MOODY, FAMIGLIETTI & ANDRONICO
Certified Public Accountants & Consultants

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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 financial statements of The Massachusetts Institute for a New Commonwealth, Inc. ("MassINC") and Affiliate (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Massachusetts Institute for a New Commonwealth, Inc. and Affiliate as of December 31, 2012 and 2011, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moody, Famigliette & Andronico, LLP

Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
November 4, 2013

December 31		2012		2011
Assets				
Current Assets:				
Cash and Equivalents	$	**220,868**	$	103,470
Assets Whose Use is Limited		**1,870**		3,531
Grant Receivable		**-**		379,913
Trade Receivables		**32,744**		6,900
Other Receivables		**-**		3,968
Prepaid Expenses		**1,324**		2,951
Total Current Assets		**256,806**		500,733
Restricted Cash		**50,000**		-
Property and Equipment, Net of Accumulated Depreciation		**31,563**		2,777
Intangible Assets, Net of Accumulated Amortization		**106,035**		156,991
Total Assets	**$**	**444,404**	$	660,501
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable and Accrued Expenses	**$**	**132,367**	$	78,902
Deferred Rent		**10,569**		-
Unearned Revenue		**61,700**		64,200
Total Current Liabilities		**204,636**		143,102
Net Assets:				
Unrestricted		**(258,251)**		(68,634)
Temporarily Restricted		**480,795**		576,596
Total Net Assets of the MassINC		**222,544**		507,962
Unrestricted Net Assets of Noncontrolling Interest of Polling Group		**17,224**		9,437
Total Net Assets		**239,768**		517,399
Total Liabilities and Net Assets	**$**	**444,404**	$	660,501

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

For the Years Ended December 31	2012	2011
Changes in Unrestricted Net Assets		
Unrestricted Revenues:		
Grants and Contributions	**$ 1,020,045**	$ 1,743,847
Net Assets Released from Restrictions	**576,596**	324,526
Polling Income	**242,557**	59,659
Advertising	**211,735**	233,379
Rental Income	**6,670**	7,200
Total Unrestricted Revenues	**2,057,603**	2,368,611
Expenses:		
Polling Expenses	**200,550**	107,326
Program Services:		
Magazine	**919,819**	931,705
Policy	**322,897**	365,404
Marketing and Outreach	**131,912**	237,307
Total Program Services	**1,374,628**	1,534,416
Supporting Services:		
Management and General	**362,950**	414,803
Fundraising	**301,305**	387,381
Total Supporting Services	**664,255**	802,184
Total Expenses	**2,239,433**	2,443,926
Decrease in Unrestricted Net Assets	**(181,830)**	(75,315)
Changes in Temporarily Restricted Net Assets		
Grants and Contributions	**480,795**	499,988
Net Assets Released from Restrictions	**(576,596)**	(324,526)
(Decrease) Increase in Temporarily Restricted Net Assets	**(95,801)**	175,462
(Decrease) Increase in Net Assets	**(277,631)**	100,147
Less: Increase (Decrease) in Net Assets Attributable to the Noncontrolling Interest	**7,787**	(15,777)
(Decrease) Increase in Net Assets Attributable to MassINC	**$ (285,418)**	$ 115,924

For the Year Ended December 31 **2012**

		Programs				Supporting Services		
	Polling Expenses	Magazine	Policy	Marketing and Outreach	Total Programs	Management and General	Fundraising	Total
Personnel	$ -	$ 437,577	$ 153,225	$ 62,596	$ 653,398	$ 215,993	$ 142,979	$ 1,012,370
Occupancy	-	105,425	36,917	15,081	157,423	24,507	34,448	216,378
Polling Expenses - Consultants	200,550	-	-	-	-	-	-	200,550
Professional and Consulting Fees	-	88,461	30,977	12,655	132,093	27,536	28,905	188,534
Office Supplies	-	58,007	20,312	8,298	86,617	14,191	18,954	119,762
Printing and Publication Costs	-	46,780	16,381	6,692	69,853	10,874	15,285	96,012
Employee Benefits	-	40,753	14,270	5,830	60,853	9,473	13,316	83,642
Payroll Taxes	-	36,152	12,659	5,172	53,983	8,404	11,813	74,200
Depreciation and Amortization	-	26,113	9,951	4,065	40,129	6,606	9,285	56,020
Research	-	21,949	7,685	3,139	32,773	5,102	7,172	45,047
Special Event Costs	-	18,466	6,466	2,642	27,574	4,293	6,034	37,901
Postage	-	16,524	5,786	2,364	24,674	3,846	5,399	33,919
Telephone	-	13,572	4,752	1,941	20,265	3,155	4,434	27,854
Insurance	-	3,792	1,328	543	5,663	15,527	1,239	22,429
Taxes	-	-	-	-	-	10,134	-	10,134
Travel	-	3,405	1,192	487	5,084	2,471	1,113	8,668
Internet Services	-	2,843	996	407	4,246	661	929	5,836
Advertising	-	-	-	-	-	177	-	177
Total Expenses	$ 200,550	$ 919,819	$ 322,897	$ 131,912	$ 1,374,628	$ 362,950	$ 301,305	$ 2,239,433

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

For the Year Ended December 31 **2011**

		Programs				Supporting Services		
	Polling Expenses	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
Polling Expenses - Consultants	107,326	-	-	-	-	-	-	107,326
Professional and Consulting Fees	-	76,976	30,189	18,367	125,532	28,301	32,005	185,838
Office Supplies	-	36,780	14,425	8,776	59,981	13,285	15,292	88,558
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
Payroll Taxes	-	31,912	12,515	7,614	52,041	18,355	13,268	83,664
Depreciation and Amortization	-	36,160	14,181	8,628	58,969	10,798	15,034	84,801
Research	-	37,523	14,717	8,953	61,193	11,206	15,601	88,000
Special Event Costs	-	84,110	32,987	35,068	152,165	25,118	34,972	212,255
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
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
Internet Services	-	6,771	2,656	1,616	11,043	2,434	2,815	16,292
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

	MassINC			
	Unrestricted	Temporarily Restricted	Noncontrolling Interest of Polling Group	Consolidated Total
Net Assets at December 31, 2010	$ (9,096)	$ 401,134	$ 25,214	$ 417,252
Changes 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
Changes in Net Assets	(189,617)	(95,801)	7,787	(277,631)
Net Assets at December 31, 2012	$ (258,251)	$ 480,795	$ 17,224	$ 239,768

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

For the Years Ended December 31	2012	2011
Cash Flows from Operating Activities:		
(Decrease) Increase in Net Assets	$ (277,631)	$ 100,147
Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash Provided By (Used in) Operating Activities:		
Depreciation and Amortization	56,020	84,801
Deferred Income Taxes	-	(1,300)
Decrease (Increase) in Assets Whose Use is Limited	1,661	(2,073)
Decrease (Increase) in Grant Receivable	379,913	(254,913)
Increase in Trade Receivables	(25,844)	(6,900)
Decrease (Increase) in Other Receivables	3,968	(3,744)
Decrease in Prepaid Expenses	1,627	274
Increase in Accounts Payable and Accrued Expenses	53,465	36,047
Increase in Deferred Rent	10,569	-
Decrease in Unearned Revenue	(2,500)	(23,900)
Net Cash Provided by (Used in) Operating Activities	201,248	(71,561)
Cash Flows from Investing Activities:		
Increase in Restricted Cash	(50,000)	-
Purchase of Property and Equipment	(33,028)	(1,648)
Increase in Intangible Assets	(822)	(5,163)
Net Cash Used in Investing Activities	(83,850)	(6,811)
Net Increase (Decrease) in Cash and Equivalents	117,398	(78,372)
Cash and Equivalents, Beginning of Year	103,470	181,842
Cash and Equivalents, End of Year	$ 220,868	$ 103,470

Supplemental Disclosure of Non-Cash Investing Activities:

During the year ended December 31, 2012, the Organization disposed of fully depreciated property and equipment with an original cost of $151,109.

During the year ended December 31, 2012, the Organization disposed of fully depreciated intangible assets with an original cost of $237,341.

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, 2012 and 2011, 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, 2012 and 2011, 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.

Restricted Cash: In conjunction with the Organization's lease agreement, the Organization is required to maintain a letter of credit in the amount of $50,000. As of December 31, 2012, restricted cash amounted to $50,000.

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 $1,870 and $3,531 as of December 31, 2012 and 2011, respectively.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, cash equivalents and grant and trade receivables. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. Grant and trade receivables 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 grant and trade receivables 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, 2012 and 2011, the Organization has no allowance for uncollectible grant or trade receivables.

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

1. Organization and Significant Accounting Policies (Continued):

Intangible Assets: 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.

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 years ended December 31, 2012 and 2011, the Organization incurred advertising expense in the amounts of $177 and $4,338, respectively.

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, 2012 and 2011, 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, 2012 or 2011. The Organization does not expect any material change in uncertain tax benefits within the next twelve months.

As of December 31, 2012, 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, 2012, 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, 2012, 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.

Subsequent Events: Management has evaluated subsequent events spanning the period from December 31, 2012 through November 4, 2013, the latter representing the issuance date of these consolidated financial statements.

2. Property and Equipment:

Property and equipment as of December 31, 2012 and 2011 consists of the following:

	2012	2011
Computer Equipment	$ 10,126	$ 63,535
Office Furniture and Equipment	58,151	56,715
Telephone Equipment	837	43,770
Leasehold Improvements	-	23,175
	69,114	187,195
Accumulated Depreciation	37,551	184,418
	$ 31,563	$ 2,777

Depreciation expense for the years ended December 31, 2012 and 2011 amounted to $4,242 and $8,889, respectively.

3. Intangible Assets:

As of December 31, 2012 and 2011, intangible assets consist of website development costs.

Future amortization expense related to website development costs as of December 31, 2012 is as follows:

Year Ending December 31,	
2013	51,778
2014	51,778
2015	1,169
2016	1,169
2017	141
	$ 106,035

Amortization expense for the years ended December 31, 2012 and 2011 amounted to $51,778 and $75,912, respectively. During the year ended December 31, 2012, the Organization disposed of fully amortized intangible assets with an original cost of $237,341.

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% (3.25% at December 31, 2012), secured by substantially all of the Organization's assets. The Organization did not utilize the line of credit during the years ended December 31, 2012 and 2011.

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.

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.

5. Temporarily Restricted Net Assets (Continued):

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 December 31, 2012 and 2011, consist of the following restrictions:

	2012	2011
Policy:		
Criminal Justice	$ 227,050	$ -
Massachusetts Gateway Cities	174,724	-
Transportation	79,021	-
Artplace	-	109,465
Energy and Environment	-	76,608
Transformative Investments	-	10,610
	480,795	196,683
Grants Receivable:		
Time Restricted	-	379,913
	$ 480,795	$ 576,596

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, 2012 and 2011 consist of the following:

	2012	2011
Policy:		
Artplace	$ 109,465	$ -
Energy and Environment	76,608	34,570
Tramsformative Investments	10,610	-
American Dream	-	50,000
Massachusetts Gateway Cities	-	34,957
	196,683	119,527
Magazine:		
CommonWealth Initiative	-	79,999
	196,683	199,526
Time Restricted:		
Grants Receivable	379,913	125,000
	$ 576,596	$ 324,526

7. 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, 2012 and 2011; therefore, no vesting has occurred through December 31, 2012. The issue date fair value of the common stock was $0.75 per share, an aggregate fair value of $41,250.

8. Operating Leases:

MassINC leased its office facilities under a seven-year noncancelable lease agreement, expiring in November 2012. The lease agreement required monthly minimum lease payments plus real estate taxes.

During December 2012, MassINC entered into an eight-year noncancelable lease agreement, expiring in May 2020. The lease requires monthly minimum lease payments plus certain expenses, and provides for escalating payments. In accordance with the noncancelable lease agreement, MassINC is also required to maintain a letter of credit in the original amount of $50,000, which is included in restricted cash, within the accompanying consolidated statement of financial position as of December 31, 2012.

Future minimum lease payments due under this noncancelable lease agreement as of December 31, 2012, are as follows:

Year Ending December 31,	
2013	91,377
2014	104,256
2015	129,256
2016	133,941
2017	138,627
Thereafter	353,793
	$ 951,250

During the years December 31, 2012 and 2011, rent expense incurred under these lease agreements amounted to $216,378 and $230,576, respectively.

MassINC had a sublease agreement with a tenant through November 2012. Rental income for the years ended December 31, 2012 and 2011 amounted to $6,670 and $7,200, respectively.

9. Income Taxes:

The provision for income taxes for the Polling Group during the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Deferred:		
Federal	$ (23,800)	$ 1,700
State	(4,100)	1,100
	(27,900)	2,800
Change in Valuation Allowance	27,900	(4,100)
	$ -	$ (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, 2012 and 2011, are as follows:

	2012	2011
Deferred Tax Asset:		
Net Operating Loss Carryforwards	$ 46,800	$ 17,000
Cash to Accrual Difference	(3,500)	(1,600)
	43,300	15,400
Less: Valuation Allowance	43,300	15,400
	$ -	$ -

As of December 31, 2012, the Polling Group has federal and state net operating loss carryforwards of approximately $133,000, which expire through 2032. As of December 31, 2012 and 2011, the Polling Group has established a full valuation allowance in the amounts of $43,300 and $15,400, 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.

10. Concentrations:

For the years ended December 31, 2012 and 2011, contributions from individually significant contributors, which represent contributors donating $25,000 or more, amounted to approximately 98% and 78% of total contributions, respectively. For the years ended December 31, 2012 and 2011, contributions from members of the Board of Directors or companies they control amounted to $241,000 and $851,000, respectively.

During the years ended December 31, 2012 and 2011, the Polling Group received 75% and 87% of its revenue from three customers.

11. Employee Benefit Plan:

The Organization has a defined contribution profit sharing plan under Internal Revenue Code Section 401(k) and substantially all eligible employees of the Organization may participate in this plan. The Organization provides a maximum matching contribution of 100% of the first 6% of salary invested in the plan by a participant. The Organization made matching contributions in the amounts of $30,716 and $36,437 for the years ended December 31, 2012 and 2011, respectively.

12. 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, 2012 and 2011, no amounts have been accrued related to such indemnification provisions.

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