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Review
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826 BOSTON, INC.
FINANCIAL STATEMENTS
June 30, 2011 and 2010

826 BOSTON, INC.

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NON-CONFIDENTIAL

AMZ
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Independent Accountant's Review Report

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

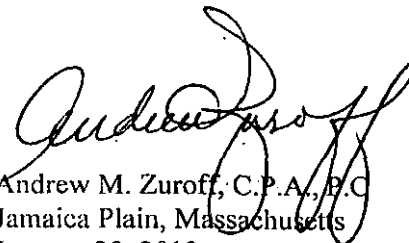
We have reviewed the accompanying statements of financial position of 826 Boston, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended.

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 30, 2012

826 BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION
June 30 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 151,218	\$ 165,681
Accounts Receivable	616	0
Promises to give	2,332	5,574
Store Inventory	18,353	14,865
Prepaid expenses	1,177	2,450
TOTAL CURRENT ASSETS	<u>173,696</u>	<u>188,570</u>
PROPERTY AND EQUIPMENT (Note 3)		
Property and equipment	46,000	30,461
Less: Accumulated depreciation	23,930	16,111
NET PROPERTY AND EQUIPMENT	<u>22,070</u>	<u>14,350</u>
OTHER ASSETS		
Organizational costs, net of amortization of \$45,288 and \$33,966	11,321	22,643
Deposits on leased property	8,330	8,330
TOTAL OTHER ASSETS	<u>19,651</u>	<u>30,973</u>
TOTAL ASSETS	<u>\$ 215,417</u>	<u>\$ 233,893</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,506	\$ 13,736
Accrued expenses	11,099	11,719
TOTAL CURRENT LIABILITIES	<u>12,605</u>	<u>25,455</u>
NET ASSETS		
Unrestricted	144,761	159,508
Temporarily Restricted	58,051	48,930
TOTAL NET ASSETS	<u>202,812</u>	<u>208,438</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 215,417</u>	<u>\$ 233,893</u>

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

Andrew M. Zuroff, C.P.A., P.C.

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	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	88	0	88
	<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	75,162	0	75,162
	<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>

826 BOSTON, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
REVENUES			
Contributions	\$ 67,625	\$ 0	\$ 67,625
Grants	35,000	125,009	160,009
Fundraising	88,724	0	88,724
Sales of Merchandise, Net of Cost of Goods Sold and	5,798	0	5,798
Contributed Goods and Services	43,938	0	43,938
Satisfaction of Purpose Restrictions	98,759	(98,759)	0
Interest Income	209	0	209
	<u>340,053</u>	<u>26,250</u>	<u>366,303</u>
FUNCTIONAL EXPENSES			
Program Services	260,973	0	260,973
General and Administrative	74,797	0	74,797
Fundraising Activities	39,539	0	39,539
	<u>375,309</u>	<u>0</u>	<u>375,309</u>
INCREASE (DECREASE) IN ASSETS	<u>(35,256)</u>	<u>26,250</u>	<u>(9,006)</u>
NET ASSETS - Beginning	<u>194,764</u>	<u>22,680</u>	<u>217,444</u>
NET ASSETS - Ending	<u>\$ 159,508</u>	<u>\$ 48,930</u>	<u>\$ 208,438</u>

826 BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	Program Services	General & Administrative	Fundraising Activities	Total
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
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	\$ 282,425	\$ 88,935	\$ 75,162	\$ 446,522

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

Andrew M. Zuroff, C.P.A., P.C.

BOSTON, INC.

826 BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	Program Services	General & Administrative	Fundraising Activities	Total
Amortization	\$ 0	\$ 11,322	\$ 0	\$ 11,322
Bank and Credit Card Charges	0	1,051	61	1,112
Contract Labor	4,787	10,695	0	15,482
Consultants	0	0	0	0
Depreciation	0	6,148	0	6,148
Employee Benefits	5,837	1,556	389	7,782
Equipment Rental	6,025	126	0	6,151
Event Expenses	0	0	7,753	7,753
Food and Entertainment	2,050	458	8,751	11,259
General expenses	6,499	837	163	7,499
Health insurance	0	0	0	0
Insurance	4,829	1,505	1,052	7,386
Interest and Finance Charges	0	130	0	130
National Chapter Fees	0	4,013	0	4,013
Payroll Service Fees	2,075	553	138	2,766
Payroll Taxes	11,979	1,292	323	13,594
Postage and Delivery	196	383	1,400	1,979
Printing and Copying	31,558	0	3,329	34,887
Professional Fees	0	14,381	0	14,381
Rent	37,307	5,182	9,327	51,816
Salary - Officer	49,356	13,162	3,290	65,808
Salary and Wages	73,148	0	0	73,148
Scholarships and Special Programs	16,500	0	0	16,500
Supplies	3,055	1,201	2,120	6,376
Telephone	1,352	188	338	1,878
Travel	0	0	0	0
Utilities	4,420	614	1,105	6,139
Total expenses	\$ 260,973	\$ 74,797	\$ 39,539	\$ 375,309

826 BOSTON, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from Operating Activities		
Change in net assets	\$ (5,626)	\$ (9,006)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	19,141	17,470
Changes in net assets and liabilities affecting operations		
(Increase) decrease in accounts receivable	(616)	
(Increase) decrease in promises to give	3,242	(5,574)
(Increase) decrease in store inventory	(3,488)	(3,552)
(Increase) decrease in prepaid expenses	1,273	(2,450)
Increase (decrease) in accounts payable and accrued expenses	<u>(12,850)</u>	<u>21,345</u>
Net cash provided by operating activities	<u>1,076</u>	<u>18,233</u>
Cash flows from Investing Activities		
Purchase of property and equipment	<u>(15,539)</u>	<u>0</u>
Net increase in cash and cash equivalents	<u>(14,463)</u>	<u>18,233</u>
Cash and cash equivalents - beginning of year	<u>165,681</u>	<u>147,448</u>
Cash and cash equivalents - end of year	<u>\$ 151,218</u>	<u>\$ 165,681</u>
Supplemental Cash Flow Disclosure:		
Cash paid for Interest	<u>\$ 0</u>	<u>\$ 130</u>

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

Andrew M. Zuroff, C.P.A., P.C.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

826 BOSTON, INC.

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

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.

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.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

See independent accountant’s review report.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to classifying the net assets as indicated above, the Organization also maintains its books and records on the principles of fund accounting. This is to ensure observance of limitations and restrictions placed of the use of the resources available to the 826 Boston, Inc.

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, 2011 and 2010, the Organization did not have any amounts on deposit with banks in excess of the federal deposit insurance limits.

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, 2011 and 2010, 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.

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 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.

See independent accountant's review report.

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Andrew M. Zuroff, C.P.A., P.C.

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826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities (See Note 5).

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>2011</u>	<u>2010</u>
Computer Equipment	\$ 20,265	\$ 4,725
Furniture	4,790	4,790
Leasehold Improvements	<u>20,946</u>	<u>20,946</u>
	46,001	30,461
Accumulated Depreciation	<u>23,930</u>	<u>(16,111)</u>
Net Property and Equipment	<u>\$ 69,931</u>	<u>\$ 14,350</u>

NOTE 4 – OPERATING LEASES

The Organization leases office space under a lease which requires base monthly rentals of \$4,165 per month through June 2012. The lease contains provisions for additional rent for real estate taxes and operating expenses. Rent expense, including common area maintenance charges, were \$54,916 and \$51,816 for the years ended June 30, 2011 and 2010 respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2012	49,980

The Organization also leases equipment under two operating leases which calls for monthly rentals of \$389 expiring through February 2011. Equipment rental expense under this lease was \$3,112 and \$6,151 for the years ended June 30, 2011 and 2010 respectively.

See independent accountant's review report.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

826 BOSTON, INC.

NOTE 5- INCOME TAXES

The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2011.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to year ended June 30, 2008.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

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.