

826 BOSTON, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

826 BOSTON, INC.

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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 statements of financial position as of June 30, 2017 and 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.

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, 2017 and 2016, 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 schedules 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, CPA

Andrew M. Zuroff, C.P.A., P.C.
October 24, 2017

826 BOSTON, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 427,538	\$ 258,041
Promises to Give	56,603	122,234
Store Inventory	8,188	7,802
Prepaid Expenses	8,691	13,453
Other Current Assets	32,658	-
TOTAL CURRENT ASSETS	533,678	401,530
PROPERTY AND EQUIPMENT		
Property and Equipment	75,946	75,946
Accumulated Depreciation	(62,078)	(57,996)
NET PROPERTY AND EQUIPMENT	13,868	17,950
OTHER ASSETS		
Deposits on Leased Property	8,330	8,330
TOTAL OTHER ASSETS	8,330	8,330
TOTAL ASSETS	\$ 555,876	\$ 427,810
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,289	\$ 4,512
Other Current Liabilities	48,753	38,349
TOTAL CURRENT LIABILITIES	53,042	42,861
NET ASSETS		
Unrestricted	467,084	309,949
Temporarily Restricted	35,750	75,000
TOTAL NET ASSETS	502,834	384,949
TOTAL LIABILITIES AND NET ASSETS	\$ 555,876	\$ 427,810

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

826 BOSTON, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2017

	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u>
REVENUES			
Contributions	\$ 146,696	\$ 0	\$ 146,696
Grants	80,500	502,250	582,750
Fundraising	515,333	0	515,333
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	5,558	0	5,558
Satisfaction of Purpose Restrictions	541,500	(541,500)	0
Interest Income	18	0	18
	<u>1,289,605</u>	<u>(39,250)</u>	<u>1,250,355</u>
FUNCTIONAL EXPENSES			
Program Services	799,347	0	799,347
General and Administrative	86,134	0	86,134
Fundraising Activities	246,989	0	246,989
	<u>1,132,470</u>	<u>0</u>	<u>1,132,470</u>
CHANGES NET IN ASSETS	<u>157,135</u>	<u>(39,250)</u>	<u>117,885</u>
NET ASSETS - Beginning	<u>309,949</u>	<u>75,000</u>	<u>384,949</u>
NET ASSETS - Ending	<u>\$ 467,084</u>	<u>\$ 35,750</u>	<u>\$ 502,834</u>

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

826 BOSTON, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2016

	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u>
REVENUES			
Contributions	\$ 114,808	\$ 0	\$ 114,808
Grants	101,933	347,355	449,288
Fundraising	483,664	0	483,664
Sales of Merchandise, Net of Cost of Goods Sold and Direct Store Expenses	12,417	0	12,417
Satisfaction of Purpose Restrictions	337,355	(337,355)	0
Interest Income	3	0	3
	<u>1,050,180</u>	<u>10,000</u>	<u>1,060,180</u>
FUNCTIONAL EXPENSES			
Program Services	716,864	0	716,864
General and Administrative	68,241	0	68,241
Fundraising Activities	229,684	0	229,684
	<u>1,014,789</u>	<u>0</u>	<u>1,014,789</u>
CHANGES NET IN ASSETS	<u>35,391</u>	<u>10,000</u>	<u>45,391</u>
NET ASSETS - Beginning	<u>274,558</u>	<u>65,000</u>	<u>339,558</u>
NET ASSETS - Ending	<u>\$ 309,949</u>	<u>\$ 75,000</u>	<u>\$ 384,949</u>

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

826 BOSTON, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 117,885	\$ 45,391
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	4,082	4,761
Changes in Certain Assets and Liabilities		
(Increase) in Promises to Give	65,631	(98,292)
(Increase) Decrease in Store Inventory	(386)	(178)
(Increase) Decrease in Prepaid Expenses	4,762	(10,420)
(Increase) Decrease in Other Current Assets	(32,658)	0
Increase (Decrease) in Accounts Payable and Accrued Expenses	<u>10,181</u>	<u>7,840</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>169,497</u>	<u>(50,898)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>169,497</u>	<u>(50,898)</u>
Cash and Cash Equivalents - Beginning of Year	<u>258,041</u>	<u>308,939</u>
Cash and Cash Equivalents - End of Year	<u>\$ 427,538</u>	<u>\$ 258,041</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>

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

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 considers all highly liquid investments with a maturity of three months or less when purchased, to be 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, 2017 and 2016, the maximum loss that would have resulted from that risk totaled approximately \$29,708 and \$73,204, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017 and 2016 depreciation expense was \$4,082 and \$4,761, 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.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 asset 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 Expense: Advertising costs are expensed as incurred. For the years ended June 30, 2017 and 2016 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

Major classes of property and equipment and accumulated depreciation are as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Computers and Equipment	\$ 24,835	\$ 24,835
Furniture	4,790	4,790
Leasehold Improvements	46,321	46,321
	<hr/> 75,946	<hr/> 75,946

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 – PROPERTY AND EQUIPMENT (continued)

Less Accumulated Depreciation	<u>62,078</u>	<u>57,996</u>
Net Property and Equipment	\$ <u>13,868</u>	\$ <u>17,950</u>

NOTE 4 – OTHER CURRENT ASSETS

Other current assets consists of amounts due from a former employee who was paid after termination of employment and payroll tax refunds related to wages paid.

Following table summarizes other current assets:

	<u>2017</u>
Due from former employee	\$ 23,976
Payroll tax refund due	<u>8,682</u>
	<u>\$ 32,658</u>

Subsequent to year ended June 30, 2017, the Organization received full amount due from former employee and \$5,441 of payroll tax refund due.

NOTE 5 – OPERATING LEASES

The Organization occupies space under a five year sublease which required base monthly rental payments of \$3,433 per month through August 2017. The lease was further extended for an additional 5 year term ending on August 31, 2022. The new monthly rent payment is \$3,347. The lease contains provisions for additional rent for real estate taxes and operating expenses. Rent expense, including common area maintenance charges, was \$55,793 and \$55,498 for the years ended June 30, 2017 and 2016 respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 40,336
2019	40,164
2020	40,164
2021	40,164
2022	40,164
2023	<u>6,694</u>
Total	\$ <u>207,686</u>

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – 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, 2017 and 2016 pledges of \$0 and \$0 were written off, respectively. At June 30, 2017 and 2016, management believes that a valuation account is unnecessary because the unconditional promises will be collected in full.

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 56,603	\$ 122,234
Receivable in one to five years	<u>0</u>	<u>0</u>
 Total promises to give	 56,603	 122,234
 Less discount to present value at 0.00%	 0	 0
Less allowance for doubtful accounts	<u>0</u>	<u>0</u>
	<u>\$ 56,603</u>	<u>\$ 122,234</u>

NOTE 7 – 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 for the years ended June 30, 2017, 2016, 2015 and 2014 are subject to examination, generally open for examination for three years following the date filed. Interest and penalties, if any were assessed, would be included in expenses in the statement of activities.

826 BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 – SUBSEQUENT EVENTS

The Organization's management has performed subsequent events procedures through October 24, 2017 which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

826 BOSTON, INC.
SUPPLEMENTARY INFORMATION
JUNE 30, 2017 AND 2016

826 BOSTON, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	General & Administrative	Fundraising Activities	Total
Bank and Credit Card Charges	\$ 0	\$ 0	\$ 6,810	\$ 6,810
Community Outreach	0	0	0	0
Contract Labor	36,590	0	4,467	41,057
Consultants	35,225	7,000	30,345	72,570
Depreciation	4,761	0	0	4,761
Equipment and Venue Rental	4,939	237	0	5,176
Event Expenses	0	0	14,134	14,134
Food and Entertainment	16,292	3,216	46,081	65,589
General Expenses	1,105	1,083	0	2,188
Health Insurance	37,121	2,474	9,899	49,494
Insurance	12,600	663	0	13,263
National Chapter Fees	31,784	0	0	31,784
Payroll Service Fees	1,185	80	336	1,601
Payroll Taxes	29,870	1,992	7,965	39,827
Postage and Delivery	914	268	825	2,007
Printing and Copying	12,254	0	14,314	26,568
Professional Development	12,280	0	0	12,280
Professional Fees	0	31,355	0	31,355
Recruiting	7,761	0	0	7,761
Rent	52,723	2,775	0	55,498
Repairs and Maintenance	3,964	168	0	4,132
Salary - Executive Director	70,393	8,282	4,141	82,816
Salary and Wages	297,377	5,804	81,255	384,436
Scholarships and Special Programs	4,600	0	0	4,600
Supplies	21,317	2,419	8,666	32,402
Telephone	1,532	0	170	1,702
Travel	12,208	0	276	12,484
Utilities	8,069	425	0	8,494
Total Expenses	\$ 716,864	\$ 68,241	\$ 229,684	\$ 1,014,789

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

826 BOSTON, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services	General & Administrative	Fundraising Activities	Total
Bank and Credit Card Charges	\$ 0	\$ 0	\$ 11,218	\$ 11,218
Community Outreach	9,402	0	0	9,402
Contract Labor	55,275	8,335	17,810	81,420
Consultants	12,918	0	21,500	34,418
Depreciation	4,082	0	0	4,082
Equipment and Venue Rental	7,990	421	13,509	21,920
Event Expenses	0	0	1,244	1,244
Food and Entertainment	8,907	11,258	51,822	71,987
General Expenses	0	515	679	1,194
Health Insurance	39,568	3,778	9,195	52,541
Insurance	17,155	903	0	18,058
National Chapter Fees	33,645	0	0	33,645
Payroll Service Fees	1,185	1,469	336	2,990
Payroll Taxes	33,387	3,188	7,759	44,334
Postage and Delivery	1,501	0	1,244	2,745
Printing and Copying	23,688	967	9,466	34,121
Professional Development	17,642	0	0	17,642
Professional Fees	0	11,000	0	11,000
Recruiting	17,084	0	0	17,084
Rent	53,003	2,790	0	55,793
Repairs and Maintenance	15,332	1,700	0	17,032
Salary - Executive Director	75,302	8,858	4,429	88,589
Salary and Wages	325,125	29,381	88,626	443,132
Scholarships and Special Programs	0	0	0	0
Supplies	19,538	769	6,114	26,421
Telephone	2,428	0	270	2,698
Travel	17,971	0	1,768	19,739
Utilities	7,219	802	0	8,021
Total Expenses	<u>\$ 799,347</u>	<u>\$ 86,134</u>	<u>\$ 246,989</u>	<u>\$ 1,132,470</u>