

THE EAST BOSTON FOUNDATION
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULE
YEARS ENDED DECEMBER 31, 2012 AND 2011
AND
INDEPENDENT AUDITOR'S REPORT

THE EAST BOSTON FOUNDATION

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULE

YEARS ENDED DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
The East Boston Foundation
East Boston, MA 02128**

Report on the Financial Statements

We have audited the accompanying financial statements of The East Boston Foundation which comprise the statements of financial position as of December 31, 2012 and 2011, 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 The East Boston Foundation as of December 31, 2012 and 2011, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 audits 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.

Ballus Lynch, LLP

Worcester, Massachusetts
October 15, 2013

THE EAST BOSTON FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 558,420	\$ 177,865
Property and equipment, net	<u>1,138</u>	<u>1,752</u>
	<u>\$ 559,558</u>	<u>\$ 179,617</u>
Liabilities and Net Assets		
Grants payable	\$ 17,755	\$ 42,700
Accounts payable and accrued liabilities	<u>21,900</u>	<u>8,375</u>
	<u>39,655</u>	<u>51,075</u>
Net assets		
Unrestricted	128,542	128,542
Temporarily restricted	<u>391,361</u>	<u>-</u>
	<u>519,903</u>	<u>128,542</u>
	<u>\$ 559,558</u>	<u>\$ 179,617</u>

See accompanying notes to financial statements.

THE EAST BOSTON FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Change in unrestricted net asset		
Revenue, gains, and other support		
Interest income	\$ 2,133	\$ 1,144
Net assets released from restrictions:		
Satisfaction of purpose restrictions	<u>408,639</u>	<u>413,642</u>
	<u>410,772</u>	<u>414,786</u>
Expenses		
Grants awarded	310,980	313,327
Supporting services		
General and administrative expenses	<u>99,792</u>	<u>101,060</u>
	<u>410,772</u>	<u>414,387</u>
Change in unrestricted net assets	<u>-</u>	<u>399</u>
Change in temporarily restricted net assets		
Grant revenue	800,000	-
Net assets released from restrictions:		
Satisfaction of purpose restrictions	<u>(408,639)</u>	<u>(413,642)</u>
Change in temporarily restricted net assets	<u>391,361</u>	<u>(413,642)</u>
Change in net assets	391,361	(413,243)
Net assets, beginning of year	<u>128,542</u>	<u>541,785</u>
Net assets, end of year	<u>\$ 519,903</u>	<u>\$ 128,542</u>

See accompanying notes to financial statements.

THE EAST BOSTON FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 391,361	\$ (413,243)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	614	524
Change in operating assets and liabilities:		
Grants payable	(24,945)	(202,798)
Accounts payable and accrued liabilities	<u>13,525</u>	<u>(10,825)</u>
Net cash provided by (used in) operating activities	<u>380,555</u>	<u>(626,342)</u>
Cash flows from investing activities:		
Expenditures for furniture and equipment	<u>-</u>	<u>(1,473)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,473)</u>
Net increase (decrease) in cash	380,555	(627,815)
Cash, beginning of year	<u>177,865</u>	<u>805,680</u>
Cash, end of year	<u>\$ 558,420</u>	<u>\$ 177,865</u>

See accompanying notes to financial statements.

THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation

The East Boston Foundation (the "Foundation") is a not-for-profit Massachusetts Trust founded in 1998. The Foundation's mission is to address the impact in the East Boston community arising as a result of projects, facilities, and activities carried out at Boston-Logan International Airport by the Massachusetts Port Authority ("Massport"). Based on payments contributed to the Foundation by Massport and other organizations, the Foundation offers grants to organizations who maintain a continuing mission to benefit and improve the quality of life for East Boston and its residents. The Board of Trustees accepts applications and awards grants on a quarterly basis.

Method of accounting

The financial statements of the Foundation have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Financial statement presentation

The Foundation presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted - All resources over which the governing board has discretionary control. The governing board of the Foundation may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time. Restrictions that are met in the same year in which the contributions are made are recorded as unrestricted support in that year.

Permanently Restricted - Endowment or other resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. There are no permanently restricted net assets at December 31, 2012 and 2011.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated the financial statement impact of subsequent events occurring through October 15, 2013, the date that the financial statements were available to be issued.

THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Foundation maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Furniture and equipment

Furniture and equipment are carried at cost if purchased or at fair value at date of gift if acquired by contribution. All acquisitions of furniture and equipment in excess of \$500 and all expenditures that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method.

Contributions, gifts, grants

Contributions, gifts and grants are recorded in the period received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions may include unconditional promises to give, which are included as support in the year the promise is made rather than when the gift is received. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

Functional allocation of expenses

The costs of providing Foundation programs and the administration of the Foundation 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.

Advertising and promotion

All costs associated with advertising and promoting the Foundation and its programs are expensed in the year incurred. The Foundation did not have any advertising expense in 2012 and 2011.

Tax-exempt status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Foundation is also exempt from state income taxes under Massachusetts General Law 180. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation files income tax returns in the U.S. federal jurisdiction. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Foundation has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Foundation's statements of financial position, or the related statements of activities, or cash flows. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2009.

THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - FURNITURE AND EQUIPMENT

Furniture and equipment, together with estimated useful lives, consists of the following:

	<u>Estimated Useful Lives</u>	<u>2012</u>	<u>2011</u>
Furniture	5 years	\$ 6,020	\$ 6,020
Equipment	5 years	<u>12,976</u>	<u>12,976</u>
		18,996	18,996
Less: Accumulated depreciation		<u>17,858</u>	<u>17,244</u>
		<u>\$ 1,138</u>	<u>\$ 1,752</u>

Depreciation expense was \$614 and \$524 in 2012 and 2011, respectively.

3 - GRANTS PAYABLE

Grants payable (amounts approved and awarded but not yet paid) to local not-for-profit groups consist of \$17,755 and \$42,700 as of December 31, 2012 and 2011, respectively.

4 - RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
East Boston community grants and administrative costs	<u>\$ 391,361</u>	<u>\$ -</u>

During 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2012</u>	<u>2011</u>
Purpose restrictions accomplished:		
East Boston community grants and administrative costs	<u>\$ 408,639</u>	<u>\$ 413,642</u>

5 - LEASE

The Foundation leases its office space on a tenant at will basis, rent expenses was \$4,500 in 2012 and 2011.

6 - RISKS AND UNCERTAINTIES

In accordance with a community agreement between the Foundation and Massport, the Foundation has \$800,000 of conditional promises to give from Massport. The grants are contingent upon the completion of certain defined projects at Boston-Logan Airport by Massport. Should any of these projects not occur during the term of the community agreement for any reason, including Massport's decision not to commence or continue a project, Massport shall have no obligation to make the payments. The community agreement originally expired on June 30, 2005, however it was extended through June 30, 2015. If the Foundation does not receive these contingent contributions, it would have a material effect on the Foundation's ability to continue in operation.

SUPPLEMENTAL SCHEDULE

THE EAST BOSTON FOUNDATION
GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Payroll	\$ 69,986	\$ 73,605
Payroll taxes	6,384	6,924
Employee benefits	-	-
Professional fees	13,825	8,400
Rent	4,500	4,500
Utilities	2,100	2,100
Office expenses	1,369	4,053
Depreciation	614	524
Payroll processing	<u>1,014</u>	<u>954</u>
Total general and administrative expenses	<u>\$ 99,792</u>	<u>\$ 101,060</u>

See accompanying independent auditor's report.