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THE BOSTON EDUCATIONAL
DEVELOPMENT FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

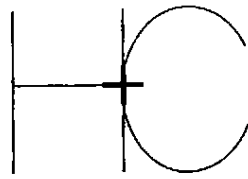
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2013
Audit

Certified Public Accountants

David J. McCaughin, CPA
John S. McNamara, CPA

018444

Independent Auditors' Report

The Board of Directors
The Boston Educational Development Foundation, Inc.
Boston, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of The Boston Educational Development Foundation, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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To the Board of Directors
Page two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boston Educational Development Foundation, Inc. as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated February 5, 2014 on our consideration of The Boston Educational Development Foundation, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Boston Educational Development Foundation Inc.'s internal control over financial reporting and compliance.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
February 5, 2014

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THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 7,262,806	\$ 9,438,674
Certificates of Deposit	<u>6,132,000</u>	<u>5,052,000</u>
Total Assets	<u>\$ 13,394,806</u>	<u>\$ 14,490,674</u>
Net Assets		
Unrestricted	\$ 947,141	\$ 1,006,704
Temporarily Restricted	<u>12,447,665</u>	<u>13,483,970</u>
Total Net Assets	<u>\$ 13,394,806</u>	<u>\$ 14,490,674</u>

The accompanying notes are an integral part of the financial statements

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>
Public Support and Revenues						
Contributions and support	\$ -	\$ 8,863,649	\$ 8,863,649	\$ -	\$ 8,067,929	\$ 8,067,929
Government contracts and awards	-	225,702	225,702	-	463,493	463,493
United Way	-	58,245	58,245	-	119,833	119,833
Facilities use revenues	-	952,488	952,488	-	654,259	654,259
Other reimbursements and charges for services	-	1,469,576	1,469,576	-	1,753,254	1,753,254
Investment income	49,838	-	49,838	66,080	-	66,080
Total	<u>49,838</u>	<u>11,569,660</u>	<u>11,619,498</u>	<u>66,080</u>	<u>11,058,768</u>	<u>11,124,848</u>
Expenses						
Program Services						
Grants and programs	-	12,605,965	12,605,965	-	8,967,479	8,967,479
Support Services						
Audit and accounting	19,600	-	19,600	18,600	-	18,600
Bookkeeping	82,254	-	82,254	79,285	-	79,285
Office expense	6,128	-	6,128	7,816	-	7,816
Other support service expenses	1,419	-	1,419	1,819	-	1,819
Total Support Services	<u>109,401</u>	<u>-</u>	<u>109,401</u>	<u>107,520</u>	<u>-</u>	<u>107,520</u>
Net Excess of Public Support and Revenues over Expenses	(59,563)	(1,036,305)	(1,095,868)	(41,440)	2,091,289	2,049,849
Net Assets, Beginning	<u>1,006,704</u>	<u>13,483,970</u>	<u>14,490,674</u>	<u>1,048,144</u>	<u>11,392,681</u>	<u>12,440,825</u>
Net Assets, Ending	<u>\$ 947,141</u>	<u>\$ 12,447,665</u>	<u>\$ 13,394,806</u>	<u>\$ 1,006,704</u>	<u>\$ 13,483,970</u>	<u>\$ 14,490,674</u>

The accompanying notes are an integral part of the financial statements

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THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Changes in Net Assets	<u>\$ (1,095,868)</u>	<u>\$ 2,049,849</u>
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	(2,072,000)	(2,560,000)
Proceeds from sale of certificates of deposit	992,000	1,815,000
Net Cash Provided by (Used in) Investing Activities	<u>(1,080,000)</u>	<u>(745,000)</u>
Net Increase in Cash and Cash Equivalents	(2,175,868)	1,304,849
Cash and Cash Equivalents, Beginning	<u>9,438,674</u>	<u>8,133,825</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,262,806</u>	<u>\$ 9,438,674</u>

The accompanying notes are an integral part of the financial statements

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Nature of Activities

The Boston Educational Development Foundation, Inc. (BEDF) is the Boston Public School Department's Non-Profit Foundation. BEDF was founded in 1984 by the Superintendent and School Committee so that central offices and individual schools could raise money from private sources including foundations, corporations, and individuals. The majority of BEDF's board members are senior staff of the Boston Public Schools (BPS). BEDF's clients are BPS' administrators, teachers, parents, and school community members. BEDF is staffed by and located in the development office which is located on the fifth floor at 26 Court Street, Boston, MA. Any member of the BPS family (administrators, teachers, parents groups, community groups) working with a BPS school is welcome to use BEDF.

BEDF's purpose is to provide tax exemption and fiscal reporting for donors; and a fiscal service for private grants raised by BPS schools and offices. Schools must account for their grants either through the City Treasurer or BEDF. BEDF provides a full banking, bookkeeping and accounting, and fiscal reporting service.

BEDF charges no management fee. BEDF does, however, retain the investment income on funds deposited and uses the investment income to pay for support services such as the salary of the bookkeeper, office expenses and auditing fees.

Funds held in BEDF accounts are strictly segregated accounts. Each account has a name and number and only one person can authorize expenditures from the account. This authorized individual is designated by the Headmaster, Principal, or Office Administrator who is responsible for raising the money, and is usually the Headmaster, Principal, or Office Administrator himself or herself.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual method of accounting. As such, revenue and the related assets are recognized when earned and expenses are recognized when the obligation is incurred.

Revenue Recognition

Contributions are generally recognized as support when received. The Foundation does not record commitments for future contributions. Revenue from government sponsored programs is recognized when received which is generally when expenditures are incurred. Funds received by the Foundation which are restricted by the donor for a particular purpose are reported as "Temporarily Restricted". All funds received by the Foundation, with the exception of unrestricted resources such as interest earnings, are maintained in self-balancing funds, to be used in accordance with the purpose of that particular fund. All funds received are treated as restricted even if expensed in the current period.

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THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Noncash Contributions

Office space, personnel, equipment and miscellaneous supplies were provided to the Foundation by the Boston Public School Committee. The value of these contributions, which have an estimated value of \$40,000, have not been recorded in the financial statements because they have not been documented in accordance with accounting standards.

Restricted Program Expenditures

Expenditures for restricted program expenses are recorded as paid.

Facilities Use and Other Reimbursements and Charges for Services

Revenue received from use charges of Boston Public School Facilities is used to pay related expenses and make improvements to the schools. Revenue received for other reimbursements and charges for services include tuition and testing charges, and after school program fees.

Income Taxes

BEDF is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

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.

Fair Value of Financial Instruments

Carrying amounts of certain of the Organization's financial instruments, including cash and cash equivalents and other accrued liabilities, approximate fair value because of their short maturities.

Subsequent Events

The Organization has evaluated subsequent events through February 5, 2014 which is the date the financial statements were available to be issued.

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 3 - Cash and Cash Equivalents

The Foundation invests its available cash through various Money Market Funds, which consists primarily of short-term U.S. Government Securities, Commercial Paper, and Repurchase Agreements. Preservation of capital is a prime investment objective of the Money Market Funds. For the years ended June 30, 2013 and 2012, the combined weighted average yields of Money Market Funds were .20% and .20%, respectively. These Money Market Funds are not insured funds, however, the management of the Foundation believes these funds are conservative investments. The Money Market Funds seek to maintain a constant \$1.00 net asset value per share, although this is not guaranteed. Investments in Money Market Funds are neither insured nor guaranteed by the U. S. Government. Although not guaranteed, the investment record since 1985 when the Foundation began investing in Money Market Funds, has maintained its full value.

Note 4 - Certificates of Deposit

Certificates of Deposit are stated at their cost. The Certificates are issued by commercial banks which mature within two years. Because all Certificates of Deposit are denominations less than \$250,000, all are fully FDIC insured. The Foundation anticipates realizing no gains or losses on these Certificates of Deposit as it plans to hold all Certificates of Deposit until maturity. The average yield on the Certificates of Deposit during the years ended June 30, 2013 and 2012 was .80% and 1.11%, respectively.

Note 5 - State Contracts and Awards

The Foundation has entered into contract agreements with the Commonwealth of Massachusetts. These contracts and awards were entered into with the Department of Public Health, the Department of Mental Retardation, and the Board of Higher Education for the benefit of Boston Public Schools.

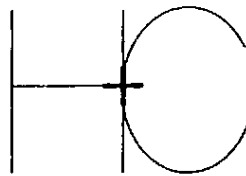
Note 6 - Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June, 2013, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2012, 2011 and 2010 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Boston Educational Development Foundation, Inc.
Boston, MA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Boston Educational Development Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

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

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

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To the Board of Directors
The Boston Educational Development Foundation, Inc.
Page Two

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

Compliance and Other Matters

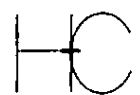
As part of obtaining reasonable assurance about whether The Boston Educational Development Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with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

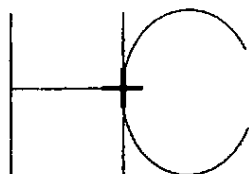
Purpose of this Report

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

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
February 5, 2014





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Certified Public Accountants

David J. McCaughin, CPA
John S. McNamara, CPA

Independent Auditors' Report on Additional Information

The Board of Directors
The Boston Educational Development Foundation, Inc.
Boston, Massachusetts

We have audited the financial statements of The Boston Educational Development Foundation, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated February 5, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules 1 and 2 are on pages 12-46 and are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
February 5, 2014