

MORE THAN WORDS, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
June 30, 2010 and 2009

MORE THAN WORDS, INC.

Financial Statements and

Supplementary Information

June 30, 2010 and 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 statements of financial position of More Than Words, Inc. (a non-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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.

Heald Hoffmeister and Company, INC

October 26, 2010

MORE THAN WORDS, INC.
Statements of Financial Position
June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash	\$ 195,010	\$ 148,409
Accounts receivable	37,108	17,956
Café inventory	1,227	1,186
Prepaid expenses	<u>3,475</u>	<u>4,447</u>
Total current assets	236,820	171,998
 PROPERTY AND EQUIPMENT:		
Equipment and furniture	47,630	42,025
Computer software	19,583	19,583
Computers and equipment	32,146	28,923
Leasehold improvements	43,945	43,945
Signage	3,727	3,727
Vehicles	<u>16,200</u>	<u>--</u>
	163,231	138,203
Less: accumulated depreciation	<u>72,059</u>	<u>50,145</u>
Net book value of property and equipment	91,172	88,058
 OTHER ASSETS:		
Security deposits and last months rent	<u>7,656</u>	<u>6,856</u>
Total assets	<u>\$ 335,648</u>	<u>\$ 266,912</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,521	\$ 17,845
Accrued expenses	62,841	60,753
Deferred revenue	30,000	--
Sales tax payable	<u>222</u>	<u>267</u>
Total current liabilities	112,584	78,865
 NET ASSETS:		
Unrestricted net assets	<u>223,064</u>	<u>188,047</u>
Total net assets	<u>223,064</u>	<u>188,047</u>
Total liabilities and net assets	<u>\$ 335,648</u>	<u>\$ 266,912</u>

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.

Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Foundation and trust grants	\$ 325,340	\$ 265,242
Corporate and business grants	4,398	2,918
Individual donors	66,983	52,171
Governmental contract revenue	150,768	73,800
Event donations	188	320
Net in store sales	45,843	42,884
Net café sales	8,313	2,793
Net internet sales	<u>104,362</u>	<u>99,533</u>
Total revenues	706,195	539,661
UNRESTRICTED EXPENSES:		
Personnel costs	340,684	299,302
Youth stipend costs	155,905	133,306
Store/training expenses	18,851	15,422
Program expenses	69,002	48,306
Occupancy expenses	63,247	56,683
Fundraising expenses	<u>1,575</u>	<u>1,761</u>
Total expenses before depreciation	<u>649,264</u>	<u>554,780</u>
Total change in unrestricted net assets before depreciation	56,931	(15,119)
Depreciation expense	<u>21,914</u>	<u>19,257</u>
Total change in unrestricted net assets	35,017	(34,376)
NET ASSETS AT BEGINNING OF YEAR	<u>188,047</u>	<u>222,423</u>
NET ASSETS AT END OF YEAR	<u>\$ 223,064</u>	<u>\$ 188,047</u>

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.

Statements of Cash Flows

For the Year Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 35,017	\$ (34,376)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	21,914	19,257
Changes in:		
Accounts receivable	(19,152)	198
Café inventory	(41)	(1,186)
Prepaid expenses	972	(4,447)
Security deposits and last month's rent	(800)	(6,856)
Accounts payable and accrued expenses	3,764	29,355
Deferred revenue	30,000	--
Sales taxes	(45)	69
Prior year prepaid expenses and inventory	<u>--</u>	<u>12,331</u>
 Net cash provided by operating activities	 71,629	 14,345
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(25,028)</u>	<u>(16,174)</u>
 Net cash used by investing activities	 <u>(25,028)</u>	 <u>(16,174)</u>
 NET INCREASE (DECREASE) IN CASH	 46,601	 (1,829)
 CASH - Beginning of year	 <u>148,409</u>	 <u>150,238</u>
 CASH - End of year	 <u>\$ 195,010</u>	 <u>\$ 148,409</u>
 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, 2010 and 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, Inc. 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, Inc. 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

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

Unrestricted net assets – are free from donor imposed restrictions and include all revenues, expenses, gains and losses that are not subject to donor restrictions. All of the Organization's net assets were unrestricted as of June 30, 2010 and 2009.

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, 2010 and 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, 2010 and 2009.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. 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.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2010 and 2009

(Continued)

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

Restricted and Unrestricted Revenue

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.

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. The Organization believes that there are no uncertain tax positions that would require disclosures in these financial statements.

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.

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, 2010:

	Cost	Accumulated Depreciation	Net Book Value
Equipment and furniture	\$ 47,630	\$ 23,389	\$ 24,241
Computer software	19,583	13,145	6,438
Computers and equipment	32,146	24,651	7,495
Leasehold improvements	43,945	5,860	38,085
Signage	3,727	1,774	1,953
Vehicles	16,200	3,240	12,960
	<u>\$ 163,231</u>	<u>\$ 72,059</u>	<u>\$ 91,172</u>

See auditors' report.

MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2010 and 2009

(Continued)

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

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, 2010 and 2009, accounts receivable consist of \$8,400 and \$4,800, respectively, from government reimbursement program contract revenue (DCF), \$16,379 and \$11,606, respectively, of funds to be received from the Organization's various online bookstore websites and the bookstore's credit card merchant processor, \$10,000 and \$1,025 from a grant, respectively, and \$2,329 and \$525, respectively, 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.

Sales Taxes

The Organization records the amount of sales taxes charged to customers as a component of gross sales and is deducted as a cost of sales to arrive at net sales.

Shipping and Handling Costs

The Organization records shipping and handling cost as a direct cost of sales and is deducted from gross "internet" and "in store" book sales before arriving at net sales.

Advertising

The Organization expenses advertising costs as they are incurred in the amounts of \$15,484 in 2010 and \$9,814 in 2009.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2010 and 2009

(Continued)

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. At the time of donation, no amounts have been reflected in the financial statements. 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" and "internet sales".

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, 2010 and 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, Inc. 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, Inc. to support youth training. This amount is included as Governmental contract revenue in 2009 and the expenditures are reported on the Schedule of Functional Expenses under the caption "Youth Stipends". Additionally, More Than Words, Inc. continued to purchase human resource and payroll processing services from CFP. The fee for such services for the fiscal years ended June 30, 2010 and 2009 totaled \$16,203 and \$14,088, respectively.

NOTE 6 - Fundraising Expenses:

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 expenses for the years ending June 30, 2010 and 2009 were \$1,575 and \$1,761, respectively.

NOTE 7 - Deferred Revenue:

The Organization received the first payment of a three-year \$90,000 grant intended for the years ending June 30, 2011 through June 30, 2013. The \$30,000 will be used to provide operating support for the Organization's programs and activities.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2010 and 2009

(Continued)

NOTE 8 - Additional Budgetary and Cash Flow Activities Information:

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

NOTE 9 - Leases:

The Organization's facilities are sub-leased under a non-cancelable operating lease from Communities for People, Inc. (CFP), see Note 5, which was renewed on June 30, 2010 for an additional three years commencing on July 1, 2010 and ending on June 30, 2013, with an option to extend. 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. Total charges under the lease were \$43,436 in 2010 and \$41,136 in 2009.

The future minimum rental commitments at June 30, 2010 are as follows:

Year ended June 30,

2011	\$ 41,676
2012	41,676
2013	<u>41,676</u>
Total	<u>\$ 125,028</u>

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 term is for one year, with three one-year term options. Total charges under the lease were \$7,200 in 2010.

The future minimum rental commitments after June 30, 2010 are as follows:

Years ended June 30,

2011	\$ 9,600
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NOTE 10 - Reclassification:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

See auditors' report.

MORE THAN WORDS, INC.

Notes to the Financial Statements

June 30, 2010 and 2009

(Continued)

NOTE 11 - Program Activities Presentation:

The Organization has changed its method of presentation of sales and costs for its internet and in store book sales training program as well as its café training program. The Organization presents the net amount of the programs' revenues and expenses. The programs are comprised of the following revenues and expenses:

	<u>2010</u>	<u>2009</u>
<u>Internet book sales</u>		
Revenue:		
Sales	\$ 200,314	\$ 184,545
Expenses:		
Cost of goods sold	3,869	--
Shipping and postage	<u>92,083</u>	<u>85,012</u>
	<u>95,952</u>	<u>85,012</u>
Net Sales	<u>\$ 104,362</u>	<u>\$ 99,533</u>
 <u>In store book sales</u>		
Revenue:		
Sales	\$ 52,285	\$ 46,560
Expenses:		
Cost of goods sold	1,761	1,102
Sales tax	3,474	2,276
Processing fees	<u>1,207</u>	<u>298</u>
	<u>6,442</u>	<u>3,676</u>
Net Sales	<u>\$ 45,843</u>	<u>\$ 42,884</u>
 <u>Café sales</u>		
Revenue:		
Sales	\$ 19,265	\$ 11,710
Expenses:		
Cost of goods sold	9,905	8,061
Meals tax	<u>1,047</u>	<u>856</u>
	<u>10,952</u>	<u>8,917</u>
Net Sales	<u>\$ 8,313</u>	<u>\$ 2,793</u>

NOTE 12 - Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through October 26, 2010, the date which the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

See auditors' report.

MORE THAN WORDS, INC.

Schedules of Functional Expenses

For the year ended June 30, 2010 and 2009

	<u>2010</u>		<u>2009</u>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Total</u>
PERSONNEL COSTS:				
Adult staff wages and compensation	\$ 285,693	\$ 7,325	\$ 293,018	\$ 256,783
Temporary help	--	--	--	2,726
Payroll taxes	30,934	529	31,463	25,705
Management fee	15,830	373	16,203	14,088
Total personnel and stipend costs	<u>\$ 332,457</u>	<u>\$ 8,227</u>	<u>\$ 340,684</u>	<u>\$ 299,302</u>
YOUTH STIPENDS:				
Youth staff wages and compensation	\$ 137,282	\$ --	\$ 137,282	\$ 118,379
Payroll taxes	15,961	--	15,961	12,817
Payroll processing fees	2,662	--	2,662	2,110
Total youth stipends	<u>\$ 155,905</u>	<u>\$ -</u>	<u>\$ 155,905</u>	<u>\$ 133,306</u>
STORE/TRAINING EXPENSES:				
Internet service fees	\$ 3,367	\$ --	\$ 3,367	\$ 5,608
Marketing expenses	15,484	--	15,484	9,814
Total online store/training expenses	<u>\$ 18,851</u>	<u>\$ --</u>	<u>\$ 18,851</u>	<u>\$ 15,422</u>
PROGRAM EXPENSES:				
Merchant and bank processing fees	\$ 4	\$ --	\$ 4	\$ 259
Interest	--	--	--	4
Insurance	5,859	651	6,510	3,609
Internet and telephone	4,441	494	4,935	3,083
Technology	956	106	1,062	6,284
Miscellaneous expense	1,169	--	1,169	1,559
Donations	15	--	15	150
Printing and postage	1,735	91	1,826	1,403
License, permits and filing fees	--	124	124	109
Supplies	15,951	1,772	17,723	17,315
Professional services	16,261	1,807	18,068	6,373
Professional development	13,042	--	13,042	4,624
Travel and meetings	203	407	610	527
Vehicle	3,914	--	3,914	3,007
Total program expenses	<u>\$ 63,550</u>	<u>\$ 5,452</u>	<u>\$ 69,002</u>	<u>\$ 48,306</u>

See accompanying notes and auditors' report.

MORE THAN WORDS, INC.
Schedules of Functional Expenses - Continued
For the year ended June 30, 2010 and 2009

	<u>2010</u>		<u>2009</u>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Total</u>
OCCUPANCY EXPENSES:				
Facility repair and maintenance	\$ 1,993	\$ 105	\$ 2,098	\$ 4,301
Rent, parking and other	48,104	2,532	50,636	41,136
Utilities	9,987	526	10,513	11,246
Total occupancy expense	<u>\$ 60,084</u>	<u>\$ 3,163</u>	<u>\$ 63,247</u>	<u>\$ 56,683</u>
DEPRECIATION EXPENSE	<u>\$ 21,061</u>	<u>\$ 853</u>	<u>\$ 21,914</u>	<u>\$ 19,257</u>

See accompanying notes and auditors' report.