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2012

Review

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826 BOSTON, INC.
FINANCIAL STATEMENTS
June 30, 2012 and 2011

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2012

826 BOSTON, INC.

Table of Contents

June 30, 2012 and 2011

	<u>Page</u>
Independent Accountant's Review Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets.....	3-4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements	8-12

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2012
Review

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ANDREW M. ZUROFF, C.P.A., P.C.

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Independent Accountant's Review Report

To the Board of Directors
826 Boston, Inc.
Roxbury, Massachusetts

We have reviewed the accompanying statements of financial position of 826 Boston, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America



Andrew M. Zuroff, C.P.A., P.C.
Jamaica Plain, Massachusetts
January 22, 2013

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826 BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 123,128	\$ 151,218
Accounts Receivable	0	616
Promises to give	25,000	2,332
Store Inventory	18,645	18,353
Prepaid expenses	2,913	1,177
TOTAL CURRENT ASSETS	<u>169,686</u>	<u>173,696</u>
PROPERTY AND EQUIPMENT (Note 3)		
Property and equipment	50,570	46,000
Accumulated depreciation	(33,276)	(23,930)
NET PROPERTY AND EQUIPMENT	<u>17,294</u>	<u>22,070</u>
OTHER ASSETS		
Organizational costs, net of amortization of \$56,609 and \$45,288	0	11,321
Deposits on leased property	8,330	8,330
TOTAL OTHER ASSETS	<u>8,330</u>	<u>19,651</u>
TOTAL ASSETS	<u>\$ 195,310</u>	<u>\$ 215,417</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,444	\$ 1,506
Other current liabilities	6,110	11,099
TOTAL CURRENT LIABILITIES	<u>7,554</u>	<u>12,605</u>
NET ASSETS		
Unrestricted	92,205	144,761
Temporarily Restricted	95,551	58,051
TOTAL NET ASSETS	<u>187,756</u>	<u>202,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 195,310</u>	<u>\$ 215,417</u>

See independent accountant's review report and accompanying notes to financial statements.

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826 BOSTON, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
REVENUES			
Contributions	\$ 135,747	\$ 0	\$ 135,747
Grants	120,200	91,328	211,528
Fundraising	146,334	0	146,334
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	4,813	0	4,813
Contributed Goods and Services	236	0	236
Satisfaction of Purpose Restrictions	53,828	(53,828)	0
Interest Income	92	0	92
	<u>461,250</u>	<u>37,500</u>	<u>498,750</u>
FUNCTIONAL EXPENSES			
Program Services	364,625	0	364,625
General and Administrative	52,824	0	52,824
Fundraising Activities	96,357	0	96,357
	<u>513,806</u>	<u>0</u>	<u>513,806</u>
INCREASE (DECREASE) IN ASSETS	<u>(52,556)</u>	<u>37,500</u>	<u>(15,056)</u>
NET ASSETS - Beginning	<u>144,761</u>	<u>58,051</u>	<u>202,812</u>
NET ASSETS - Ending	<u>\$ 92,205</u>	<u>\$ 95,551</u>	<u>\$ 187,756</u>

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826 BOSTON, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
REVENUES			
Contributions	\$ 88,830	\$ 0	\$ 88,830
Grants	46,000	134,552	180,552
Fundraising	151,540	0	151,540
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	8,260	0	8,260
Contributed Goods and Services	11,626	0	11,626
Satisfaction of Purpose Restrictions	125,431	(125,431)	0
Interest Income	<u>88</u>	<u>0</u>	<u>88</u>
TOTAL REVENUES	<u>431,775</u>	<u>9,121</u>	<u>440,896</u>
FUNCTIONAL EXPENSES			
Program Services	282,425	0	282,425
General and Administrative	88,935	0	88,935
Fundraising Activities	<u>75,162</u>	<u>0</u>	<u>75,162</u>
TOTAL FUNCTIONAL EXPENSES	<u>446,522</u>	<u>0</u>	<u>446,522</u>
INCREASE (DECREASE) IN ASSETS	<u>(14,747)</u>	<u>9,121</u>	<u>(5,626)</u>
NET ASSETS - Beginning	<u>159,508</u>	<u>48,930</u>	<u>208,438</u>
NET ASSETS - Ending	<u>\$ 144,761</u>	<u>\$ 58,051</u>	<u>\$ 202,812</u>

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826 BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising Activities</u>	<u>Total</u>
Amortization	\$ 9,057	\$ 2,264	\$ 0	\$ 11,321
Bank and Credit Card Charges	0	1,715	2,514	4,229
Contract Labor	0	7,535	0	7,535
Consultants	5,910	0	26,000	31,910
Depreciation	8,334	1,012	0	9,346
Employee Benefits	0	34	0	34
Equipment Rental	5,155	176	0	5,331
Event Expenses	1,225	0	23,284	24,509
Food and Entertainment	9,801	903	22,921	33,625
General expenses	55	1,140	732	1,927
Health insurance	14,410	0	0	14,410
Insurance	5,356	1,648	1,236	8,240
Interest and Finance Charges	0	0	0	0
National Chapter Fees	13,145	0	0	13,145
Payroll Service Fees	2,517	640	168	3,325
Payroll Taxes	13,094	1,197	299	14,590
Postage and Delivery	382	734	1,590	2,706
Printing and Copying	16,862	0	8,064	24,926
Professional Fees	0	17,764	0	17,764
Rent	48,592	5,399	0	53,991
Repairs	1,204	390	0	1,594
Salary - Officer	59,792	7,474	7,474	74,740
Salary and Wages	97,615	0	0	97,615
Scholarships and Special Programs	37,311	0	0	37,311
Supplies	8,383	1,792	2,075	12,250
Telephone	1,030	343	0	1,373
Travel	0	0	0	0
Utilities	5,395	664	0	6,059
Total expenses	<u>\$ 364,625</u>	<u>\$ 52,824</u>	<u>\$ 96,357</u>	<u>\$ 513,806</u>

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826 BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising Activities</u>	<u>Total</u>
Amortization	\$ 0	\$ 11,322	\$ 0	\$ 11,322
Bank and Credit Card Charges	0	2,110	0	2,110
Contract Labor	0	5,855	0	5,855
Consultants	0	15,727	20,650	36,377
Depreciation	0	7,819	0	7,819
Employee Benefits	4,829	1,288	322	6,439
Equipment Rental	8,078	304	0	8,382
Event Expenses	0	0	22,144	22,144
Food and Entertainment	1,082	1,003	11,725	13,810
General expenses	204	1,697	483	2,384
Health insurance	6,700	0	0	6,700
Insurance	6,342	1,951	1,463	9,756
Interest and Finance Charges	0	0	0	0
National Chapter Fees	0	11,287	0	11,287
Payroll Service Fees	2,400	640	160	3,200
Payroll Taxes	11,038	1,122	280	12,440
Postage and Delivery	194	453	2,122	2,769
Printing and Copying	26,862	0	9,015	35,877
Professional Fees	0	7,460	0	7,460
Rent	49,424	5,492	0	54,916
Repairs	0	0	0	0
Salary - Officer	45,611	12,163	3,041	60,815
Salary and Wages	74,342	0	0	74,342
Scholarships and Special Programs	32,398	0	0	32,398
Supplies	6,070	899	3,742	10,711
Telephone	738	98	0	836
Travel	1,638	0	15	1,653
Utilities	4,475	245	0	4,720
Total expenses	<u>\$ 282,425</u>	<u>\$ 88,935</u>	<u>\$ 75,162</u>	<u>\$ 446,522</u>

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826 BOSTON, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from Operating Activities		
Change in net assets	\$ (15,056)	\$ (5,626)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	20,667	19,141
Changes in net assets and liabilities affecting operations		
(Increase) decrease in accounts receivable	616	(616)
(Increase) decrease in promises to give	(22,668)	3,242
(Increase) decrease in store inventory	(292)	(3,488)
(Increase) decrease in prepaid expenses	(1,736)	1,273
Increase (decrease) in accounts payable and accrued expenses	<u>(5,051)</u>	<u>(12,850)</u>
Net cash provided by operating activities	<u>(23,520)</u>	<u>1,076</u>
Cash flows from Investing Activities		
Purchase of property and equipment	<u>(4,570)</u>	<u>(15,539)</u>
Net increase in cash and cash equivalents	<u>(28,090)</u>	<u>(14,463)</u>
Cash and cash equivalents - beginning of year	<u>151,218</u>	<u>165,681</u>
Cash and cash equivalents - end of year	<u>\$ 123,128</u>	<u>\$ 151,218</u>
Supplemental Cash Flow Disclosure:		
Cash paid for Taxes	<u>\$ 0</u>	<u>\$ 0</u>
Cash paid for Interest	<u>\$ 0</u>	<u>\$ 0</u>

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES

Organization and Nature of Activities

826 Boston, Inc., (“the Organization”) incorporated as a not-for-profit organization on December 15, 2006, under the laws of the Commonwealth of Massachusetts, and is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The Organization does business in Roxbury’s Egleston Square serving the greater Boston located area school districts, dedicated to teaching creative and expository writing to students ages six to eighteen, and to helping teachers inspire their students to write.

826 Boston, Inc.’s free programs seek to strengthen each student’s power to express ideas effectively, creatively, confidently, and in his or her individual voice. The Organization provides drop-in tutoring, field trips, after-school workshops, in-schools tutoring, help for English language learners, and assistance with student publications.

The Organization’s primary sources of revenue are from private contributions, grants and fundraising activities.

National Affiliation: The Organization is one of eight chapters of 826 National, the others are: Ann Arbor, Chicago, Los Angeles, New York City, San Francisco, Seattle and Valencia.

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the 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.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2012 and 2011, the Organization did not have any amounts on deposit with banks in excess of the federal deposit insurance limits.

Bad Debt: The organization uses the direct write-off method to determine uncollectible unconditional promises receivable. Although this method is not generally accepted, it does approximate generally accepted accounting principles. This method is based on prior years’ experience and management’s analysis of specific promises made.

See independent accountant’s review report.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

Contributed Goods and Services: During the years ended June 30, 2012 and 2011, the value of contributed services meeting the requirement for recognition in the financial statements was material and has been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various program, fundraising, and managements tasks, but these services do not meet the criteria for recognition as contributed services.

Inventory: Inventory is carried at the lower of cost or fair market value, on a first-in, first-out basis.

Property and Equipment: It is the Organizations policy to capitalize property and equipment at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expiration of the donor restrictions when acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at this time. Property and equipment are depreciated over its estimated useful life, 5 years, using the straight-line method.

Organizational Costs: It is the Organizations policy to capitalize organizational costs at cost. Organizational costs are amortized over its estimated useful life, 5 years, using the straight-line method. Amortization expense for the years ended June 30, 2012 and 2011 was \$11,321 and \$11,322, respectively.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Organization has been classified as an organization other-than private foundation and is tax-exempt under Section 501 (c) (3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization adopted the new standards for *Accounting for Uncertainty in Income Taxes*, which required the Organization to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of June 30, 2012, the Organization determined that it had no tax positions that did not meet the “more likely than not” threshold of being sustained by the applicable tax authority. The Organization files tax and information returns in United States Federal and Massachusetts state jurisdictions. There returns are generally subject examination by tax authorities for the last three years.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements: In accordance with Codification Topic 820 (“ASC 820”) the Organization reports its qualifying assets and liabilities in accordance with the *Fair Value Measurements and Disclosures Standards* under U.S. generally accepted accounting principles. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

The three levels of fair value framework are as follows:

- Level 1- Inputs that reflect adjusted quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2- Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3- Inputs that are unobservable.

A qualifying assets or liability’s level within the framework is based upon the lowest level of any inputs that significant to fair value measurement. The Organization’s qualifying assets or liabilities are recorded at fair values using level 1 inputs.

Advertising Expenses: Advertising costs are expensed as incurred. For the years ended June 30, 2012 and 2011 advertising expense was \$0 and \$0, respectively

Presentation of Sales Taxes: The Commonwealth of Massachusetts imposes a sales tax of 6.25% on all of the Organizations’s sales to nonexempt customers. The Organization collects that sales tax from customers and remits the entire amount to the Commonwealth. The Organization’s accounting policy is to exclude the tax collected and remitted to the Commonwealth from revenues and cost of sales.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Computers and Equipment	\$ 24,835	\$ 20,265
Furniture	4,790	4,790
Leasehold Improvements	<u>20,945</u>	<u>20,945</u>
	50,570	46,000
Less Accumulated Depreciation	<u>33,276</u>	<u>23,930</u>
Net Property and Equipment	<u>\$ 17,294</u>	<u>\$ 22,070</u>

See independent accountant’s review report.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 – PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the years ended June, 2012 and 2011 was \$9,346 and \$7,819, respectively.

NOTE 4 – OPERATING LEASES

The Organization leases space under a lease which requires base monthly rentals of \$4,165 per month through August 2012. The lease was further extended for additional 5 year term ending on August 31, 2018. New monthly rent is \$3,433. contains provisions for additional rent for real estate taxes and operating expenses. Rent expense, including common area maintenance charges, was \$53,992 and \$54,915 for the years ended June 30, 2012 and 2011 respectively.

Minimum future rentals on the property sublease as June 30, 2011 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 42,659
2014	41,195
2015	41,195
2016	41,195
2017	41,195
2018	<u>3,433</u>
Total	\$ <u>210,872</u>

The Organization also leases equipment under operating lease expiring through October 31, 2012, and as needed basis Equipment rental expense under this lease was \$5,331 and \$8,382 for the years ended June 30, 2012 and 2011 respectively.

NOTE 5 – PROMISES TO GIVE

Promises to give represents donors' unconditional promises to give contributions to the Organization and are measured at the present value of estimated future cash flows using a discount rate ranging from 0 percent to 0 percent. Collection of receivables at June 30, 2012 is expected as follows:

	<u>2012</u>
Receivable in less than one year	\$ 20,000
Receivable in one to five years	<u>5,000</u>
	25,000
Less discount to present value at 0.00%	0
Less allowance for doubtful accounts	<u>0</u>
	<u>\$ 25,000</u>

See independent accountant's review report.

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826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 6- SUBSEQUENT EVENTS

Management has evaluated 826 Boston, Inc.'s related events and transactions that occurred during the period from the date of the Statement of Financial Position through the date of issuance of the Organization's financial statements. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Organization's financial statements.