

BIRTHDAY WISHES, INC.
FINANCIAL STATEMENTS
June 30, 2016 and 2015

BIRTHDAY WISHES, INC.

TABLE OF CONTENTS

JUNE 30, 2016 AND 2015

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS	5-8
SUPPLEMENTARY INFORMATION	
Schedules of Functional Expenses	9-10

RAFFOL AND COMPANY, INC.

Certified Public Accountants

Kenneth J. Raffol CPA, MST

Richard A. Petrie

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Birthday Wishes, Inc.
Newton Centre, Massachusetts

We have audited the accompanying financial statements of Birthday Wishes, Inc. (a non-profit corporation), which comprise statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Birthday Wishes, Inc. as of June 30, 2016 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.

Report on Summarized Comparative Information

We have previously audited Birthday Wishes, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ruffalo Company, Inc.

Needham, Massachusetts
September 6, 2016

BIRTHDAY WISHES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 100,513	\$ 194,334
Inventory	370,695	396,803
Accounts receivable	9,628	1,250
Prepaid expenses and deposits	<u>7,837</u>	<u>9,919</u>
Total Current Assets	488,673	602,306
Property and Equipment:		
Furniture and fixtures	12,476	12,476
Computer equipment	<u>85,944</u>	<u>54,577</u>
	98,420	67,053
Less: accumulated depreciation	<u>(45,339)</u>	<u>(38,279)</u>
Total Property and Equipment	53,081	28,774
Other Assets:		
Intangible assets	48,741	61,038
Less: accumulated amortization	<u>(8,124)</u>	<u>(21,038)</u>
Total Other Assets	<u>40,617</u>	<u>40,000</u>
 Total Assets	 <u>\$ 582,371</u>	 <u>\$ 671,080</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 19,307	\$ 17,163
Accrued payroll	<u>7,627</u>	<u>10,723</u>
Total Current Liabilities	26,934	27,886
Net Assets:		
Unrestricted	555,437	637,577
Temporarily restricted	<u>-</u>	<u>5,617</u>
Total Net Assets	<u>555,437</u>	<u>643,194</u>
 Total Liabilities and Net Assets	 <u>\$ 582,371</u>	 <u>\$ 671,080</u>

See accompanying notes and independent auditors' report.

BIRTHDAY WISHES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2016 AND 2015

	Temporarily		2016	2015
SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
Contributions:				
Corporate grants and donations	\$ 40,291	\$ 25,000	\$ 65,291	\$ 76,487
Foundations and trusts	90,466	-	90,466	157,811
Individuals	204,113	-	204,113	181,521
Donated goods	562,724	-	562,724	404,546
Donated services	5,311	-	5,311	13,509
Special events	185,204	-	185,204	141,613
Miscellaneous revenue	14,191	-	14,191	161
Interest income	45	-	45	123
Realized gain on investments	24	-	24	-
Net assets released from restrictions	<u>30,617</u>	<u>(30,617)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	1,132,986	(5,617)	1,127,369	975,771
EXPENSES				
Program services	1,027,148	-	1,027,148	734,610
Management and general	43,844	-	43,844	48,428
Fundraising	<u>144,134</u>	<u>-</u>	<u>144,134</u>	<u>109,242</u>
Total Expenses	<u>1,215,126</u>	<u>-</u>	<u>1,215,126</u>	<u>892,280</u>
Change in Net Assets	(82,140)	(5,617)	(87,757)	83,491
Net Assets-Beginning	<u>637,577</u>	<u>5,617</u>	<u>643,194</u>	<u>559,703</u>
Net Assets-Ending	<u>\$ 555,437</u>	<u>\$ -</u>	<u>\$ 555,437</u>	<u>\$ 643,194</u>

See accompanying notes and independent auditors' report.

BIRTHDAY WISHES, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (87,757)	\$ 83,491
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,184	5,154
(Increase) decrease in operating assets:		
Inventory	26,108	(66,225)
Accounts receivable	(8,378)	(1,166)
Prepaid expenses and deposits	2,082	(3,415)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,144	(2,728)
Accrued payroll	<u>(3,096)</u>	<u>9,407</u>
Net Cash Provided (Used) by Operating Activities	<u>(53,713)</u>	<u>24,518</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(31,367)	(17,175)
Purchase of intangible asset	<u>(8,741)</u>	<u>(40,000)</u>
Net Cash Provided (Used) in Investing Activities	<u>(40,108)</u>	<u>(57,175)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(93,821)	(32,657)
Cash Balance-Beginning of Year	<u>194,334</u>	<u>226,991</u>
Cash Balance-End of Year	<u><u>\$ 100,513</u></u>	<u><u>\$ 194,334</u></u>
SUPPLEMENTAL DISCLOSURE		
Taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes and independent auditors' report.

BIRTHDAY WISHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Birthday Wishes, Inc. (the Organization), located in Newton Centre, Massachusetts, is a non-profit organization whose mission is to provide birthday parties to children in emergency shelters, homeless shelters, and transitional living facilities. The Organization's grassroots philosophy fosters a spirit of volunteerism and community service in the adults, children, and families who donate their time and resources to Birthday Wishes' mission. The Organization's volunteers number over 1,000 and include adults and children, participating as individuals or as part of a family, scout troops, church groups, school groups, businesses and other organizations. The number of children served is over 30,000. Birthday Wishes, Inc. is supported primarily through individual and corporate donations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Organization's unrestricted net assets as of June 30, 2016 and 2015 were \$555,437 and \$637,577, respectively.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, by actions of the Organization and/or the passage of time. 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. The Organization's temporarily restricted net assets as of June 30, 2016 and 2015 were \$0 and \$5,617, respectively.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

Financial Statement Presentation and Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions reported as temporarily restricted support are reclassified as unrestricted net assets upon the fulfillment of the program or time restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

See independent auditors' report.

BIRTHDAY WISHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity date of 90 days or less to be cash and cash equivalents. The Organization maintains cash deposits with local banking institutions. Deposits with these institutions are fully insured by a combination of FDIC and industry sponsored insurance programs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory, which consists primarily of donated party supplies, is stated at fair market value.

Property and Depreciation

Acquisitions of property and equipment in excess of \$2,500 are capitalized at cost or, if donated, at fair value at the date of donation. Computer software, equipment, and office furniture are depreciated over estimated useful lives of three to five years using the straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are amortized over the shorter of the lease term or useful life.

Other Assets

During the year ended June 30, 2015, the Organization capitalized \$40,000 for the cost of a study for sponsored research, which had not been completed. No amortization had been expensed as of June 30, 2015. During the year ended June 30, 2016 the cost of the study for sponsored research was increased to \$48,741 once the work was completed. Amortization expense for the year ended June 30, 2016 was \$8,124.

Income Tax Status

The Organization is exempt from federal and state income tax under section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Management has considered and concluded that the Organization has no uncertain tax positions. The Organization's information returns are subject to examination by taxing authorities generally for the years ended June 30, 2013 to June 30, 2016.

See independent auditors' report.

BIRTHDAY WISHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

NOTE 2 - DONATED GOODS AND SERVICES

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the years ended June 30, 2016 and 2015, the Organization recognized donated services for general operations of \$5,311 and \$13,509, respectively, for legal and technological services. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donated goods are recognized as contributions and for the years ended June 30, 2016 and 2015, the Organization recognized donated goods for general operations of \$562,724 and \$404,546, respectively.

NOTE 3 - OPERATING LEASES

The Organization leases its headquarters located at 11 Homer Street, Newton Centre, Massachusetts, as well as regional offices in Foxboro, South Hadley, Northborough, Hanover, Woburn, Massachusetts, Pawtucket, Rhode Island and Long Island, New York. The organization is considered a tenant at will at all locations except for its Woburn and Long Island locations. Total rent expense for these leases and tenant at will locations for the year ended June 30, 2016 and 2015 totaled \$50,544 and \$55,457, respectively. As of year-end the Organization ended its rental with its Hanover location.

The future minimum rental commitments at June 30, 2016 are as follow:

<u>Year ended June 30,</u>	
2017	\$ 17,000
2018	6,000
2019	6,000
2020	<u>1,500</u>
Total	<u>\$ 30,500</u>

See independent auditors' report.

BIRTHDAY WISHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available at year end June 30, 2016 and 2015 totaled \$0 and \$5,617 respectively. Current year restrictions are as follows:

<u>Purpose</u>	<u>Amount</u>	
	<u>2016</u>	<u>2015</u>
One World	\$ -	\$ 5,617

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donor. Qualified expenses incurred and released from the temporary restriction in accordance with the conditions imposed by the donor for the year ended June 30, 2016 and 2015 totaled \$30,617 and \$30,651 respectively.

NOTE 5 - FUNDRAISING EXPENSES

The Organization engages in two major fundraising events in order to raise money and awareness in order to increase funding for supplies and volunteer support. Total fundraising expense for the years ending June 30, 2016 and 2015 was \$144,134 and \$109,242, respectively.

NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSES

Salaries, related costs, and rent are allocated between program services, management and general services, and fundraising based on relative benefit.

NOTE 7 - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through September 6, 2016 the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

BIRTHDAY WISHES, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	Program Services	Manage- ment and General	Fund- raising	2016 Total	2015 Total
Professional services	\$ -	\$ 6,900	\$ -	\$ 6,900	\$ 6,850
Grant Expense	-	-	39,200	39,200	8,000
Donated legal fees	4,249	1,062	-	5,311	13,509
Bank fees	-	167	-	167	163
Board expense	-	80	-	80	398
Dues and subscriptions	94	999	277	1,370	1,295
Taxes and filing fees	-	141	250	391	488
Insurance	9,388	1,516	-	10,904	10,745
Office supplies	3,248	91	233	3,572	6,610
Newsletter & sales force applications	766	204	51	1,021	-
Amortization expense	8,124	-	-	8,124	-
Depreciation expense	7,060	-	-	7,060	5,154
Internet access and support	5,278	36	108	5,422	6,236
Postage and shipping	2,113	132	2,745	4,990	2,092
Printing expense	-	-	-	-	4,374
Telephone expense	2,469	1,228	425	4,122	4,782
Repair and maintenance	2,726	726	182	3,634	3,094
Minor equipment purchase	-	-	-	-	3,350
Software purchase	626	166	42	834	-
Minor software purchase	-	-	3,939	3,939	514
Rent	48,586	489	1,469	50,544	55,457
Utilities	1,644	-	-	1,644	1,407
Development expense	-	-	23,903	23,903	29,607
Party supplies	619,931	-	-	619,931	378,439
Payroll	281,508	26,797	65,301	373,606	316,409
Payroll taxes	23,971	2,282	5,560	31,813	27,618
Payroll service fees	1,171	112	272	1,555	1,504
Other expenses	267	-	-	267	-
Training	7	6	-	13	433
Travel	3,922	710	177	4,809	3,752
	<u>\$ 1,027,148</u>	<u>\$ 43,844</u>	<u>\$ 144,134</u>	<u>\$ 1,215,126</u>	<u>\$ 892,280</u>

See independent auditors' report.