, 2011 and 2010 was \$11,967 and \$0, respectively. Pursuant to a Pledged Collateral Agreement, the line-of-credit is secured by all business assets of the Organization and the personal guarantees of the Head of School and her spouse.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 6 RESTRICTED NET ASSETS

As of June 30, 2011 and 2010, temporarily restricted net assets include donor restricted contributions which are to be used for the following purposes:

<u>Nature of Restriction</u>	<u>2011</u>	<u>2010</u>
Building Fund	\$221,602	\$154,299
Technology Program	5,250	5,250
Elaine E. Wade Scholarship Fund	1,291	1,291
Development Consultant	6,325	6,325
Silver Lake Campus Expenses	20,616	31,600
Accumulated Earnings on		
Restricted Net Assets	<u>-</u>	<u>39,844</u>
Total	<u>\$255,084</u>	<u>\$238,609</u>

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

<u>Nature of Restriction</u>	<u>2011</u>	<u>2010</u>
Building Fund – Additions to		
Silver Lake Campus Facilities and Equipment	\$10,984	\$11,888
Education Programs	39,858	-
Silver Lake Campus Expenses	-	4,980
Student Activities	<u>3,472</u>	<u>5,109</u>
Total	<u>\$54,314</u>	<u>\$21,977</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, 2011 and 2010, the employer contributions to the benefit plan were \$26,435 and \$31,600 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. Subsequent to year end, on July 13, 2011, all employee deferrals and employer contributions were paid to the Plan.

NOTE 8 LEASE OBLIGATIONS

Facility Lease:

Broccoli Hall, Inc. leases a facility for its classrooms and administration consisting of approximately 6,993 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 8 (Continued)

On May 8, 2009, a lease extension was signed to increase the area of the rented premises by 3,634 square feet and to extend the lease term to expire on August 30, 2015.

In April 2011, the Organization assumed the lease of another suite in the building when it became available. The increased base rent, effective May 2011, is \$15,873 per month. 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, 2011 and 2010, *Rent Expense* consisted of the following costs:

	<u>2011</u>	<u>2010</u>
Classroom and Administration Facility Rent	\$138,518	\$126,869
Performance Venue Rent	<u>3,850</u>	<u>5,980</u>
Total	<u>\$142,368</u>	<u>\$132,849</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, 2012.

As of June 30, 2011, 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, 2012	\$3,156	\$190,476	\$193,632
June 30, 2013	1,578	190,476	192,054
June 30, 2014	-	190,476	190,476
June 30, 2015	-	190,476	190,476
June 30, 2016	<u>-</u>	<u>31,476</u>	<u>31,746</u>
Total	<u>\$4,734</u>	<u>\$793,380</u>	<u>\$798,384</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. As disclosed in Note 5, the Head of School has personally guaranteed the School's line-of-credit with Cambridge Trust Company.

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. During FY 2011, the School purchased equipment valued at \$2,195 from a company owned by a Board Member.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 10 CONCENTRATION OF CREDIT RISK

The Organization is subject to some credit risk through cash balances in checking and savings accounts and certificates of deposit 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 \$0 and \$71,913 in excess of federally insured and other insured limits as of June 30, 2011 and 2010, respectively.

NOTE 11 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 \$(14,138) for the year ended June 30, 2011 with a cumulative surplus (deficit) of \$(242,276) which includes fiscal years 1999 through 2011.

NOTE 12 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 3, 2011, the date which the financial statements were available for issue, and noted no events which met the criteria.