MOODY, FAMIGLIETTI & ANDRONICO
Certified Public Accountants & Consultants

THE MASSACHUSETTS INSTITUTE FOR A NEW COMMONWEALTH, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Proactive certified public accounting and consulting

To the Board of Directors
The Massachusetts Institute for a New Commonwealth, Inc. and Affiliate
Boston, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statement of financial position of The Massachusetts Institute for a New Commonwealth, Inc. ("MassINC") and Affiliate (collectively referred to as the "Organization") as of December 31, 2011, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of MassINC and Affiliate as of and for the ended December 31, 2010 were audited by other auditors whose report, dated November 2, 2011, expressed an unqualified opinion on those consolidated financial statements. The other auditors did not audit the financial statements of MassINC Polling Group, Inc., a consolidated affiliate, as of and for the period from inception (October 5, 2010) through December 31, 2010. Those statements were audited by us and our report, dated October 25, 2011, had been furnished to them, and our opinion, insofar as it related to the amounts included for MassINC Polling Group, Inc., was based solely on our report.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Moody, Famiglietti & Andronico, LLP

Moody, Famiglietti & Andronico, LLP
July 11, 2012

December 31	2011	2010
Assets		
Current Assets:		
Cash and Equivalents	$ 103,470	$ 181,842
Assets Whose Use is Limited	3,531	1,458
Grants Receivable	379,913	125,000
Trade Receivables	6,900	-
Other Receivables	3,968	224
Prepaid Expenses	2,951	3,225
Total Current Assets	500,733	311,749
Property and Equipment, Net of Accumulated Depreciation	2,777	10,018
Intangible Assets, Net of Accumulated Amortization	156,991	227,740
Total Assets	$ 660,501	$ 549,507
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 78,902	$ 42,855
Deferred Income Taxes	-	1,300
Unearned Revenue	64,200	88,100
Total Current Liabilities	143,102	132,255
Net Assets:		
Unrestricted	(68,634)	(9,096)
Temporarily Restricted	576,596	401,134
Total Net Assets of the Organization	507,962	392,038
Unrestricted Net Assets of Noncontrolling Interest of Polling Group	9,437	25,214
Total Net Assets	517,399	417,252
Total Liabilities and Net Assets	$ 660,501	$ 549,507

The accompanying notes are an integral part of these consolidated financial statements.

For the Years Ended December 31	2011	2010
Changes in Unrestricted Net Assets		
Unrestricted Revenues:		
Grants and Contributions	**$ 1,743,847**	$ 1,451,890
Advertising	**233,379**	270,289
Rental Income	**7,200**	6,000
Polling Income	**59,659**	5,000
Miscellaneous Income	**-**	99
Net Assets Released from Restrictions	**324,526**	622,587
Total Unrestricted Revenues	**2,368,611**	2,355,865
Expenses:		
Polling Expenses	**107,326**	17,261
Program Services:		
Magazine	**931,705**	812,195
Policy	**365,404**	297,456
Marketing and Outreach	**237,307**	355,315
Total Program Services	**1,534,416**	1,464,966
Supporting Services:		
Management and General	**414,803**	315,742
Fundraising	**387,381**	326,011
Total Supporting Services	**802,184**	641,753
Total Expenses	**2,443,926**	2,123,980
(Decrease) Increase in Unrestricted Net Assets	**(75,315)**	231,885
Changes in Temporarily Restricted Net Assets		
Grants and Contributions	**499,988**	369,958
Interest Income	**-**	58
Net Assets Released from Restrictions	**(324,526)**	(622,587)
Increase (Decrease) in Temporarily Restricted Net Assets	**175,462**	(252,571)
Increase (Decrease) in Net Assets	**100,147**	(20,686)
Less: Increase (Decrease) in Net Assets Attributable to the Noncontrolling Interest	**(15,777)**	(16,036)
Increase (Decrease) in Net Assets Attributable to MassINC	**$ 115,924**	$ (4,650)

The accompanying notes are an integral part of these consolidated financial statements.

For the Year Ended December 31 **2011**

	Polling Expenses	Programs				Supporting Services		
		Magazine	Policy	Marketing and Outreach	Total Programs	Management and General	Fundraising	Total
Personnel	$ -	$ 406,913	$ 159,586	$ 97,091	$ 663,590	$ 229,896	$ 169,185	$ 1,062,671
Occupancy	-	98,319	38,559	23,459	160,337	29,360	40,879	230,576
Special Event Costs	-	84,110	32,987	35,068	152,165	25,118	34,972	212,255
Professional and Consulting Fees	-	76,976	30,189	18,367	125,532	28,301	32,005	185,838
Polling Expenses - Consultants	107,326	-	-	-	-	-	-	107,326
Printing and Publication Costs	-	41,513	16,281	9,905	67,699	12,397	17,260	97,356
Employee Benefits	-	38,908	15,259	9,284	63,451	11,619	16,177	91,247
Office Supplies	-	36,780	14,425	8,776	59,981	13,285	15,292	88,558
Research		37,523	14,717	8,953	61,193	11,206	15,601	88,000
Depreciation and Amortization	-	36,160	14,181	8,628	58,969	10,798	15,034	84,801
Payroll Taxes	-	31,912	12,515	7,614	52,041	18,355	13,268	83,664
Postage	-	19,980	7,836	4,767	32,583	5,976	8,307	46,866
Telephone	-	9,572	3,754	2,284	15,610	3,485	3,980	23,075
Internet Services	-	6,771	2,656	1,616	11,043	2,434	2,815	16,292
Insurance	-	3,709	1,455	885	6,049	6,613	1,542	14,204
Travel	-	1,493	586	356	2,435	3,347	621	6,403
Advertising	-	1,066	418	254	1,738	2,157	443	4,338
Miscellaneous	-	-	-	-	-	456	-	456
Total Expenses	$ 107,326	$ 931,705	$ 365,404	$ 237,307	$ 1,534,416	$ 414,803	$ 387,381	$ 2,443,926

The accompanying notes are an integral part of these consolidated financial statements.

For the Year Ended December 31 **2010**

		Programs				Supporting Services		
	Polling Expenses	Magazine	Policy	Marketing and Outreach	Total Programs	Management and General	Fundraising	Total
Personnel	$ -	$ 408,521	$ 149,617	$ 178,718	$ 736,856	$ 185,446	$ 163,979	$ 1,086,281
Occupancy	-	91,682	33,577	40,108	165,367	25,211	36,801	227,379
Special Event Costs	-	13,540	4,959	5,924	24,423	3,723	5,435	33,581
Professional and Consulting Fees	-	64,107	23,477	28,046	115,630	19,058	25,732	160,420
Polling Expenses - Consultants	15,961	-	-	-	-	-	-	15,961
Printing and Publication Costs	-	65,616	24,031	28,705	118,352	18,044	26,337	162,733
Employee Benefits	-	43,161	15,807	18,882	77,850	13,945	17,325	109,120
Office Supplies	-	37,008	13,554	16,190	66,752	10,867	14,855	92,474
Research		-	-	-	-	-	-	-
Depreciation and Amortization	-	16,249	5,951	7,108	29,308	4,468	6,522	40,298
Payroll Taxes	-	32,421	11,874	14,183	58,478	8,915	13,014	80,407
Postage	-	19,119	7,002	8,364	34,485	5,258	7,674	47,417
Telephone	-	6,183	2,264	2,705	11,152	1,700	2,482	15,334
Internet Services	-	6,699	2,454	2,931	12,084	1,842	2,689	16,615
Insurance	-	3,144	1,151	1,375	5,670	865	1,262	7,797
Travel	-	4,745	1,738	2,076	8,559	1,600	1,904	12,063
Transfer to Another Nonprofit	-	-	-	-	-	14,800	-	14,800
Income Tax	1,300	-	-	-	-	-	-	1,300
Total Expenses	$ 17,261	$ 812,195	$ 297,456	$ 355,315	$ 1,464,966	$ 315,742	$ 326,011	$ 2,123,980

The accompanying notes are an integral part of these consolidated financial statements.

	MassINC			
	Unrestricted	Temporarily Restricted	Noncontrolling Interest of Polling Group	Consolidated Total
Net Asset (Deficit) at December 31, 2009	$ (257,017)	$ 653,705	$ -	$ 396,688
Issuance of Common Stock	-	-	41,250	41,250
Change in Net Assets	247,921	(252,571)	(16,036)	(20,686)
Net Assets (Deficit) at December 31, 2010	(9,096)	401,134	25,214	417,252
Change in Net Assets	(59,538)	175,462	(15,777)	100,147
Net Assets at December 31, 2011	$ (68,634)	$ 576,596	$ 9,437	$ 517,399

For the Years Ended December 31	2011	2010
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	$ 100,147	$ (20,686)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	84,801	40,298
Non-Cash Stock Compensation	-	41,195
Deferred Income Taxes	(1,300)	1,300
Increase in Assets Whose Use is Limited	(2,073)	(1,458)
Increase in Grant Receivable	(254,913)	(125,000)
Increase in Trade Receivables	(6,900)	-
Increase in Other Receivables	(3,744)	(224)
Decrease in Prepaid Expenses	274	6,296
Increase (Decrease) in Accounts Payable and Accrued Expenses	36,047	(62,162)
Decrease in Unearned Revenue	(23,900)	(7,275)
Net Cash Used in Operating Activities	(71,561)	(127,716)
Cash Flows from Investing Activities:		
Purchase of Intangible Assets	(5,163)	(38,242)
Purchase of Property and Equipment	(1,648)	(1,942)
Net Cash Used in Investing Activities	(6,811)	(40,184)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Common Stock	-	28
Proceeds from Issuance of Restricted Common Stock	-	27
Net Cash Used in Financing Activities	-	55
Net Decrease in Cash and Equivalents	(78,372)	(167,845)
Cash and Equivalents, Beginning of Year	181,842	349,687
Cash and Equivalents, End of Year	$ 103,470	$ 181,842

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Significant Accounting Policies:

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Massachusetts Institute for a New Commonwealth, Inc. ("MassINC"), and its 80% owned affiliate, MassINC Polling Group, Inc. (the "Polling Group"), collectively referred to as the "Organization." All significant inter-company balances and transactions have been eliminated in consolidation.

Reporting Entity: MassINC was incorporated on April 15, 1995 and is a nonprofit organization established to educate the public with respect to events and policies of concern to Massachusetts residents and to assist in the improvement of social and economic conditions in Massachusetts.

The Polling Group is a Massachusetts for-profit corporation incorporated on October 5, 2010, which is an independent non-partisan organization providing public opinion research, analysis and strategic communication services.

Method of Accounting: The consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Noncontrolling Interest: As of December 31, 2011 and 2010, the noncontrolling interest included in the accompanying consolidated statements of financial position reflects the noncontrolling party's equity interest in the Polling Group. Noncontrolling interest in the consolidated statements of activities represent the results of operations attributable to the noncontrolling party's interest in the operations of the Polling Group.

Classification and Reporting of Net Assets: The Organization is required to report 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. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of Organization.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations and that either expire by passage of time or can be fulfilled and removed by actions of Organization pursuant to those stipulations, or by law.

- Permanently restricted net assets represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Organization. As of December 31, 2011 and 2010, the Organization had no permanently restricted net assets.

Fair Value: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. In order to measure fair value, the Organization uses a fair value hierarchy for valuation inputs which gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that management has the ability to access.

Level 2 - Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Level 3 - Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Cash and Equivalents: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has a cash management program, which provides for the investment of excess cash balances primarily in short-term money market accounts, which are valued using Level 1 inputs. The Organization considers such

1. **Organization and Significant Accounting Policies (Continued):**

highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Assets Whose Use is Limited: The Organization has custody of the Section 125 Plan Flexible Spending Account assets of its employees and the assets held for the plan are segregated from the general assets of the Organization. The funds are shown on the consolidated statements of financial position as an asset and a corresponding liability, included within accrued expenses, in the consolidated amounts of $3,531 and $1,458 as of December 31, 2011 and 2010, respectively.

Grants and Trade Receivable: Grants and trade receivable include revenues that have been recognized, but not yet received, which are carried at the amount the Organization expects to receive, net of any allowance for uncollectible amounts. An allowance for uncollectible grants receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as type of contribution and the funding source. An allowance for uncollectible trade receivable is based upon management's assessment of collectability, which considers historical write-off experience and any specific risks identified in customer collection matters. As of December 31, 2011 and 2010, the Organization has no allowance for uncollectible grants or trade receivable.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue at fair value at the date the promise 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.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class. Contributions received with donor-imposed restrictions that are met subsequent to the year in which they are received are also reported as revenues of the temporarily restricted net asset class. Reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of services are reported as revenue and expenses of the unrestricted net asset class at the fair value of the services received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and services to be used in program operations are reported as revenue and expenses of the unrestricted net asset class at the time the goods or services are received.

Revenue Recognition: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. MassINC derives revenue from advertising, which is recognized when the advertisement appears in print. Funds received in advance of services performed are recorded as unearned revenue until the advertisement appears in print. The Polling Group derives revenue from providing polling services and related consulting and reporting. Revenue is recognized when persuasive evidence of an arrangement exists, the fee is fixed and determinable, the service has been delivered, and collectability is probable.

Property and Equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Computer Equipment	3 Years
Office Furniture and Equipment	5 Years
Telephone Equipment	5 Years
Leasehold Improvements	Life of Lease

Intangible Asset: The Organization capitalizes certain costs associated with its website development. Capitalized costs include external direct costs of materials and services associated with the project incurred during the application and infrastructure development stage. Capitalization of such costs ceases at the point at which the project is substantially complete and ready for its intended use. Website development costs are amortized using the straight-line method over the estimated useful life of five years.

1. Organization and Significant Accounting Policies (Continued):

Deferred Rent: The Organization records rent expense related to its office facility based on a constant periodic rate over the term of the lease agreement. The excess of the cumulative rent expense incurred over the cumulative amounts due under the lease agreement is deferred and recognized over the term of the lease.

Advertising Costs: The Organization expenses advertising costs as incurred. During the year ended December 31, 2011, the Organization incurred advertising expense in the amount of $4,338. The Organization incurred no advertising costs during the year ended December 31, 2010.

Income Taxes: MassINC is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to MassINC's exempt function. MassINC may be subject to federal and state income taxes for profits generated from trade or business activities unrelated to the its exempt function. As of December 31, 2011 and 2010, management believes that MassINC has not generated any profits relative to unrelated income, for which it is liable for income taxes.

The Polling Group uses an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the Polling Group's financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Organization assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the consolidated financial statements. The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its consolidated statements of activities.

The Organization has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of December 31, 2011 or 2010. The Organization does not expect any material change in uncertain tax benefits within the next twelve months.

As of December 31, 2011, MassINC is not currently under examination by any taxing jurisdiction. The Organization's U.S. federal and Massachusetts tax returns are generally open for examination for three years from the date of filing.

As of December 31, 2011, the Polling Group is not currently under examination by any taxing jurisdiction and is open to examination in the U.S. federal and certain state jurisdictions for tax years ended December 31, 2011 and 2010.

Use of Estimates: The Organization has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the consolidated financial statements in accordance with GAAP. Actual results experienced by the Organization may differ from those estimates.

Reclassification: Certain accounts in the December 31, 2010 consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the December 31, 2011 consolidated financial statements.

Subsequent Events: Management has evaluated subsequent events spanning the period from December 31, 2011 through July 11, 2012, the latter representing the issuance date of these consolidated financial statements.

2. Property and Equipment:

Property and equipment as of December 31, 2011 and 2010 consists of the following:

	2011	2010
Computer Equipment	$ 63,535	$ 61,887
Office Furniture and Equipment	56,715	56,715
Telephone Equipment	43,770	43,770
Leasehold Improvements	23,175	23,175
	187,195	185,547
Accumulated Depreciation	184,418	175,529
	$ 2,777	$ 10,018

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to $8,889 and $8,187, respectively.

3. Intangible Assets:

As of December 31, 2011 and 2010, intangible assets consist of website development costs.

Amortization expense for the years ended December 31, 2011 and 2010 amounted to $75,912 and $32,111, respectively.

Future amortization expense related to website development costs as of December 31, 2011 is as follows:

Year Ending December 31,	
2012	$ 51,641
2013	51,641
2014	51,641
2015	1,033
2016	1,035
	$ 156,991

4. Line of Credit:

The Organization has a $40,000 demand line of credit agreement, subject to annual renewal, bearing interest at prime plus 1.5% (4.75% at December 31, 2011), secured by substantially all of the Organization's assets. The Organization did not utilize the line of credit during the years ended December 31, 2011 and 2012.

5. Temporarily Restricted Net Assets:

MassINC has the following programs:

Magazine: A magazine published quarterly that focuses on the politics, ideas and civil life in Massachusetts.

5. Temporarily Restricted Net Assets (Continued):

Policy: Conducts, sponsors and distributes non-partisan analysis and reports and presents discussion groups, forums, panels, lectures and other similar programs.

Outreach: Educating the general public on the activities of MassINC, as well as increasing participation by elected officials, opinion leaders, business leaders and other individuals in the programs of MassINC.

The temporarily restricted net assets in the consolidated statements of financial position are subject to donor-imposed stipulations such that all funds must be used to support the mission of the related program. Temporarily restricted net assets, which include unexpended contributions and grants temporarily restricted by donors or by time, as of June 30, 2011 and 2010, consist of the following restrictions:

	2011	2010
Policy:		
Energy and Environment	$ 76,608	$ 111,178
American Dream	-	50,000
Massachusetts		
Gateway Cities	-	34,957
Artplace	109,465	-
Transformative Investments	10,610	-
	196,683	196,135
Magazine:		
CommonWealth Initiative	-	79,999
Grants Receivable:		
Time Restricted	379,913	-
Time and Purpose Restricted for		
Energy and Environment	-	125,000
	$ 576,596	$ 401,134

6. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time. Net assets released from restriction during the years ended December 31, 2011 and 2010 consist of the following:

	2011	2010
Policy:		
Energy and Environment	$ 34,570	$ 38,822
American Dream	50,000	-
Massachusetts		
Gateway Cities	34,957	22,480
Financial Skills	-	187,987
	119,527	249,289
Magazine:		
CommonWealth Initiative	79,999	283,377
CommonWealth 2009	-	52,501
	79,999	335,878
Marketing and Outreach:		
IDEAS Boston	-	37,420
Time and Purpose Restricted		
Grants Receivable	125,000	-
	$ 324,526	$ 622,587

7. Conditional Contribution:

During February 2011, MassINC was awarded a conditional matching grant of $500,000 from a private grantor, of which $379,913 was recognized as grant revenue during the year ended 2011. MassINC is eligible to receive additional installments up to $120,087 conditional upon the completion of specified fundraising targets. The expiration date for completion of the fundraising targets included in the grant is December 31, 2012. Funds are to be spent to support MassINC's mission.

8. Common Stock of the Polling Group:

During the period ended December 31, 2010, the Polling Group issued 27,500 shares of restricted common stock and 27,500 shares of unrestricted common stock with a par value of $0.001, to a certain employee in exchange for $0.001 per share. Restrictions on the restricted shares lapse upon the achievement of certain performance targets and are subject to repurchase at par upon the earlier of a termination of employment or the non-achievement of the targets by October 29, 2014. The Polling Group did not attain the required performance targets during the years ended December 31, 2011 and 2010; therefore, no vesting has occurred through December 31, 2011. The issue date fair value of the common stock was $0.75 per share, an aggregate fair value of $41,250, of which $41,195 was recorded in the statement of operations as non-cash stock compensation during the year ended December 31, 2010.

9. Operating Leases:

MassINC leases its office facilities under a seven-year noncancelable lease agreement, expiring in November 2012.

The lease agreement requires monthly minimum lease payments plus real estate taxes. During the years December 31, 2011 and 2010, rent expense incurred under this lease agreement amounted to $230,576 and $227,379, respectively.

Future minimum lease payments due under this noncancelable lease agreement amount to $126,756 as of December 31, 2011.

In March 2010, MassINC entered into a sublease agreement with a tenant through November 2012. Rental income for the years ended December 31, 2011 and 2010 amounted to $7,200 and $6,000, respectively.

10. Income Taxes:

The provision for income taxes for the Polling Group during the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Deferred:		
Federal	$ 1,700	$ (11,700)
State	1,100	(6,500)
	2,800	(18,200)
Change in Valuation Allowance	(4,100)	19,500
	$ (1,300)	$ 1,300

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The temporary differences and carryforwards, which give rise to a significant portion of the Polling Group's deferred tax asset (liability) as of December 31, 2011 and 2010, are as follows:

	2011	2010
Deferred Tax Asset:		
Net Operating Loss Carryforwards	$ 17,000	$ 19,500
Cash to Accrual Difference	(1,600)	(1,300)
	15,400	18,200
Less: Valuation Allowance	15,400	19,500
	$ -	$ (1,300)

10. Income Taxes (Continued):

As of December 31, 2011, the Polling Group has federal and state net operating loss carryforwards of approximately $73,000, which expire through 2031. As of December 31, 2011 and 2010, the Polling Group has established a full valuation allowance in the amounts of $15,400 and $19,500, respectively, against its deferred tax assets because the future realization of such benefits is uncertain. The Internal Revenue Code contains provisions that may limit the net operating loss carryforwards available to be used in any given year in the event of any significant changes in ownership of the Polling Group.

11. Concentrations:

For the years ended December 31, 2011 and 2010, contributions from individually significant contributors, which represent contributors donating $25,000 or more, amounted to approximately 78% and 88% of total contributions, respectively. For the years ended December 31, 2011 and 2010, contributions from members of the Board of Directors or companies they control amounted to $851,000 and $1,149,500, respectively.

During the years ended December 31, 2011 and 2010, the Polling Group received 87% and 100% of its revenue from three and two customers, respectively.

12. Employee Benefit Plan:

MassINC has a defined contribution profit sharing plan under Internal Revenue Code Section 401(k) and substantially all eligible employees of MassINC may participate in this plan. MassINC provides a maximum matching contribution of 100% of the first 6% of salary invested in the plan by a participant. MassINC made matching contributions in the amounts of $36,437 and $35,159 for the years ended December 31, 2011 and 2010, respectively.

13. Indemnifications:

In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. As of December 31, 2011 and 2010, no amounts have been accrued related to such indemnification provisions.

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