

MORE THAN WORDS, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2009

MORE THAN WORDS, INC.

Financial Statements and

Supplementary Information

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
More Than Words, Inc.
Waltham, Massachusetts

We have audited the accompanying statement of financial position of More Than Words, Inc. (a non-profit corporation) as of June 30, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of More Than Words, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on pages 11 and 12 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 21, 2009

MORE THAN WORDS, INC.
Statement of Financial Position
June 30, 2009

Assets

CURRENT ASSETS:

Cash	\$ 148,409
Accounts receivable	17,956
Café inventory	1,186
Prepaid expenses	<u>4,447</u>
Total current assets	171,998

PROPERTY AND EQUIPMENT:

Equipment and furniture	42,025
Computer software	19,583
Computers and equipment	28,923
Signage	3,727
Leasehold improvements	<u>43,945</u>
	138,203
Less: accumulated depreciation	<u>50,145</u>
Net book value of property and equipment	88,058

OTHER ASSETS:

Security deposits and last months rent	<u>6,856</u>
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Total assets \$ 266,912

Liabilities and Net Assets

CURRENT LIABILITIES:

Accounts payable	\$ 17,845
Accrued expenses	60,753
Sales tax payable	<u>267</u>
Total current liabilities	78,865

NET ASSETS:

Unrestricted net assets	<u>188,047</u>
Total net assets	<u>188,047</u>

Total liabilities and net assets \$ 266,912

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2009

UNRESTRICTED REVENUE AND OTHER SUPPORT:

Foundation and trust grants	\$	265,242
Corporate and business grants		2,918
Individual donors		52,171
Governmental contract revenue		73,800
Event donations		320
Gross in store sales		44,283
Gross café sales		10,854
Net internet sales		<u>114,282</u>
Total revenues		563,870

UNRESTRICTED EXPENSES:

Personnel costs		314,229
Youth stipend costs		118,379
Store/training expenses		39,631
Program expenses		48,306
Occupancy expenses		56,683
Fundraising expenses		<u>1,761</u>
Total expenses before depreciation		<u>578,989</u>

Total change in unrestricted net assets before depreciation (15,119)

Depreciation expense 19,257

Total change in unrestricted net assets (34,376)

NET ASSETS AT BEGINNING OF YEAR 222,423

NET ASSETS AT END OF YEAR \$ 188,047

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.

Statement of Cash Flows

For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	(34,376)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		19,257
Changes in:		
Accounts receivable		(1,402)
Grants receivable		1,600
Café inventory		(1,186)
Prepaid expenses		(4,447)
Security deposits and last months rent		(6,856)
Accounts payable and accrued expenses		29,355
Sales taxes		69
Prior year prepaid expenses and inventory		<u>12,331</u>
Net cash provided by operating activities		14,345

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		<u>(16,174)</u>
Net cash used by investing activities		<u>(16,174)</u>

NET INCREASE (DECREASE) IN CASH (1,829)

CASH - Beginning of year 150,238

CASH - End of year \$ 148,409

Supplemental disclosures of cash flow information;

Cash paid for :		
Interest	\$	4

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 1 – Nature of Organization and Operations:

More Than Words, Inc. was organized exclusively for charitable and educational purposes in order to provide leadership and supportive employment opportunities for youths who are in the foster care system, court involved, homeless or out of school. More Than Words provides hands on real-world job training and youth development programming including an online, retail and café training program. Youth receive in-depth training and ongoing support to develop marketable skills including customer service, communication, technology, and professionalism critical for their successful transition into adulthood. More Than Words provides intensive case management and programming to empower youth to address barriers in their lives including housing, court-issues, and to develop concrete education plans. The Organization supports youth in the state of Massachusetts, primarily in the greater Boston area.

NOTE 2 – Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Revenues are recognized when the services are performed and expenses are recorded as incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – are free of donor imposed restrictions and include all revenues, expenses, gains and losses that are not subject to donor restrictions.

Temporarily restricted net assets – include gifts, grants, income, gains and pledges for which donor imposed restrictions have not been met. The Organization had no temporarily restricted net assets as of June 30, 2009.

Permanently restricted net assets – are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted and temporarily restricted purposes. The Organization had no permanently restricted net assets as of June 30, 2009.

SFAS No. 117 also requires the Organization to present a statement of cash flows.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2009

(Continued)

NOTE 2 – Summary of Significant Accounting Policies (continued):

Restricted and Unrestricted Revenue

The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions of cash are recorded as income when received, and pledges are recorded as income when obtained. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principals requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the 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 vary from the estimates that were assumed in preparing the financial statements.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(VI) and has been classified as an organization that is not a private foundation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalent. As of June 30, 2009, cash includes a checking account.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2009

(Continued)

NOTE 2 – Summary of Significant Accounting Policies (continued):

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Major improvements are capitalized to property and equipment while maintenance and repairs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation expense is computed using the straight-line method over their estimated useful lives.

Property and equipment consists of the following as of June 30, 2009:

	Cost	Accumulated Depreciation	Net Book Value
Equipment and furniture	\$ 42,025	\$ 16,545	\$ 25,480
Computer software	19,583	9,797	9,786
Computers	28,923	19,631	9,292
Signage	3,727	1,242	2,485
Leasehold improvements	43,945	2,930	41,015
	<u>\$ 138,203</u>	<u>\$ 50,145</u>	<u>\$ 88,058</u>

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Accounts Receivable

At June 30, 2009, accounts receivable consist of \$4,800 from government reimbursement program contract revenue (DCF), \$11,606 of funds to be received from the Organization's various online bookstore websites and the bookstore's credit card merchant processor, \$1,025 from a grant, and \$525 from individual donors. All accounts receivable are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts is required. Accounts determined to be uncollectible are charged to operations in the period that the determination is made.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2009

(Continued)

NOTE 2 – Summary of Significant Accounting Policies (continued):

Advertising

The Organization expenses advertising costs as they are incurred.

NOTE 3 – Donated Goods and Services:

The Organization generally pays for services requiring specific expertise. However, a few individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. The Organization receives donated books for youths to learn to sell as part of their employment training. The value of the donated books is recorded at the time of sale when its value becomes determinable to the Organization and the revenue is reflected under the captions in store or internet sales. No amounts have been reflected in the financial statements for donated services and materials. The amounts have not been recognized in the accompanying statements of activities because they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

NOTE 4 – Concentration of Credit Risk:

The Organization maintains a cash balance at a local financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's cash balance at times during the year may exceed the federally insured limits. At June 30, 2009, the Organization has no uninsured cash balances.

NOTE 5 – Related Party:

The Organization collaborates with other non-profit organizations to support youth, including Communities for People, Inc. ("CFP"). CFP serves children, adolescents, and families by providing transitional and clinical services. More Than Words received numerous referrals to train youths residing in CFP's residential programs. For the fiscal year ended June 30, 2009, CFP received \$19,800 of funds from the Department of Children and Families as their lead agency and was directed to pass this money to More Than Words to support youth training. This amount is included in the amount reported on the Schedule of Functional Expenses under the caption "Youth Stipends". Additionally, More Than Words continued to purchase human resource and payroll processing services from CFP. The fee for such services for the fiscal year ended June 30, 2009 totaled \$14,088.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2009

(Continued)

NOTE 6 – Leases:

The Organization's facilities are sub-leased under a non-cancelable operating lease from Communities for People, Inc. (CFP), see Note 5, which expires unless renewed on June 30, 2010. The future minimum rental commitments at June 30, 2009 are as follows:

Year ended June 30,

2010	\$ <u>41,675</u>
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The CFP has an option to renew the lease for one five-year period. The lease contains usual clauses with respect to electric and utility charges. The Organization's operations are located at 376 Moody Street, Waltham, Massachusetts 02453.

NOTE 7 – Fundraising Expense:

The Organization engages in an annual mass mailing and distribution of program materials for grant proposals to raise funds for the various services they offer. Total fundraising expense for the year ending June 30, 2009 was \$1,761.

NOTE 8 – Shipping and Postage Costs:

Effective for the year ended June 30, 2009, the Organization has changed its method of presentation of shipping and postage costs for its internet book sales training program. Shipping and postage costs netted to internet sales were \$70,263. The comparable amount for the prior year ended June 30, 2008 was \$43,108, which was not netted to sales.

NOTE 9 – Subsequent Event:

Effective September 21, 2009, the Organization entered into a lease agreement for an additional office facility in Waltham, Massachusetts. Under the terms of the lease, the lease term is for a one-year term, with three one-year term options.

The future minimum rental commitments after June 30, 2009 are as follows:

Years ended June 30,

2010	\$ 7,200
2011	2,400

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2009

(Continued)

NOTE 10 – Additional Budgetary and Cash Flow Activities Information:

More Than Words received grant proceeds in the year ended June 30, 2008 for program expenses in the current year in the amount of \$32,132. These grant proceeds were considered in calculating the operating budget for the year ended June 30, 2009.

See auditors' report.

MORE THAN WORDS, INC.
Schedule of Functional Expenses
For the year ended June 30, 2009

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
PERSONNEL COSTS:			
Adult staff wages and compensation	\$ 250,306	\$ 6,477	\$ 256,783
Temporary help	2,726	--	2,726
Payroll processing fees	2,057	53	2,110
Payroll taxes	37,874	648	38,522
Management fee	13,764	324	14,088
Total personnel and stipend costs	<u>\$ 306,727</u>	<u>\$ 7,502</u>	<u>\$ 314,229</u>
YOUTH STIPENDS	<u>\$ 118,379</u>	<u>\$ --</u>	<u>\$ 118,379</u>
STORE/TRAINING EXPENSES:			
Café cost of goods sold	\$ 9,215	\$ --	\$ 9,215
Internet service fees	11,406	--	11,406
Internet shipping supplies	9,249	--	9,249
Marketing expenses	9,761	--	9,761
Total online store/training expenses	<u>\$ 39,631</u>	<u>\$ --</u>	<u>\$ 39,631</u>
PROGRAM EXPENSES:			
Merchant and bank processing fees	\$ 233	\$ 26	\$ 259
Interest	--	4	4
Insurance	3,248	361	3,609
Internet and telephone	2,775	308	3,083
Technology	5,656	628	6,284
Miscellaneous expense	1,559	--	1,559
Donations	150	--	150
Printing and postage	1,333	70	1,403
License, permits and filing fees	--	109	109
Supplies	15,583	1,732	17,315
Professional services	5,736	637	6,373
Professional development	4,624	--	4,624
Travel and meetings	176	351	527
Vehicle	3,007	--	3,007
Total program expenses	<u>\$ 44,080</u>	<u>\$ 4,226</u>	<u>\$ 48,306</u>

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.

Schedule of Functional Expenses - Continued

For the year ended June 30, 2009

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
OCCUPANCY EXPENSES:			
Facility repair and maintenance	\$ 4,086	\$ 215	\$ 4,301
Rent, parking and other	39,079	2,057	41,136
Utilities	<u>10,684</u>	<u>562</u>	<u>11,246</u>
Total occupancy expense	<u>\$ 53,849</u>	<u>\$ 2,834</u>	<u>\$ 56,683</u>
DEPRECIATION EXPENSE	<u>\$ 18,507</u>	<u>\$ 750</u>	<u>\$ 19,257</u>

See accompanying notes and auditors' report.