

GLOUCESTER EDUCATION FOUNDATION, INC.

Financial Statements

March 31, 2014 and 2013

(With Independent Accountant's Review Report Thereon)

GLOUCESTER EDUCATION FOUNDATION, INC.

Financial Statements

March 31, 2014 and 2013

Table of Contents

	Page
Independent Accountant's Review Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14

Provanzano & Marchesiani P.C.

CERTIFIED PUBLIC ACCOUNTANTS

LAKESIDE OFFICE PARK
607 NORTH AVENUE, SUITE F
WAKEFIELD, MA 01880-1635
FAX 781-245-1193

781	245	1100
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Independent Accountant's Review Report

The Board of Directors
Gloucester Education Foundation, Inc.:

We have reviewed the accompanying statements of financial position of Gloucester Education Foundation, Inc. (a nonprofit organization) as of March 31, 2014 and 2013 and the related statements of activities, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



May 30, 2014

GLOUCESTER EDUCATION FOUNDATION, INC.

Statements of Financial Position

March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 261,659	\$ 229,453
Marketable securities	98,843	90,697
Unconditional promises to give	<u>30,000</u>	<u>55,000</u>
Total current assets	390,502	375,150
Other assets	600	600
Unconditional promises to give	<u>30,000</u>	<u>85,000</u>
Total assets	<u>\$ 421,102</u>	<u>\$ 460,750</u>
Net Assets		
Net assets:		
Unrestricted	\$ 294,678	\$ 265,572
Temporarily restricted	<u>126,424</u>	<u>195,178</u>
Total net assets	<u>\$ 421,102</u>	<u>\$ 460,750</u>

See independent accountant's review report and
accompanying notes to financial statements.

GLOUCESTER EDUCATION FOUNDATION, INC.

Statements of Activities

Years ended March 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support:						
Contributions and grants	\$ 158,802	\$ 122,250	\$ 281,052	\$ 186,720	\$ 201,798	\$ 388,518
Interest and dividends	5,248	-	5,248	2,241	-	2,241
Realized gain from sale of marketable securities	-	-	-	2,175	-	2,175
Unrealized gain on marketable securities	5,472	-	5,472	(608)	-	(608)
Net assets released from restrictions	191,004	(191,004)	-	172,016	(172,016)	-
Total revenue and support	360,526	(68,754)	291,772	362,544	29,782	392,326
Expenses:						
Program expenses	271,741	-	271,741	290,409	-	290,409
Management and general expenses	30,657	-	30,657	22,153	-	22,153
Fundraising expenses	29,022	-	29,022	23,035	-	23,035
Total expenses	331,420	-	331,420	335,597	-	335,597
Change in net assets	29,106	(68,754)	(39,648)	26,947	29,782	56,729
Net assets, beginning of year	265,572	195,178	460,750	238,625	165,396	404,021
Net assets, end of year	\$ 294,678	\$ 126,424	\$ 421,102	\$ 265,572	\$ 195,178	\$ 460,750

See independent accountant's review report and
accompanying notes to financial statements.

GLOUCESTER EDUCATION FOUNDATION, INC.

Statement of Functional Expenses
Year ended March 31, 2014

	Program expenses	Management and general expenses	Fundraising expenses	Total
Program support	\$ 237,010	\$ -	\$ -	\$ 237,010
Payroll	30,033	10,011	10,011	50,055
Payroll taxes	2,538	846	846	4,230
Payroll processing	-	631	-	631
Professional fees	-	11,429	927	12,356
Filing fees	-	195	-	195
Bank charges	-	488	-	488
Insurance	-	1,446	-	1,446
Membership dues	-	494	494	988
Advertising	-	179	-	179
Hospitality and catering	-	-	686	686
Office expenses	-	473	-	473
Computer expense	-	350	350	700
Supplies	-	1,687	1,688	3,375
Conferences, conventions and meetings	-	86	129	215
Rent	2,160	720	720	3,600
Telephone	-	605	604	1,209
Printing and postage	-	1,017	9,151	10,168
Other special event costs	-	-	3,416	3,416
	\$ 271,741	\$ 30,657	\$ 29,022	\$ 331,420

See independent accountant's review report and
accompanying notes to financial statements.

GLOUCESTER EDUCATION FOUNDATION, INC.

Statement of Functional Expenses
Year ended March 31, 2013

	Program expenses	Management and general expenses	Fundraising expenses	Total
Program support	\$ 262,229	\$ -	\$ -	\$ 262,229
Payroll	24,231	8,077	8,077	40,385
Payroll taxes	2,329	777	777	3,883
Payroll processing	-	554	-	554
Professional fees	-	7,064	268	7,332
Filing fees	-	125	-	125
Bank charges	-	280	-	280
Insurance	-	1,601	-	1,601
Hospitality and catering	-	-	597	597
Office expenses	-	129	-	129
Computer expense	-	1,044	1,045	2,089
Supplies	-	398	398	796
Conferences, conventions and meetings	-	202	303	505
Rent	1,620	540	540	2,700
Telephone	-	520	520	1,040
Printing and postage	-	842	7,576	8,418
Other special event costs	-	-	2,934	2,934
	\$ 290,409	\$ 22,153	\$ 23,035	\$ 335,597

See independent accountant's review report and
accompanying notes to financial statements.

GLOUCESTER EDUCATION FOUNDATION, INC.

Statements of Cash Flows

Years ended March 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ (39,648)	\$ 56,729
Adjustments to reconcile net assets to net cash used in operating activities:		
Unrealized (gain) loss on marketable securities	(5,472)	608
Realized gain from sale of marketable securities	-	(2,175)
Changes in operating assets:		
Unconditional promises to give	80,000	(65,000)
Other receivables	-	2,737
Other assets	-	(600)
Net cash provided by (used in) operating activities	34,880	(7,701)
 Cash flows from investing activities:		
Acquisition of marketable securities	(9,620)	(38,362)
Proceeds from sale of marketable securities	6,946	36,118
Net cash used in investing activities	(2,674)	(2,244)
 Net change in cash and cash equivalents	32,206	(9,945)
 Cash and cash equivalents, beginning of year	229,453	239,398
 Cash and cash equivalents, end of year	\$ 261,659	\$ 229,453

See independent accountant's review report and
accompanying notes to financial statements.

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

(1) Summary of Significant Accounting Policies

(a) *Nature of Business*

The Gloucester Education Foundation, Inc. (the "Foundation") was established in 2005 to provide financial support for the public schools of Gloucester, Massachusetts.

The Foundation is classified as a tax-exempt, not-for-profit organization under Internal Revenue Code Section 501(c)(3). In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

(b) *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) *Financial Statement Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted assets.

(d) *Revenue Recognition/Contributions*

Contributions and grants (hereinafter "contributions") are recorded at fair value as revenue when received or pledged unconditionally.

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor or by law. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

Contributions of noncash assets are recorded at their fair value in the period received. During the year ended March 31, 2014, the Foundation received no contributions of noncash assets.

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

(e) *Marketable Securities*

Investments in marketable securities with readily determinable fair values are valued at their fair market values in the statements of financial position. Fair values are based on quoted market prices. Interest and dividends are recorded when received. Gains or losses are recognized as incurred or based on market value changes during the year.

Investments in marketable securities consist of mutual funds, common stock and a bond.

(f) *Fair Value Measurements*

Investments in marketable securities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. See note 3 for the discussion of fair value measurement.

(g) *Income Taxes*

Income related to the Foundation's charitable purpose is tax-exempt. However, should the Foundation have unrelated business income (UBIT) it would be taxable. For the years ended March 31, 2014 and 2013, there was no unrelated business income tax payable.

The Income Taxes topic of the Financial Accounting Standards Board Accounting Standards Codification (hereinafter "FASB ASC") prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that the Foundation has taken or expects to take on a tax return.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within the next twelve months. Any changes in tax positions will be recorded when the ultimate outcome becomes known. Management believes their estimates are appropriate based on current facts and circumstances.

The Foundation recognizes income tax benefits only in the event that a position is more likely than not to be sustained upon examination by the applicable taxing authority. Tax years from 2011 through the current year remain open for examination by Federal and state tax authorities, except for tax returns for UBIT, for which it has never filed a tax return.

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

(h) Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents unless restricted by a donor or Board of Directors for a long-term purpose. The carrying value of cash and cash equivalents approximates fair value.

The Foundation maintains cash balances at federally insured banks. Accounts at the banks are fully insured by the Federal Deposit Insurance Corporation and the Deposit Insurance Fund. The Foundation has not experienced any losses in such accounts. Management of the Foundation believes that they are not exposed to any significant credit risk on cash and cash equivalents.

(i) Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The present value of long-term promises to give were not computed as the amount was immaterial.

(j) Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited based on allocation factors determined by management. Fundraising expenses include costs associated with the identification, cultivation and development of contributors. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide overall support and direction of the Foundation.

(k) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include fair market value of marketable securities. Actual results could differ from those estimates.

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

(1) Subsequent Events

The Foundation's management evaluated events or transactions subsequent to the statement of financial position date for potential recognition or disclosure in the financial statements through May 30, 2014, which is the date the financial statements were available for issuance.

(2) Marketable Securities

The Foundation's marketable securities as of March 31, 2014 are summarized as follows:

	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>
Available-For-Sale Securities:			
Mutual Funds	\$ 8,345	\$ 1,331	\$ 69,429
Common Stock	2,773	-	23,355
Bond	<u>463</u>	<u>-</u>	<u>6,059</u>
	<u>\$ 11,581</u>	<u>\$ 1,331</u>	<u>\$ 98,843</u>

The Foundation's marketable securities as of March 31, 2013 are summarized as follows:

	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>
Available-For-Sale Securities:			
Mutual Funds	\$ 4,724	\$ 706	\$ 70,530
Common Stock	532	608	13,762
Bond	<u>836</u>	<u>-</u>	<u>6,405</u>
	<u>\$ 6,092</u>	<u>\$ 1,314</u>	<u>\$ 90,697</u>

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

Realized gains and losses are determined on a specific identification method. During the years ended March 31, 2014 and 2013 sale proceeds and gross realized gains and losses on marketable securities classified as available-for-sale were:

	<u>2014</u>	<u>2013</u>
Sale proceeds	\$ <u> -</u>	\$ <u> 36,118</u>
Gross realized gains	\$ <u> -</u>	\$ <u> 2,438</u>
Gross realized losses	\$ <u> -</u>	\$ <u> 263</u>

(3) Fair Value Measurement

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology are prices determined using other significant observable inputs, including quoted prices for similar assets or liabilities; or,
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of March 31, 2014 and 2013:

	<u>Assets at Fair Value as of March 31, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 69,429	\$ -	\$ -	\$ 69,429
Common stock	23,355	-	-	23,355
Bond	<u>6,059</u>	<u>-</u>	<u>-</u>	<u>6,059</u>
Total assets at fair value	\$ <u>98,843</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>98,843</u>

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

	<u>Assets at Fair Value as of March 31, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 70,530	\$ -	\$ -	\$ 70,530
Common stock	13,762	-	-	13,762
Bond	6,405	-	-	6,405
Total assets at fair value	\$ 90,697	\$ -	\$ -	\$ 90,697

(4) Unconditional Promises to Give

At March 31, 2014 and 2013, unconditional promises to give were receivables to be received in the future. Amounts are presented at fair value on the statement of financial position and are deemed fully collectible by management; therefore, a reserve for uncollectible promises to give has not been recorded.

(5) Donated Goods and Services

Donated goods and services that create or enhance nonfinancial assets or that require specialized skills are to be recorded at their fair value in the period received as contributions in the statement of activities. Donated services such as fundraising, clerical assistance and other volunteer efforts not requiring specialized skills are not recorded in the financial statements. During the year ended March 31, 2014 and 2013, there were no donated goods or services recorded in the financial statements.

(6) Net Assets

Unrestricted Net Assets

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

- Operating – Amounts which bear no external restrictions and are currently available for operations.
- Board designated – Funds set aside by the Board of Directors to be used for purposes approved by the Board.

On an annual basis, the Board of Directors is allowed to transfer up to 5% of the thirteen month average balance of the board designated unrestricted net assets to the operating account. For the years

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

ended March 31, 2014 and 2013, this amount totaled \$6,946 and \$6,118, respectively. At March 31, 2014 and 2013, board designated unrestricted net assets totaled \$166,870 and \$141,161, respectively.

Temporarily Restricted Net Assets

The Foundation receives contributions which are restricted by donors for specific purposes. These contributions, including future promises to give, are recorded as temporarily restricted net assets until they are expended for their restricted purposes or as time restrictions expire.

Temporarily restricted net assets consist of the following:

	2014	2013
Cash and cash equivalents	\$ 66,424	\$ 55,178
Unconditional promises to give	60,000	140,000
	\$ 126,424	\$ 195,178

Temporarily restricted net assets have been restricted to support the following programs:

	2014	2013
Executive Director salary	\$ 49,924	\$ 105,178
Bay State Reading Institute	60,000	90,000
Other	16,500	-
	\$ 126,424	\$ 195,178

Temporarily restricted net assets released from restrictions during fiscal year 2014 were based on the satisfaction of time and purpose restrictions for various programs including the Executive Director salary and STEM program.

Temporarily restricted net assets released from restrictions during fiscal year 2013 were based on the satisfaction of time and purpose restrictions for various programs including the iPad Program and STEM program.

Permanently Restricted Net Assets

Permanently restricted net assets represent contributions and other inflows of net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. At March 31, 2014 and 2013, the Foundation had no permanently restricted net assets.

GLOUCESTER EDUCATION FOUNDATION, INC.

Notes to Financial Statements

March 31, 2014 and 2013

(7) **Funding Concentrations**

During fiscal year 2014 and 2013, the Foundation received contributions from one source totaling approximately \$77,000 and \$132,000, respectively. During fiscal year 2014 and 2013, these contributions comprise approximately 27% and 34% of total revenue and support, respectively.

(8) **Related Party Transactions**

Beginning in October 2012, the Foundation leases its office space from a related entity owned by the President and a board member. The lease is classified as an operating lease and provides for minimum annual rentals, including electricity, heat, water and sewer, of \$3,600 through June 2014. Rent expense for the year ended March 31, 2014 totaled \$3,600, of which 100% was paid to the related party. Rent expense for the year ended March 31, 2013 totaled \$2,700, of which \$1,500 was paid to the related party. Future minimum lease payments are as follows:

<u>Year ending March 31:</u>	<u>Amount</u>
2015	\$ <u>900</u>