



**FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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Independent Auditor's Report

To the Board of Trustees and Management of
BPE:

Report on the Financial Statements

We have audited the accompanying financial statements of BPE (a Massachusetts trust, not for profit) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of unrestricted activities, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 BPE 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.

Alexander, Brown, Penning & Co., P.C.

Boston, Massachusetts
November 4, 2015

BPEStatements of Financial Position
June 30, 2015 and 2014

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 3,481,096	\$ 3,097,525
Grants and contributions receivable	1,584,247	2,305,282
Funds held for others	321,599	552,443
Prepaid expenses	136,574	27,408
Total current assets	5,523,516	5,982,658
Long-Term Grants Receivable, net	2,170,518	2,898,075
Security Deposit	72,450	72,450
Property and Equipment, net	156,732	193,740
Total assets	<u>\$ 7,923,216</u>	<u>\$ 9,146,923</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 759,366	\$ 887,708
Funds held for others	321,599	552,443
Total current liabilities	1,080,965	1,440,151
Deferred Rent	227,976	216,384
Total liabilities	<u>1,308,941</u>	<u>1,656,535</u>
Net Assets:		
Unrestricted:		
Operating	2,639,945	2,570,064
Property and equipment	156,732	193,740
Total unrestricted	2,796,677	2,763,804
Temporarily restricted	3,817,598	4,726,584
Total net assets	<u>6,614,275</u>	<u>7,490,388</u>
Total liabilities and net assets	<u>\$ 7,923,216</u>	<u>\$ 9,146,923</u>

The accompanying notes are an integral part of these statements.

BPEStatements of Unrestricted Activities
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Operating Revenue:		
Federal grants	\$ 5,457,543	\$ 5,954,864
Grants and contributions	1,553,966	1,580,972
State and local grants	922,529	964,600
In-kind services	242,534	143,668
Interest and other	59,732	125,953
Unrestricted operating revenue	<u>8,236,304</u>	<u>8,770,057</u>
Net assets released from restrictions	<u>1,753,509</u>	<u>1,803,823</u>
Total unrestricted operating revenue	<u>9,989,813</u>	<u>10,573,880</u>
Operating Expenses:		
Payroll and related:		
Salaries	3,732,630	3,470,486
Payroll taxes and fringe benefits	<u>727,063</u>	<u>749,661</u>
Total payroll and related	<u>4,459,693</u>	<u>4,220,147</u>
U.S. Department of Education Teacher Quality Partnership grants to subrecipients	<u>2,011,881</u>	<u>1,695,952</u>
Other expenses:		
Consultants and contracted services	1,324,104	1,051,539
Resident stipends and benefits	939,224	1,137,625
Occupancy	404,951	377,007
Program support and supplies	228,439	248,481
Professional fees	155,761	105,925
Training, conferences and events	96,326	84,023
Dues and software subscriptions	89,727	89,188
Minor equipment and maintenance	83,022	56,096
Miscellaneous	49,008	66,590
Depreciation	37,008	37,550
Travel	30,157	16,281
Office supplies	18,265	21,441
Advertising	10,614	14,734
Printing and postage	10,264	7,548
Insurance	8,496	8,242
Total other expenses	<u>3,485,366</u>	<u>3,322,270</u>
Total operating expenses	<u>9,956,940</u>	<u>9,238,369</u>
Changes in unrestricted net assets	<u>\$ 32,873</u>	<u>\$ 1,335,511</u>

The accompanying notes are an integral part of these statements.

BPEStatements of Changes in Net Assets
For the Years Ended June 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, June 30, 2013	\$ 1,428,293	\$ 5,708,036	\$ 7,136,329
Unrestricted operating revenue	8,770,057	-	8,770,057
Temporarily restricted grants and contributions	-	822,371	822,371
Net assets released from restrictions	1,803,823	(1,803,823)	-
Total operating expenses	<u>(9,238,369)</u>	<u>-</u>	<u>(9,238,369)</u>
Changes in net assets	<u>1,335,511</u>	<u>(981,452)</u>	<u>354,059</u>
Net Assets, June 30, 2014	<u>2,763,804</u>	<u>4,726,584</u>	<u>7,490,388</u>
Unrestricted operating revenue	8,236,304	-	8,236,304
Temporarily restricted grants and contributions	-	844,523	844,523
Net assets released from restrictions	1,753,509	(1,753,509)	-
Total operating expenses	<u>(9,956,940)</u>	<u>-</u>	<u>(9,956,940)</u>
Changes in net assets	<u>32,873</u>	<u>(908,986)</u>	<u>(876,113)</u>
Net Assets, June 30, 2015	<u><u>\$ 2,796,677</u></u>	<u><u>\$ 3,817,598</u></u>	<u><u>\$ 6,614,275</u></u>

The accompanying notes are an integral part of these statements.

BPEStatements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (876,113)	\$ 354,059
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	37,008	37,550
Change in discount on grants receivable	(52,443)	(68,904)
Changes in operating assets and liabilities:		
Grants and contributions receivable	721,035	783,339
Prepaid expenses	(109,166)	(789)
Long-term grants receivable	780,000	970,000
Accounts payable and accrued expenses	(128,342)	(322,500)
Deferred rent	11,592	103,362
	<u>383,571</u>	<u>1,856,117</u>
Net cash provided by operating activities	383,571	1,856,117
Cash flows from Investing Activities:		
Purchase of property and equipment	-	(20,862)
	<u>-</u>	<u>(20,862)</u>
Net Change in Cash and Cash Equivalents	383,571	1,835,255
Cash and Cash Equivalents:		
Beginning of year	<u>3,097,525</u>	<u>1,262,270</u>
End of year	<u>\$ 3,481,096</u>	<u>\$ 3,097,525</u>

The accompanying notes are an integral part of these statements.

BPE

Notes to Financial Statements
June 30, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

BPE is a nonprofit trust formed in Massachusetts on September 7, 1984. BPE’s purpose is to drive exceptional outcomes for all students in public schools located in Boston, Massachusetts by developing great teachers and great schools. BPE prepares and supports diverse groups of talented teachers for Boston’s schools and partners to create strong schools where teachers can do their best work and for students to learn at their highest potential.

BPE is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). BPE is also exempt from state income taxes. Donors may deduct contributions made to BPE within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

BPE prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts. For the purposes of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

As of June 30, 2015 and 2014, cash balances of \$862,080 and \$489,509, respectively, were restricted by grantors for a specific use.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Property and equipment having a value of \$5,000 or more and a useful life of at least one year are capitalized. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Computer equipment	3 - 5 years
Leasehold improvements	Term of lease

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of receipt by BPE.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fair Value Measurements**

BPE follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that BPE would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

BPE uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of BPE. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices 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 and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Revenue Recognition

Grants and contributions pledged or received with donor stipulations that limit the use of the donated assets are recorded as temporarily restricted support. When a donor-stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of unrestricted activities and statements of changes in net assets as net assets released from restrictions. Temporarily restricted net assets received and released from restrictions in the same year are recorded as unrestricted revenue.

Federal grant revenue is recorded as services are provided and costs are incurred. All other revenue is recorded when earned.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Assets*****Unrestricted:***

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by BPE. BPE has grouped its unrestricted net assets into the following categories:

Operating net assets represent net assets that are available for operations.

Property and equipment net assets represent amounts expended for property and equipment.

Temporarily Restricted:

Temporarily restricted net assets are those amounts received with outside restrictions that have not yet been expended for their designated purpose or the time has not yet elapsed. As of June 30, 2015 and 2014, temporarily restricted net assets are restricted as follows:

	<u>2015</u>	<u>2014</u>
Time	\$ 3,309,518	\$ 4,257,316
Purpose	<u>508,080</u>	<u>469,268</u>
	<u>\$ 3,817,598</u>	<u>\$ 4,726,584</u>

Net assets released from restrictions consist of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Time	\$ 1,389,000	\$ 1,419,000
Purpose	<u>364,509</u>	<u>384,823</u>
	<u>\$ 1,753,509</u>	<u>\$ 1,803,823</u>

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program. Expense allocations for the years ended June 30, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Program	\$ 7,967,314	\$ 7,438,897
General and administrative	1,683,307	1,426,111
Fundraising	<u>306,319</u>	<u>373,361</u>
	<u>\$ 9,956,940</u>	<u>\$ 9,238,369</u>

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred by BPE.

Allowance for Doubtful Accounts

An allowance for potentially uncollectible grants and contributions receivable is provided based upon management's assessment of potential defaults. This assessment includes such factors as collection history and type of receivable. No allowance was deemed necessary as of June 30, 2015 and 2014.

In-Kind Services

BPE received donated legal and consulting services in fiscal years 2015 and 2014. The value of these services, as assigned by the donors, totaled \$242,534 and \$143,668, respectively, and are included in consultants and contracted services and professional fees in the accompanying statements of unrestricted activities.

Funds Held for Others

BPE acts as a fiscal agent for Boston Public Schools (BPS) under certain projects. As of June 30, 2015 and 2014, funds held for others consist of amounts from two foundations for the benefit of BPS, which have not yet been spent for the intended projects.

Accounting for Uncertainty in Income Tax Positions

BPE accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. BPE has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2015 and 2014. BPE's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Partnership Grants to Subrecipients

Amounts are awarded and paid to subrecipients upon BPE's approval, review of project related expenditures by the subrecipients, and upon meeting terms and conditions outlined in the subrecipient award document.

Subsequent Events

Subsequent events have been evaluated through November 4, 2015, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

BPE

Notes to Financial Statements
June 30, 2015 and 2014

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 149,916	\$ 149,916
Computer equipment	21,285	26,424
Leasehold improvements	<u>96,856</u>	<u>96,856</u>
	268,057	273,196
Less - accumulated depreciation	<u>111,325</u>	<u>79,456</u>
	<u>\$ 156,732</u>	<u>\$ 193,740</u>

3. FUNDING

BPE receives a significant portion of its funding from government agencies under cost reimbursable grants. These reimbursements are subject to audit by those government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of BPE as of June 30, 2015 and 2014, and on the changes in its net assets for the years then ended. As part of the U.S. Department of Education Teacher Quality Partnership Grant Program, BPE granted funds to subrecipients as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
University of Massachusetts, Boston	\$ 831,451	\$ 673,862
BPS	792,386	617,484
Wheelock College	<u>388,044</u>	<u>404,606</u>
	<u>\$ 2,011,881</u>	<u>\$ 1,695,952</u>

4. LEASES

BPE leases office space under a lease agreement which expires in November 2022, with an option to extend the lease for an additional five year period. As of June 30, 2015 and 2014, the monthly base rent under the lease agreement was \$26,082. BPE is also responsible for its proportionate share of property taxes and certain operating expenses.

In accordance with ASC Topic, *Accounting for Leases*, BPE records rent expense for the operating lease agreement on a straight-line basis over the term of the lease regardless of actual cash payments. BPE has accrued \$227,976 and \$216,384 as of June 30, 2015 and 2014, respectively, of rent expense under this agreement.

Rent expense under this agreement for the years ended June 30, 2015 and 2014, was \$321,968 and \$324,576, respectively, which is included in occupancy in the accompanying statements of unrestricted activities.

BPE leases equipment under operating lease agreements with monthly payments aggregating \$2,878. These leases expire at various dates through August 2019.

BPE

Notes to Financial Statements
June 30, 2015 and 2014

4. LEASES (Continued)

Future minimum cash payments for the next five years under the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Equipment</u>
2016	\$ 316,848	\$ 34,538
2017	\$ 336,168	\$ 34,538
2018	\$ 340,032	\$ 34,538
2019	\$ 359,352	\$ 17,908
2020	\$ 363,216	\$ 2,985

5. EMPLOYEE BENEFIT PLANS

BPE has a salary reduction plan under IRC Section 403(b), whereby eligible employees may make elective tax deferred contributions. Employee contributions vest immediately. Employees are immediately vested in BPE's contributions which are made to a separate 403(b) plan.

Effective July 1, 2014, BPE's retirement plans (formerly, one for employee contributions and one for employer contributions and both formed in 1989) were merged into a single plan. In accordance with the plan document, BPE may make a discretionary matching contribution to the plan. The match is 100% or 200% (depending on date of hire) of the employee's contribution up to 5% of their salary.

BPE made total contributions of \$145,335 and \$179,351 for the years ended June 30, 2015 and 2014, respectively, which are included in payroll taxes and fringe benefits in the accompanying statements of unrestricted activities.

6. CONCENTRATIONS

BPE maintains its cash and cash equivalent balances in a bank, which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balance exceeded the insured amount. BPE has not experienced any losses in those accounts. Management believes BPE is not exposed to any significant credit risk on its operating cash and cash equivalents.

Concentrations of unrestricted operating revenue and grants and contributions receivable are as follows for the years ended June 30:

<u>Funder</u>	<u>2015</u>		<u>2014</u>	
	<u>Percentage of Unrestricted Operating Revenue</u>	<u>Percentage of Grants and Contributions Receivable</u>	<u>Percentage of Unrestricted Operating Revenue</u>	<u>Percentage of Grants and Contributions Receivable</u>
U.S. Department of Education	25%	13%	30%	17%
The Barr Foundation	9%	80%	9%	74%
The Boston Foundation	9%	-	10%	-

BPE

Notes to Financial Statements
June 30, 2015 and 2014

7. FUNDS HELD BY OTHERS

BPE is the beneficiary of certain funds held by The Boston Foundation (the Foundation). The Foundation has variance power over these funds, which enables the Foundation to withhold or modify the distributions to BPE. Since there is no unconditional promise for the Foundation to grant future income or contributions from these funds, BPE recognizes contribution revenue when funds are received. Contributions from these endowments were as follows for the years ended June 30, 2015 and 2014, and are included grants and contributions in the accompanying statements of unrestricted activities:

	<u>2015</u>	<u>2014</u>
BankBoston 200 th Anniversary Fund	\$ 750,000	\$ 750,000
General Support Fund for Education	184,000	184,000
Support for Early Educational Development Fund	80,983	81,814
Hancock Endowment for Academics Recreation and Teaching Fund	<u>78,069</u>	<u>78,922</u>
	<u>\$ 1,093,052</u>	<u>\$ 1,094,736</u>

The donors of the Support for Early Educational Development Fund and the Hancock Endowment for Academics Recreation and Teaching fund have specifically named BPE as the income beneficiary. The donors of the BankBoston 200th Anniversary Fund and the General Support Fund for Education have not specifically named BPE as the income beneficiary.

8. RELATED PARTY TRANSACTIONS

One member of BPE's Board of Trustees is an employee of the bank where BPE maintains its cash accounts.

One member of BPE's Board of Trustees is also a Board member of the Foundation, which holds certain endowment funds for BPE (see Note 7).

An ex officio member of BPE's Board of Trustees is the superintendent of BPS. During fiscal years 2015 and 2014, BPE recognized revenue from BPS totaling approximately \$688,000 and \$600,000, respectively. As of June 30, 2015 and 2014, BPE had amounts due from BPS totaling approximately \$88,000 and \$40,000, respectively.

The Executive Director is a voting member of the Board of Trustees.

9. LONG-TERM GRANTS RECEIVABLE

During fiscal year 2013, BPE received a \$5,000,000 multi-year grant from a private foundation. BPE received \$1,000,000 installments in each of the fiscal years 2015 and 2014. The remaining grant is due in annual installments of \$750,000, through fiscal year 2019. The current portion of \$750,000 is included in grants and contributions receivable in the accompanying statements of financial position. In addition, during fiscal year 2014, BPE received a \$60,000 two-year grant from a private foundation due in two \$30,000 installments beginning in fiscal year 2015.

BPE

Notes to Financial Statements
June 30, 2015 and 2014

9. LONG-TERM GRANTS RECEIVABLE (Continued)

Long-term grants receivable are due as follows at June 30:

<u>Amounts due in:</u>	<u>2015</u>	<u>2014</u>
Less than one year	\$ 785,000	\$ 1,030,000
One to five years	<u>2,250,000</u>	<u>3,030,000</u>
	3,035,000	4,060,000
Less - present value discount	79,482	131,925
Less - current portion	<u>785,000</u>	<u>1,030,000</u>
Long-term grants receivable, net	<u>\$ 2,170,518</u>	<u>\$ 2,898,075</u>

The aggregate current portion of these grants, \$785,000 and \$1,030,000, at June 30, 2015 and 2014, respectively, are included in grants and contributions receivable in the accompanying statements of financial position.

These grants have been discounted to their net present value using a discount rate ranging from .81% to 1.8%.

10. LINE OF CREDIT

BPE has available a \$250,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate (3.25% at June 30, 2015) plus 2%. There was no outstanding balance on the line of credit as of June 30, 2015 and 2014. This line of credit renews on an annual basis by written notification from the bank. BPE must meet certain covenants before any advances may be drawn. BPE was in compliance with these covenants at June 30, 2015 and 2014. The line of credit is secured by substantially all assets of BPE.

11. RECLASSIFICATION

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.