

**826 BOSTON, INC.**  
**FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**826 BOSTON, INC.**

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June 30, 2014 and 2013

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**AMZ**  
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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of 826 Boston, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities 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.

**Auditor's 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.

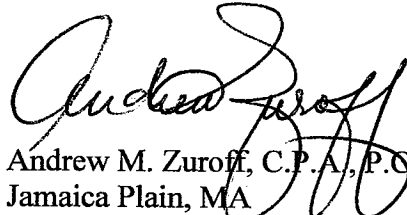
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 826 Boston, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and

its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in schedule of functional expenses 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.



Andrew M. Zuroff, C.P.A., P.C.  
Jamaica Plain, MA  
November 11, 2014

**826 BOSTON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2014 and 2013

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 275,782	\$ 122,868
Promises to give	15,526	62,735
Store Inventory	16,761	17,970
Prepaid expenses	2,905	2,740
<b>TOTAL CURRENT ASSETS</b>	<b>310,974</b>	<b>206,313</b>
 <b>PROPERTY AND EQUIPMENT (Note 3)</b>		
Property and equipment	75,946	50,570
Accumulated depreciation	(45,561)	(39,126)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>30,385</b>	<b>11,444</b>
 <b>OTHER ASSETS</b>		
Deposits on leased property	8,330	8,330
<b>TOTAL OTHER ASSETS</b>	<b>8,330</b>	<b>8,330</b>
<b>TOTAL ASSETS</b>	<b>\$ 349,689</b>	<b>\$ 226,087</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,239	\$ 17,853
Other current liabilities	26,355	9,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>27,594</b>	<b>26,853</b>
 <b>NET ASSETS</b>		
Unrestricted	170,237	166,734
Temporarily Restricted	151,858	32,500
<b>TOTAL NET ASSETS</b>	<b>322,095</b>	<b>199,234</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 349,689</b>	<b>\$ 226,087</b>

See accompanying notes to financial statements.

**826 BOSTON, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2014

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions	\$ 125,139	\$ 100,000	\$ 225,139
Grants	76,000	215,000	291,000
Fundraising	360,228	0	360,228
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	5,741	0	5,741
Contributed Goods and Services	0	0	0
Satisfaction of Purpose Restrictions	195,642	(195,642)	0
Interest Income	12	0	12
	<u>762,762</u>	<u>119,358</u>	<u>882,120</u>
<b>FUNCTIONAL EXPENSES</b>			
Program Services	524,180	0	524,180
General and Administrative	65,067	0	65,067
Fundraising Activities	170,012	0	170,012
	<u>759,259</u>	<u>0</u>	<u>759,259</u>
<b>INCREASE (DECREASE) IN ASSETS</b>	<u><b>3,503</b></u>	<u><b>119,358</b></u>	<u><b>122,861</b></u>
NET ASSETS - Beginning	<u>166,734</u>	<u>32,500</u>	<u>199,234</u>
<b>NET ASSETS - Ending</b>	<u><b>\$ 170,237</b></u>	<u><b>\$ 151,858</b></u>	<u><b>\$ 322,095</b></u>

**826 BOSTON, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2013

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions	\$ 102,180	\$ 0	\$ 102,180
Grants	103,332	87,000	190,332
Fundraising	334,375	0	334,375
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	5,182	0	5,182
Contributed Goods and Services	0	0	0
Satisfaction of Purpose Restrictions	135,051	(135,051)	0
Interest Income	43	0	43
	<u>680,163</u>	<u>(48,051)</u>	<u>632,112</u>
<b>FUNCTIONAL EXPENSES</b>			
Program Services	431,442	0	431,442
General and Administrative	51,021	0	51,021
Fundraising Activities	138,171	0	138,171
	<u>620,634</u>	<u>0</u>	<u>620,634</u>
	<u><b>59,529</b></u>	<u><b>(48,051)</b></u>	<u><b>11,478</b></u>
<b>INCREASE (DECREASE) IN ASSETS</b>			
NET ASSETS - Beginning	<u>107,205</u>	<u>80,551</u>	<u>187,756</u>
<b>NET ASSETS - Ending</b>	<u><b>\$ 166,734</b></u>	<u><b>\$ 32,500</b></u>	<u><b>\$ 199,234</b></u>

**826 BOSTON, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2014 and 2014

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Cash flows from Operating Activities</b>		
Change in net assets	\$ 122,861	\$ 11,478
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	6,435	5,850
Changes in net assets and liabilities affecting operations		
(Increase) decrease in accounts receivable	0	0
(Increase) decrease in promises to give	47,209	(37,735)
(Increase) decrease in store inventory	1,209	675
(Increase) decrease in prepaid expenses	(165)	173
Increase (decrease) in accounts payable and accrued expenses	741	19,299
	<u>741</u>	<u>19,299</u>
<b>Net cash provided by operating activities</b>	<u><b>178,290</b></u>	<u><b>(260)</b></u>
<b>Cash flows from Investing Activities</b>		
Purchase of property and equipment	<u>(25,376)</u>	<u>0</u>
<b>Net increase in cash and cash equivalents</b>	<u><b>152,914</b></u>	<u><b>(260)</b></u>
Cash and cash equivalents - beginning of year	<u>122,868</u>	<u>123,128</u>
<b>Cash and cash equivalents - end of year</b>	<u><b>\$ 275,782</b></u>	<u><b>\$ 122,868</b></u>
<b>Supplemental Cash Flow Disclosure:</b>		
Cash paid for Taxes	<u>0</u>	<u>0</u>
Cash paid for Interest	<u>0</u>	<u>0</u>

See accompanying notes to financial statements.



**826 BOSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**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 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 Washington, DC.

**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 maintains its cash and cash equivalent balances in financial institutions, which from time to time exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”), up to \$250,000 per institution. As of June 30, 2014 and 2013, the maximum loss that would have resulted from that risk totaled approximately \$28,997 and \$0, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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.

**826 BOSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**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: Contributed goods are recorded at the fair market value at the time of contribution. Contributed services are recognized as contributions at their estimated fair values at the date of donation. The Organization generally pays for services requiring specific expertise. 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 using the straight-line method.

Equipment, Furniture and Fixtures	5 years
Leasehold improvements	7 years

For the years ended June 30, 2014 and 2013 depreciation expense was \$6,435 and \$5850, 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, 2014, 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

**826 BOSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Federal and Massachusetts state jurisdictions. There returns are generally subject to examination by tax authorities for the last three years.

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, 2014 and 2013 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>2014</u>	<u>2013</u>
Computers and Equipment	\$ 24,835	\$ 24,835
Furniture	4,790	4,790
Leasehold Improvements	<u>46,321</u>	<u>20,945</u>
	75,946	50,570
Less Accumulated Depreciation	<u>45,561</u>	<u>39,126</u>
Net Property and Equipment	<u>\$ 30,385</u>	<u>\$ 11,444</u>

**826 BOSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**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 \$59,437 and \$54,903 for the years ended June 30, 2014 and 2013 respectively.

Future minimum rental payments under the terms of this lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 41,195
2016	41,195
2017	41,195
2018	<u>3,433</u>
Total	\$ <u><u>127,018</u></u>

The Organization also leases a copier under 5 year non-cancelable operating lease expiring in July 2016. Monthly minimum payment under this lease is \$250. In addition the Organization also leases equipment as needed. Total rental expense for copier and other equipment was \$4,034 and \$5,968 for the years ended June 30, 2014 and 2013 respectively.

Future minimum rental payments under the terms of the copier lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 3,000
2016	<u>250</u>
Total	\$ <u><u>3,250</u></u>

**NOTE 5 – PROMISES TO GIVE**

Unconditional promises due within one year are recorded at their net realizable value. Unconditional promises to give due in more than one year are discounted at rate of 0%.

All pledges are considered collectible until determined by management otherwise. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. At fiscal year-end, any balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense. For the years ended June 30, 2014 and 2013 pledges of \$0 and \$0 were written off, respectively. At June 30, 2014 and 2013, management believes that a valuation account is unnecessary because the unconditional promises will be collected in full.

**826 BOSTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 5 – PROMISES TO GIVE (Continued)**

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 15,526	\$ 62,735
Receivable in one to five years	<u>0</u>	<u>0</u>
 Total promises to give	 15,526	 62,735
 Less discount to present value at 0.00%	 0	 0
Less allowance for doubtful accounts	<u>0</u>	<u>0</u>
	 <u>\$ 15,526</u>	 <u>\$ 25,000</u>

**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.

**826 BOSTON, INC.**  
**SUPPLEMENTARY INFORMATION**  
**June 30, 2014 and 2013**

**826 BOSTON, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2014

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising Activities</b>	<b>Total</b>
Bank and Credit Card Charges	\$ 0	\$ 3,423	\$ 5,694	\$ 9,117
Contract Labor	10,015	0	5,095	15,110
Consultants	8,800	2,000	20,384	31,184
Depreciation	5,792	643	0	6,435
Employee Benefits	0	0	0	0
Equipment Rental	3,469	565	0	4,034
Event Expenses	1,224	0	22,024	23,248
Food and Entertainment	5,926	104	31,337	37,367
General expenses	1,801	1,626	0	3,427
Health insurance	31,479	1,936	6,935	40,350
Insurance	8,665	393	0	9,058
National Chapter Fees	18,844	0	0	18,844
Payroll Service Fees	3,037	190	569	3,796
Payroll Taxes	22,642	1,389	5,088	29,119
Postage and Delivery	986	753	0	1,739
Printing and Copying	12,908	0	7,913	20,821
Professional Development	879	0	0	879
Professional Fees	0	26,800	0	26,800
Recruiting	275	80	0	355
Rent	51,900	7,537	0	59,437
Repairs	1,224	274	0	1,498
Salary - Officer	69,385	8,673	8,673	86,731
Salary and Wages	197,511	7,695	51,302	256,508
Scholarships and Special Programs	34,142	0	0	34,142
Supplies	19,578	0	4,998	24,576
Telephone	1,132	120	0	1,252
Travel	5,672	0	0	5,672
Utilities	6,894	866	0	7,760
<b>Total expenses</b>	<b>\$ 524,180</b>	<b>\$ 65,067</b>	<b>\$ 170,012</b>	<b>\$ 759,259</b>

See accompanying notes to financial statements.

**826 BOSTON, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2013

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising Activities</b>	<b>Total</b>
Bank and Credit Card Charges	\$ 0	\$ 1,691	\$ 4,463	\$ 6,154
Contract Labor	11,600	0	900	12,500
Consultants	10,785	2,200	17,000	29,985
Depreciation	5,228	622	0	5,850
Employee Benefits	0	0	0	0
Equipment Rental	5,729	239	0	5,968
Event Expenses	6,329	0	20,643	26,972
Food and Entertainment	8,054	1,083	25,829	34,966
General expenses	0	1,610	0	1,610
Health insurance	31,882	2,171	0	34,053
Insurance	7,535	398	0	7,933
National Chapter Fees	16,071	0	0	16,071
Payroll Service Fees	2,698	169	506	3,373
Payroll Taxes	16,718	951	3,124	20,793
Postage and Delivery	437	735	919	2,091
Printing and Copying	14,904	0	11,676	26,580
Professional Development	4,672	0	0	4,672
Professional Fees	0	18,655	0	18,655
Recruiting	0	0	0	0
Rent	49,413	5,490	0	54,903
Repairs	1,899	217	0	2,116
Salary - Officer	61,600	7,700	7,700	77,000
Salary and Wages	118,377	4,735	32,542	155,654
Scholarships and Special Programs	40,958	0	0	40,958
Supplies	8,159	1,456	12,471	22,086
Telephone	1,179	289	0	1,468
Travel	1,727	0	398	2,125
Utilities	5,488	610	0	6,098
<b>Total expenses</b>	<b>\$ 431,442</b>	<b>\$ 51,021</b>	<b>\$ 138,171</b>	<b>\$ 620,634</b>