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826 BOSTON, INC.
FINANCIAL STATEMENTS
June 30, 2015 and 2014

2015
Audit

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826 BOSTON, INC.

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June 30, 2015 and 2014

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

CERTIFIED PUBLIC ACCOUNTANTS
632 CENTRE STREET, JAMAICA PLAIN, MA 02130-2554
(617) 524-6565 • FAX (617) 983-9536

2014
Audit
048136

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 statements of financial position as of June 30, 2015 and 2014, 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.

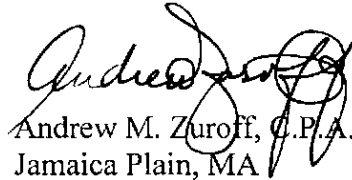
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Opinion

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, 2015 and 2014, 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 schedule of functional expenses on pages 12-13 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 13, 2015

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826 BOSTON, INC.
STATEMENTS OF FINANCIAL POSITION
 June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 308,939	\$ 275,782
Promises to give	23,942	15,526
Store Inventory	7,624	16,761
Prepaid expenses	3,033	2,905
TOTAL CURRENT ASSETS	<u>343,538</u>	<u>310,974</u>
 PROPERTY AND EQUIPMENT (Note 3)		
Property and equipment	75,946	75,946
Accumulated depreciation	(53,235)	(45,561)
NET PROPERTY AND EQUIPMENT	<u>22,711</u>	<u>30,385</u>
 OTHER ASSETS		
Deposits on leased property	8,330	8,330
TOTAL OTHER ASSETS	<u>8,330</u>	<u>8,330</u>
TOTAL ASSETS	<u>\$ 374,579</u>	<u>\$ 349,689</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,399	\$ 1,239
Other current liabilities	29,622	26,355
TOTAL CURRENT LIABILITIES	<u>35,021</u>	<u>27,594</u>
 NET ASSETS		
Unrestricted	274,558	170,237
Temporarily Restricted	65,000	151,858
TOTAL NET ASSETS	<u>339,558</u>	<u>322,095</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 374,579</u>	<u>\$ 349,689</u>

The accompanying notes are an integral part of these financial statements.

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826 BOSTON, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2015

	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u>
REVENUES			
Contributions	\$ 161,632	\$ 0	\$ 161,632
Grants	45,340	256,834	302,174
Fundraising	403,777	0	403,777
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	(6,752)	0	(6,752)
Satisfaction of Purpose Restrictions	343,692	(343,692)	0
Interest Income	2	0	2
	<u>947,691</u>	<u>(86,858)</u>	<u>860,833</u>
FUNCTIONAL EXPENSES			
Program Services	575,121	0	575,121
General and Administrative	62,657	0	62,657
Fundraising Activities	205,592	0	205,592
	<u>843,370</u>	<u>0</u>	<u>843,370</u>
INCREASE (DECREASE) IN ASSETS	<u>104,321</u>	<u>(86,858)</u>	<u>17,463</u>
NET ASSETS - Beginning	<u>170,237</u>	<u>151,858</u>	<u>322,095</u>
NET ASSETS - Ending	<u><u>\$ 274,558</u></u>	<u><u>\$ 65,000</u></u>	<u><u>\$ 339,558</u></u>

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

	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u>
REVENUES			
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
TOTAL REVENUES	<u>762,762</u>	<u>119,358</u>	<u>882,120</u>
FUNCTIONAL EXPENSES			
Program Services	524,180	0	524,180
General and Administrative	65,067	0	65,067
Fundraising Activities	170,012	0	170,012
TOTAL FUNCTIONAL EXPENSES	<u>759,259</u>	<u>0</u>	<u>759,259</u>
INCREASE (DECREASE) IN ASSETS	<u>3,503</u>	<u>119,358</u>	<u>122,861</u>
NET ASSETS - Beginning	<u>166,734</u>	<u>32,500</u>	<u>199,234</u>
NET ASSETS - Ending	<u>\$ 170,237</u>	<u>\$ 151,858</u>	<u>\$ 322,095</u>

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826 BOSTON, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from Operating Activities		
Change in net assets	\$ 17,463	\$ 122,861
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	7,674	6,435
Changes in net assets and liabilities affecting operations		
(Increase) decrease in accounts receivable	0	0
(Increase) decrease in promises to give	(8,416)	47,209
(Increase) decrease in store inventory	9,137	1,209
(Increase) decrease in prepaid expenses	(128)	(165)
Increase (decrease) in accounts payable and accrued expenses	<u>7,427</u>	<u>741</u>
Net cash provided by operating activities	<u>33,157</u>	<u>178,290</u>
Cash flows from Investing Activities		
Purchase of property and equipment	<u>0</u>	<u>(25,376)</u>
Net increase in cash and cash equivalents	<u>33,157</u>	<u>152,914</u>
Cash and cash equivalents - beginning of year	<u>275,782</u>	<u>122,868</u>
Cash and cash equivalents - end of year	<u>\$ 308,939</u>	<u>\$ 275,782</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, 2015 AND 2014

NOTE 1 – NATURE OF ACTIVITIES

Organization and Nature of Activities

826 Boston, Inc., (“the Organization”) is 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 seven chapters of 826 National, the others are: Ann Arbor, Chicago, Los Angeles, New York City, San Francisco, 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, 2015 and 2014, the maximum loss that would have resulted from that risk totaled approximately \$61,109 and \$28,997, 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, 2015 AND 2014

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, 2015 and 2014 depreciation expense was \$7,675 and \$6,435, 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.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014 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>2015</u>	<u>2014</u>
Computers and Equipment	\$ 24,835	\$ 24,835
Furniture	4,790	4,790
Leasehold Improvements	<u>46,321</u>	<u>46,321</u>
	75,946	75,946
Less Accumulated Depreciation	<u>53,235</u>	<u>45,561</u>
Net Property and Equipment	<u>\$ 22,711</u>	<u>\$ 30,385</u>

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 – OPERATING LEASES

The Organization leases space under a lease which required base monthly rental payments of \$4,165 per month through August 2014. The lease was further extended for an additional 5 year term ending on August 31, 2018. The new monthly rent payment is \$3,433. The lease contains provisions for additional rent for real estate taxes and operating expenses. Rent expense, including common area maintenance charges, was \$53,357 and \$59,437 for the years ended June 30, 2015 and 2014 respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 41,195
2017	41,195
2018	<u>3,433</u>
Total	\$ <u>85,823</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, 2015 and 2014 pledges of \$0 and \$0 were written off, respectively. At June 30, 2015 and 2014, management believes that a valuation account is unnecessary because the unconditional promises will be collected in full.

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 23,942	\$ 15,526
Receivable in one to five years	<u>0</u>	<u>0</u>
Total promises to give	23,942	15,526
Less discount to present value at 0.00%	0	0
Less allowance for doubtful accounts	<u>0</u>	<u>0</u>
	<u>\$ 23,942</u>	<u>\$ 15,526</u>

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826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6- INCOME TAX STATUS

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. The Organization is not currently under examination by any taxing jurisdictions. The Organization's federal and state tax returns are generally open for examination for three years following the date filed.

NOTE 7- 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.

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826 BOSTON, INC.
SUPPLEMENTARY INFORMATION
June 30, 2015 and 2014

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826 BOSTON, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services	General & Administrative	Fundraising Activities	Total
Bank and Credit Card Charges	\$ 0	\$ 1,080	\$ 4,479	\$ 5,559
Contract Labor	14,460	0	3,075	17,535
Consultants	6,050	1,600	23,850	31,500
Depreciation	7,300	375	0	7,675
Equipment Rental	4,237	466	0	4,703
Event Expenses	2,578	0	23,203	25,781
Food and Entertainment	11,248	2,591	36,894	50,733
General expenses	5,515	466	0	5,981
Health insurance	34,077	2,302	9,670	46,049
Insurance	6,261	677	0	6,938
National Chapter Fees	23,069	0	0	23,069
Payroll Service Fees	2,437	165	692	3,294
Payroll Taxes	25,941	1,691	6,832	34,464
Postage and Delivery	1,765	218	1,568	3,551
Printing and Copying	10,059	0	11,941	22,000
Professional Development	2,420	269	0	2,689
Professional Fees	0	25,050	0	25,050
Recruiting	5,486	0	0	5,486
Rent	50,101	3,256	0	53,357
Repairs	4,220	109	0	4,329
Salary - Officer	71,716	8,437	4,219	84,372
Salary and Wages	243,810	12,136	78,882	334,828
Scholarships and Special Programs	3,500	0	0	3,500
Supplies	23,713	647	0	24,360
Telephone	1,477	118	0	1,595
Travel	4,852	121	287	5,260
Utilities	8,829	883	0	9,712
Total expenses	\$ 575,121	\$ 62,657	\$ 205,592	\$ 843,370

The accompanying notes are an integral part of these financial statements.

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

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising Activities</u>	<u>Total</u>
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
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
Total expenses	\$ 524,180	\$ 65,067	\$ 170,012	\$ 759,259

The accompanying notes are an integral part of these financial statements.