

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba **MATHPOWER**

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2013 AND 2012

Smith  Sullivan
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
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BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba **MATHPOWER**

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Mission Statement

MathPower is dedicated to taking a comprehensive approach to developing both proficiency in advanced mathematics and personal resiliency as vehicles to bring about transformational change in the lives of urban youth. Our mission isn't just about students succeeding in math; it is about launching students on successful paths to pursue and complete a post-secondary education. MathPower envisions a world in which all students achieve competency in advanced mathematics which serves as a gateway to lifelong learning and a productive career.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

C O N T E N T S

| | <i>Pages</i> |
|---|--------------|
| Independent Auditors' Report..... | 1 |
| Statement of Financial Position as of June 30, 2013 | 2 |
| Statement of Financial Position as of June 30, 2012 | 3 |
| Statement of Activities for the Year Ended June 30, 2013..... | 4 |
| Statement of Activities for the Year Ended June 30, 2012..... | 5 |
| Statement of Functional Expenses for the Year Ended June 30, 2013 | 6 |
| Statement of Functional Expenses for the Year Ended June 30, 2012..... | 7 |
| Statement of Cash Flows for the Year Ended June 30, 2013 | 8 |
| Statement of Cash Flows for the Year Ended June 30, 2012..... | 9 |
| Notes to Financial Statements..... | 10 - 17 |

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boston Algebra In Middle Schools Project, Inc.
dba MathPower
Boston, Massachusetts

We have audited the accompanying financial statements of Boston Algebra In Middle Schools Project, Inc. *dba* MathPower (a Massachusetts nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Algebra In Middle Schools Project, Inc. *dba* MathPower as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Company, P.C.

Westborough, Massachusetts
November 5, 2013

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED *</u> | <u>TOTAL NET ASSETS</u> |
|--|--------------------------|-------------------------------------|-----------------------------|
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS:</u> | | | |
| Cash | \$ 135,310 | \$ - | \$ 135,310 |
| Short-Term Investments | 32,032 | 167,500 | 199,532 |
| Accounts Receivable, Program Services | 74,429 | - | 74,429 |
| Grants Receivable | 35,000 | 85,000 | 120,000 |
| Funds Held by Fiscal Agent | 20,343 | - | 20,343 |
| Prepaid Expenses | 4,930 | - | 4,930 |
| Total Current Assets | <u>302,044</u> | <u>252,500</u> | <u>554,544</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 302,044</u> | <u>\$ 252,500</u> | <u>\$ 554,544</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| <u>CURRENT LIABILITIES:</u> | | | |
| Accounts Payable and Accrued Expenses | \$ 7,271 | \$ - | \$ 7,271 |
| Accrued Salaries, Vacation and Related Costs | 23,601 | - | 23,601 |
| Deferred Revenue | 46,475 | - | 46,475 |
| Total Current Liabilities | <u>77,347</u> | <u>-</u> | <u>77,347</u> |
| <u>NET ASSETS:</u> | | | |
| Unrestricted Net Assets | 224,697 | - | 224,697 |
| Temporarily Restricted Net Assets | - | 252,500 | 252,500 |
| Total Net Assets | <u>224,697</u> | <u>252,500</u> | <u>477,197</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 302,044</u> | <u>\$ 252,500</u> | <u>\$ 554,544</u> |

* Temporarily Restricted Net Assets represents amounts restricted by donors which are released to Unrestricted Net Assets when the nature of the restriction is met.

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2012

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED *</u> | <u>TOTAL NET ASSETS</u> |
|--|--------------------------|-------------------------------------|-----------------------------|
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS:</u> | | | |
| Cash | \$ 268,488 | \$ 14,316 | \$ 282,804 |
| Short-Term Investments | - | 198,835 | 198,835 |
| Accounts Receivable, Program Services | 39,736 | - | 39,736 |
| Grants Receivable | 25,000 | - | 25,000 |
| Prepaid Expenses | 8,046 | - | 8,046 |
| Total Current Assets | <u>341,270</u> | <u>213,151</u> | <u>554,421</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 341,270</u> | <u>\$ 213,151</u> | <u>\$ 554,421</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| <u>CURRENT LIABILITIES:</u> | | | |
| Accounts Payable and Accrued Expenses | \$ 8,564 | \$ - | \$ 8,564 |
| Accrued Salaries, Vacation and Related Costs | 22,296 | - | 22,296 |
| Funds Due to Fiscal Agent | 42,577 | - | 42,577 |
| Deferred Revenue | 57,250 | - | 57,250 |
| Total Current Liabilities | <u>130,687</u> | <u>-</u> | <u>130,687</u> |
| <u>NET ASSETS:</u> | | | |
| Unrestricted Net Assets | 210,583 | - | 210,583 |
| Temporarily Restricted Net Assets | - | 213,151 | 213,151 |
| Total Net Assets | <u>210,583</u> | <u>213,151</u> | <u>423,734</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 341,270</u> | <u>\$ 213,151</u> | <u>\$ 554,421</u> |

* Temporarily Restricted Net Assets represents amounts restricted by donors which are released to Unrestricted Net Assets when the nature of the restriction is met.

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED *</u> | <u>TOTAL ACTIVITIES</u> |
|---|--------------------------|-------------------------------------|-----------------------------|
| <u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u> | | | |
| <i>Support and Revenues:</i> | | | |
| Gifts, Grants and Contributions | \$ 78,495 | \$ 508,443 | \$ 586,938 |
| Program Service Revenue | 66,690 | - | 66,690 |
| Summer Academy Fees | 57,250 | - | 57,250 |
| Donated Goods and Services | 78,468 | - | 78,468 |
| Interest Income | 791 | - | 791 |
| Total Support and Revenues | <u>281,694</u> | <u>508,443</u> | <u>790,137</u> |
| <i>Reclassification of Net Assets:</i> | | | |
| Net Assets Released from Restriction | <u>469,094</u> | <u>(469,094)</u> | <u>-</u> |
| <u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u> | <u>750,788</u> | <u>39,349</u> | <u>790,137</u> |
| <u>FUNCTIONAL EXPENSES:</u> | | | |
| Program Services | 629,501 | - | 629,501 |
| Administrative | 105,316 | - | 105,316 |
| Fund Raising | 56,386 | - | 56,386 |
| <u>TOTAL FUNCTIONAL EXPENSES</u> | <u>791,203</u> | <u>-</u> | <u>791,203</u> |
| <u>CHANGE IN NET ASSETS FROM OPERATIONS</u> | <u>(40,415)</u> | <u>39,349</u> | <u>(1,066)</u> |
| <u>OTHER CHANGE IN NET ASSETS:</u> | | | |
| Reclassification of Debt | <u>54,529</u> | <u>-</u> | <u>54,529</u> |
| <u>TOTAL CHANGE IN NET ASSETS</u> | <u>14,114</u> | <u>39,349</u> | <u>53,463</u> |
| <u>NET ASSETS - BEGINNING OF YEAR</u> | <u>210,583</u> | <u>213,151</u> | <u>423,734</u> |
| <u>NET ASSETS - END OF YEAR</u> | <u>\$ 224,697</u> | <u>\$ 252,500</u> | <u>\$ 477,197</u> |

* Temporarily Restricted Net Assets represents amounts restricted by donors which are released to Unrestricted Net Assets when the nature of the restriction is met.

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED *</u> | <u>TOTAL ACTIVITIES</u> |
|---|--------------------------|-------------------------------------|-----------------------------|
| <u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u> | | | |
| <i>Support and Revenues:</i> | | | |
| Gifts, Grants and Contributions | \$ 67,987 | \$ 318,400 | \$ 386,387 |
| Program Service Revenue | 77,930 | - | 77,930 |
| Summer Academy Fees | 50,270 | - | 50,270 |
| Donated Goods and Services | 71,721 | - | 71,721 |
| Interest Income | 957 | - | 957 |
| Total Support and Revenues | <u>268,865</u> | <u>318,400</u> | <u>587,265</u> |
| <i>Reclassification of Net Assets:</i> | | | |
| Net Assets Released from Restriction | <u>575,248</u> | <u>(575,248)</u> | <u>-</u> |
| <u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u> | <u>844,113</u> | <u>(256,848)</u> | <u>587,265</u> |
| <u>FUNCTIONAL EXPENSES:</u> | | | |
| Program Services | 611,791 | - | 611,791 |
| Administrative | 96,260 | - | 96,260 |
| Fund Raising | 37,194 | - | 37,194 |
| <u>TOTAL FUNCTIONAL EXPENSES</u> | <u>745,245</u> | <u>-</u> | <u>745,245</u> |
| <u>CHANGE IN NET ASSETS</u> | 98,868 | (256,848) | (157,980) |
| <u>NET ASSETS - BEGINNING OF YEAR</u> | <u>111,715</u> | <u>469,999</u> | <u>581,714</u> |
| <u>NET ASSETS - END OF YEAR</u> | <u>\$ 210,583</u> | <u>\$ 213,151</u> | <u>\$ 423,734</u> |

* Temporarily Restricted Net Assets represents amounts restricted by donors which are released to Unrestricted Net Assets when the nature of the restriction is met.

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>PROGRAM</u> <u>SERVICES</u> | <u>ADMINI-</u> <u>STRATIVE</u> | <u>FUND</u> <u>RAISING</u> | <u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u> |
|---|-----------------------------------|-----------------------------------|-------------------------------|--|
| Salaries | \$ 474,671 | \$ 28,855 | \$ 28,133 | \$ 531,659 |
| Payroll Taxes and Fringe Benefits | 61,933 | 6,183 | 6,295 | 74,411 |
| Contributed Services - Social Innovator Award | - | 23,715 | - | 23,715 |
| Professional Fees and Consultants | 12,000 | 23,215 | 20,770 | 55,985 |
| Program Supplies and Activities | 28,148 | - | - | 28,148 |
| Admission Fees | 1,941 | - | - | 1,941 |
| Food and Meals | 20,887 | 1,109 | 97 | 22,093 |
| Professional Development | 3,469 | 271 | 315 | 4,055 |
| Telephone | 4,310 | 262 | 243 | 4,815 |
| Advertising | 2,128 | 383 | - | 2,511 |
| Transportation | 3,397 | 668 | 32 | 4,097 |
| Insurance | 7,463 | 469 | 435 | 8,367 |
| Payroll Processing Fees | - | 3,674 | - | 3,674 |
| Printing and Postage | 4,909 | 2,742 | 56 | 7,707 |
| Dues and Subscriptions | 148 | 90 | - | 238 |
| Office Supplies | 4,097 | 11,600 | 10 | 15,707 |
| Bad Debt Expense | - | 2,080 | - | 2,080 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Functional Expenses | <u>\$ 629,501</u> | <u>\$ 105,316</u> | <u>\$ 56,386</u> | <u>\$ 791,203</u> |

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>PROGRAM</u> <u>SERVICES</u> | <u>ADMINI-</u> <u>STRATIVE</u> | <u>FUND</u> <u>RAISING</u> | <u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u> |
|---|-----------------------------------|-----------------------------------|-------------------------------|--|
| Salaries | \$ 432,752 | \$ 40,150 | \$ 16,931 | \$ 489,833 |
| Payroll Taxes and Fringe Benefits | 81,051 | 9,234 | 5,278 | 95,563 |
| Contributed Services - Social Innovator Award | 12,000 | - | - | 12,000 |
| Professional Fees and Consultants | 22,000 | 23,488 | 14,500 | 59,988 |
| Program Supplies and Activities | 15,389 | 761 | - | 16,150 |
| Admission Fees | 1,866 | - | - | 1,866 |
| Food and Meals | 20,348 | 1,678 | - | 22,026 |
| Professional Development | 2,679 | - | - | 2,679 |
| Telephone | 5,243 | 486 | 206 | 5,935 |
| Advertising | 1,305 | 120 | - | 1,425 |
| Transportation | 872 | 646 | - | 1,518 |
| Insurance | 7,136 | 662 | 279 | 8,077 |
| Payroll Processing Fees | - | 3,003 | - | 3,003 |
| Printing and Postage | 3,473 | 3,822 | - | 7,295 |
| Dues and Subscriptions | 78 | 1,250 | - | 1,328 |
| Office Supplies | 5,599 | 3,588 | - | 9,187 |
| Depreciation Expense | - | 372 | - | 372 |
| Bad Debt Expense | - | 7,000 | - | 7,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Functional Expenses | <u>\$ 611,791</u> | <u>\$ 96,260</u> | <u>\$ 37,194</u> | <u>\$ 745,245</u> |

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ 53,463

*Adjustments to Reconcile the Above to Net Cash
(Used) by Operating Activities:*

Interest Income from Investments (697)

(Increase) Decrease in Current Assets:

Accounts Receivable, Program Services (34,693)

Funds Due from Fiscal Agent (20,343)

Grants Receivable (95,000)

Prepaid Expenses 3,116

Increase (Decrease) in Current Liabilities:

Accounts Payable and Accrued Expenses (1,293)

Accrued Salaries, Vacation and Related Costs 1,305

Funds Due to Fiscal Agent (42,577)

Deferred Revenue (10,775)

Net Adjustment (200,957)

NET CASH (USED) BY OPERATING ACTIVITIES **(147,494)**

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income from Investments 697

Purchase of Short-Term Investments (697)

Net Cash Flows From Investing Activities -

NET DECREASE IN CASH BALANCES **(147,494)**

CASH - BEGINNING OF YEAR **282,804**

CASH - END OF YEAR **\$ 135,310**

Supplemental Disclosures :

Interest Paid \$ -

Income Taxes Paid \$ -

BOSTON ALGEBRA IN MIDDLE SCHOOLS, PROJECT, INC.
dba MATHPOWER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ (157,980)

*Adjustments to Reconcile the Above to Net Cash
Provided (Used) by Operating Activities:*

Interest Income from Investments (794)
Depreciation Expense 372

(Increase) Decrease in Current Assets:

Accounts Receivable, Program Services 61,721
Grants Receivable 117,500
Prepaid Expenses (2,612)

Increase (Decrease) in Current Liabilities:

Accounts Payable and Accrued Expenses 2,431
Accrued Salaries, Vacation and Related Costs (1,322)
Funds Due to Fiscal Agent (4,839)
Deferred Revenue 6,880
Net Adjustment 179,337

NET CASH PROVIDED BY OPERATING ACTIVITIES 21,357

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income from Investments 794
Purchase of Short-Term Investments (794)
Net Cash Flows From Investing Activities -

NET INCREASE IN CASH BALANCES 21,357

CASH - BEGINNING OF YEAR 261,447

CASH - END OF YEAR \$ 282,804

Supplemental Disclosures :

Interest Paid \$ -
Income Taxes Paid \$ -

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 ORGANIZATION

Boston Algebra In Middle Schools Project, Inc. *dba* MathPower (“Boston AIMS Project”, “MathPower” or the “Organization”), was incorporated in 1984 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization 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.

NOTE 2 PROGRAM SERVICES

In support of its mission, Boston Algebra In Middle Schools Project, Inc. *dba* MathPower, operates the following programs:

Out-of-School-Time Program Development:

MathPower recently added a new area of focus (Training Staff in Out-of-School-Time Programs) and it has arisen in response to the increasing number of after-school or out-of-school-time programs that are being created to support students’ academic, personal and social development. There are approximately 350 or more of these programs located throughout the City of Boston. Through the sixth year of a grant in 2010 - 2011 from the Fellowes Athenaeum (affiliated with the Dudley Branch of the Boston Public Library), MathPower offered a course called “Number Sense - Math Games: Fun Ways to Help After-School Students Build Math Skills.” The course content focused on the two math programs used by the Boston Public Schools. It included a review of key math concepts, and provided a series of hands-on activities that can be used to deepen a student’s overall understanding of mathematical concepts. The course ran from October - May and was housed at the Dudley Library. This past year MathPower also provided similar training to the Greater Boston YMCA and Smart From the Start.

Professional Development:

MathPower’s goal is to develop a classroom culture that encourages students to think deeply about mathematics and to discover for themselves the relationships and structures that are at the heart of the discipline. MathPower’s staff works with math teachers in the inner-city middle schools to create that culture. Teachers are coached in techniques for probing their students’ thinking and in engaging them in discussion about the conceptual understanding they are developing. A teacher’s ability to ask questions that draw out students’ ideas and reveal inconsistencies in their thinking is a vital tool in a classroom fostering mathematical discovery. A recent development in this area is a course for out-of-school-time providers that builds math understanding and pedagogy.

Algebra Plus Summer Academy:

MathPower operates a popular and successful summer camp. The newly named Academy (formerly referred to as a camp) initially focused exclusively on Algebra, as it was designed to prepare middle school students for college preparatory mathematics in high school. With the implementation of education reform in Massachusetts, and the introduction of MCAS, MathPower broadened the mathematics focus for students participating in the summer camp. The Algebra Plus Summer Academy is an effort to strengthen students’ understanding and skill in mathematics, as a means to address high failure rates in this subject.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 2 *(Continued)*

This support is especially important for black and Latino students, who make up approximately 75% of the City's school enrollment.

MathGAINS (Grow Academically in Number Sense):

MathGAINS is a new program that was originally piloted in 2007 - 2009. MathGAINS is a diagnostic-based program that provides information to teachers about where students are on a continuum of mathematical understanding of key concepts in Number Sense. With this information, teachers can develop appropriate intervention strategies to help students fill in the missing information they need to move to higher levels of conceptual understanding.

Math*STARS After-School Programs:

Math*STARS After-School Programs represent new programming for MathPower. MathPower's first after-school program opened in September 2009 at the Dorchester Sportsmen's Tennis Club. Its mission is to provide urban students with high quality instructional assistance and mentoring to help students succeed in school and to build the personal and social skills that will enable them to achieve their goals, including pursuing a college education. Currently MathPower supports three full service afterschool programs located at sites throughout the City of Boston. This past year we also supported an additional 5 programs within BPS schools focusing on students enrolled in 8th grade Algebra I sections.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization'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:

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.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 3 *(Continued)*

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 assets 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*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, dues and program revenues which are available and used for activities and programs. Unrestricted net assets represents the portion of 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 of the Organization includes funds which represent unrestricted net asset resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. In the accompanying financial statements, temporarily restricted net assets consists of time and program restricted gifts.

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, Boston Algebra In Middle Schools Project, Inc. *dba* MathPower did not have any assets of this nature.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 3 *(Continued)*

Short-Term Investments:

Short-Term Investments consists of certificates of deposit with original maturities of twelve months or less and greater than ninety days.

Accounts Receivable:

Account Receivable, Program Services represents amounts which are due from Boston Public Schools, Northeastern University and individual Summer Academy fees. These amounts are considered fully collectible. These financial statements do not contain a provision for uncollectible accounts receivable; therefore, if accounts become uncollectible, they will be charged to activities when that determination is made. For the years ended June 30, 2013 and 2012, *Bad Debt Expense* was \$2,080 and \$7,000, respectively.

Grants Receivable:

Grants Receivable are classified as current if they are scheduled for receipt within one year, and non-current when the expected date of receipt exceeds one year. Management believes that all grants receivable are collectible, and therefore, no allowance for doubtful amounts has been established. If grants are determined to be uncollectible in subsequent periods, they will be charged to activities at that time. There were no grants determined to be uncollectible for the years presented.

Property and Equipment:

Property and equipment purchases in excess of \$1,000 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 revenue over the estimated useful lives of the assets, as expressed in terms of years.

For the years presented, the Organization did not have any purchases which met the capitalization criteria.

Revenue Recognition and Deferred Revenue:

For the years presented, *Program Service Revenue* consists of fees for training and coaching services that are recognized as revenue in the period in which the related services are performed. *Summer Academy Fees* consists of tuition fees for the Summer Academy, net of financial aid, which is recognized as revenue at the time the camp is held. *Deferred Revenue* as of June 30, 2013 and 2012 consists of Summer Academy fees collected in advance.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(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 the commitment is 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. For the year ending June 30, 2013, MathPower received a grant of \$40,000 conditional upon matching funds of \$20,000 per year in FY 2014 and FY 2015. For the year ending June 30, 2012, Mathpower had one conditional grant in the amount of \$15,000, the conditions of which were met during FY 2013 and the revenue reported accordingly. 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.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, Boston Algebra In Middle Schools Project, Inc. *dba* MathPower maintains a policy whereby contributions of donated 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 reported as offsetting expenses on the Statement of Functional Expenses. The recognition of these donations does not have an impact on the overall change in net assets.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among its various programs and support services. Expenses which can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated on various statistical bases. Supporting services are those related to operating and managing the Boston Algebra In Middle Schools Project, Inc. *dba* MathPower and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Boston Algebra In Middle Schools Project, Inc. *dba* MathPower internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, membership development, grant writing, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 3 *(Continued)*

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 2010 are no longer subject to examination by tax authorities.

NOTE 4 FISCAL AGENT AGREEMENT

Boston AIMS Project is a party to a fiscal agent agreement with Northeastern University ("Northeastern"). Under this agreement, funds are held by Northeastern on behalf of the Organization and the salary and benefits for certain Boston AIMS Project employees, as well as certain incidental charges, are paid by Northeastern through the use of these funds. The Organization periodically supplements the funds held at Northeastern to cover these expenses. This agreement also provides the Organization with office space, classroom space and support services (*See Note 6*).

Funds in the amount of \$20,343 were held by Northeastern on behalf of the Organization as of June 30, 2013. As of June 30, 2012, MathPower reported a balance owed to Northeastern of \$42,577 while Northeastern reported a balance due to MathPower of \$11,952. The discrepancy in these balances was corrected in FY 2013 with a one-time adjustment of \$54,529, which is reported as *Reclassification of Debt* in the accompanying Statement of Activities.

NOTE 5 RESTRICTED NET ASSETS

The following is a summary of temporarily restricted net assets as of June 30, 2013 and 2012:

| <u>Nature of Restriction</u> | <u>2013</u> | <u>2012</u> |
|------------------------------|------------------|------------------|
| Summer Academy | \$ 59,000 | \$ 34,000 |
| Time Restricted | 23,500 | 27,500 |
| MathGAINS | 170,000 | 147,476 |
| MathSTARZ | - | 4,175 |
| Total | <u>\$252,500</u> | <u>\$213,151</u> |

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 5 *(Continued)*

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

| <u>Nature of Restriction</u> | <u>2013</u> | <u>2012</u> |
|------------------------------|------------------|------------------|
| Summer Academy | \$148,994 | \$182,200 |
| Time Restricted | 126,000 | 152,500 |
| MathGAINS | 80,475 | 193,723 |
| MathSTARZ | 93,625 | 46,825 |
| Assistant Director Position | <u>20,000</u> | <u>-</u> |
| Total | <u>\$469,094</u> | <u>\$575,248</u> |

NOTE 6 DONATED GOODS AND SERVICES

For the years presented, the Organization recognized the following in-kind contributions as expenses with offsetting contribution revenue in its financial statements:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-----------------|-----------------|
| Salaries | \$49,566 | \$52,783 |
| Contributed Services - | | |
| Social Venture Partner Awards* | 23,715 | 12,000 |
| Food (Camp Lunches) | <u>5,187</u> | <u>6,938</u> |
| Total | <u>\$78,468</u> | <u>\$71,721</u> |

* For the years presented, MathPower was an awardee of Social Venture Partners. Through this award, MathPower received unrestricted cash awards of \$15,000 and \$20,000 during FY 2013 and FY 2012, respectively, and access to a variety of pro bono consulting and coaching services.

In addition to the above in-kind contributions, Northeastern University donates the use of its facilities for both program and office space, and payroll and employee benefit services to the Organization. Although these donations are significant, the Organization is unable to quantify the value of these donations from Northeastern; therefore, they have not been recognized in the accompanying financial statements.

NOTE 7 CONCENTRATIONS

Cash and Short-Term Investments:

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 \$90,047 and \$41,790 in excess of federally insured and other insured limits as of June 30, 2013 and 2012, respectively. However, the Organization has never experienced any losses on such accounts.

BOSTON ALGEBRA IN MIDDLE SCHOOLS PROJECT, INC.
dba MATHPOWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 7 *(Continued)*

Grants Receivable:

For the years ended June 30, 2013 and 2012, one foundation grant accounted for 71% and 100% of total *Grants Receivable*.

Accounts Receivable, Program Services:

For the year ended June 30, 2013, balances due from one organization accounted for 47% of total *Accounts Receivable, Program Services*. For the year ended June 30, 2012, amounts due from the Boston Public Schools accounted for 53% of total *Accounts Receivable, Program Services*.

Revenue:

For the years ended June 30, 2013 and 2012, respectively, grants from one organization accounted for 21% and 23% of total support and revenues.

NOTE 8 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 5, 2013, the date which the financial statements were available for issue, and noted no events which met the criteria.