THE POSSIBLE PROJECT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2015

(With Summarized Comparative Information for 2014)

Smith Sullivan & Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200 Westborough, Massachusetts 01581
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THE POSSIBLE PROJECT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(With Summarized Comparative Information for 2014)

Mission Statement

The Possible Project utilizes entrepreneurship to inspire young people who have untapped potential, empowering them with the skills required to achieve enduring personal and professional success. We guide our students through a novel dynamic curriculum, hands-on work experience, and assistance with entrepreneurial endeavors and career goals. We strive to have all our students use their skills to move through a high-level career path and improve their communities while remaining committed to the principle that ANYTHING IS POSSIBLE!

THE POSSIBLE PROJECT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Information for 2014)

C O N T E N T S

Smith Sullivan & Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Possible Project, Inc.
Cambridge, Massachusetts

We have audited the accompanying financial statements of The Possible Project, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 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 Organization'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 Organization'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 Possible Project, Inc. as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
The Possible Project, Inc.

Report on Summarized Comparative Information

We have previously audited The Possible Project, Inc.'s 2014 financial statements, and our report dated May 16, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, P.C.

Westborough, Massachusetts
April 13, 2016

THE POSSIBLE PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 590,223	$ 334,627
Grants Receivable	240,858	147,556
Accounts and Other Receivables	17,810	5,715
Prepaid Expenses and Other Assets	13,032	28,757
Total Current Assets	861,923	516,655
NET PROPERTY AND EQUIPMENT	1,035,240	147,408
OTHER ASSETS:		
Construction-in-Progress - Makerspace Build-Out	-	134,183
Grants Receivable, Net of Discount	194,156	288,388
Security Deposit	19,125	33,750
Total Other Assets	213,281	456,321
TOTAL ASSETS	$ 2,110,444	$ 1,120,384
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 12,150	$ -
Line-of-Credit	-	43,314
Accounts Payable and Accrued Expenses	55,460	54,816
Accounts Payable, Construction	73,560	-
Accrued Salaries, Vacation and Related Costs	63,246	88,884
Deferred Rent	39,367	16,252
Total Current Liabilities	243,783	203,266
NON-CURRENT LIABILITIES:		
Long-Term Debt, Net of Current Portion	612,850	-
TOTAL LIABILITIES	856,633	203,266
NET ASSETS:		
Unrestricted Net Assets	865,959	152,684
Temporarily Restricted Net Assets	387,852	764,434
Total Net Assets	1,253,811	917,118
TOTAL LIABILITIES AND NET ASSETS	$ 2,110,444	$ 1,120,384

THE POSSIBLE PROJECT, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT, REVENUES AND RECLASSIFICATIONS:						
Gifts, Grants and Contributions	$ 1,978,695	$ 103,464	$ 2,082,159	$ 1,428,778	$ 786,434	$ 2,215,212
In-Kind Goods and Services	247,872	-	247,872	198,957	-	198,957
Special Fundraising Event, Net of Direct Costs	440,735	-	440,735	347,520	-	347,520
Entrepreneurial Program Revenue, Net	108,697	-	108,697	82,124	-	82,124
Interest Income	37	-	37	51	-	51
Total Support and Revenues	2,776,036	103,464	2,879,500	2,057,430	786,434	2,843,864
Reclassification of Net Assets:						
Net Assets Released from Restriction	480,046	(480,046)	-	70,391	(70,391)	-
TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	**3,256,082**	**(376,582)**	**2,879,500**	**2,127,821**	**716,043**	**2,843,864**
FUNCTIONAL EXPENSES AND LOSSES:						
Program Services	1,564,151	-	1,564,151	1,351,736	-	1,351,736
Administrative	458,510	-	458,510	513,696	-	513,696
Fund Raising	460,273	-	460,273	309,603	-	309,603
Total Functional Expenses	2,482,934	-	2,482,934	2,175,035	-	2,175,035
Loss on Abandonment of Leasehold Improvements	59,873	-	59,873	-	-	-
TOTAL FUNCTIONAL EXPENSES AND LOSSES	**2,542,807**	**-**	**2,542,807**	**2,175,035**	**-**	**2,175,035**
CHANGE IN NET ASSETS	**713,275**	**(376,582)**	**336,693**	**(47,214)**	**716,043**	**668,829**
NET ASSETS - BEGINNING OF YEAR	**152,684**	**764,434**	**917,118**	**199,898**	**48,391**	**248,289**
NET ASSETS - END OF YEAR	**$ 865,959**	**$ 387,852**	**$ 1,253,811**	**$ 152,684**	**$ 764,434**	**$ 917,118**

THE POSSIBLE PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Totals for 2014)

	PROGRAM SERVICES	ADMINI-STRATIVE	FUND RAISING	TOTAL FUNCTIONAL EXPENSES 2015	TOTAL FUNCTIONAL EXPENSES 2014
Salaries	$ 427,447	$ 121,054	$ 264,387	$ 812,888	$ 875,764
Donated Salaries	132,300	7,350	7,350	147,000	120,595
Payroll Taxes	38,963	11,330	15,715	66,008	76,117
Employee Benefits	54,147	22,425	32,997	109,569	88,316
Professional Fees and Consultants	126,114	186,795	29,046	341,955	328,678
Educational Stipends	109,033	-	-	109,033	77,676
Program Supplies and Activities	193,671	-	-	193,671	106,887
Indirect Costs of Special Event	-	-	57,215	57,215	50,240
Food and Meals	21,128	9,231	6,529	36,888	22,899
Rent and Related Expenses	262,125	17,375	13,440	292,940	235,696
Depreciation Expense	137,327	7,285	7,285	151,897	79,535
Interest Expense	9,465	170	170	9,805	-
Repairs and Maintenance	18,819	34,262	311	53,392	36,859
Marketing and Promotion	1,030	863	6,379	8,272	10,206
Insurance	10,507	3,857	2,149	16,513	7,121
Printing and Postage	7,534	11,627	16,009	35,170	20,642
Staff Development and Training	3,030	3,458	-	6,488	8,252
Dues and Subscriptions	112	5,027	200	5,339	1,803
Staff Travel and Mileage	5,678	3,126	59	8,863	8,702
Office Supplies	2,047	7,476	-	9,523	4,428
Miscellaneous Expense	3,674	5,799	1,032	10,505	14,619
Total Functional Expenses	**$ 1,564,151**	**$ 458,510**	**$ 460,273**	**$ 2,482,934**	**$ 2,175,035**

THE POSSIBLE PROJECT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 336,693	$ 668,829
Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:		
Depreciation Expense	151,897	79,535
Loss on Abandonment of Leasehold Improvements	59,873	-
(Increase) Decrease in Current Assets:		
Accounts Receivable	(12,095)	8,959
Grants Receivable	(93,302)	(147,556)
Prepaid Expenses and Other Assets	15,725	(20,341)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	74,204	32,845
Deferred Rent	23,115	(15,293)
Accrued Salaries, Vacation and Related Costs	(25,638)	47,710
(Increase) Decrease in Other Assets:		
Security Deposit	14,625	-
Grant Receivable, Net of Discount	94,232	(288,388)
Net Adjustment	302,636	(302,529)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**639,329**	**366,300**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction Expenditures	(908,146)	(90,869)
Purchase of Property and Equipment	(57,273)	(19,917)
Net Cash Flows From Investing Activities	(965,419)	(110,786)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Line-of-Credit	(43,314)	-
Proceeds from Construction Financing	625,000	-
Net Cash Flows From Financing Activities	581,686	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	**255,596**	**255,514**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**334,627**	**79,113**
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 590,223**	**$ 334,627**
Supplemental Disclosures:		
Interest Paid	*$ 9,805*	*$ -*
Non-Cash Investing and Financing Activities:		
Contruction-in-Progress paid directly through Line-of-Credit Withdrawals	*$ -*	*$ 43,314*

NOTE 1 ORGANIZATION

The Possible Project, Inc., ("TPP" or the "Organization"), was incorporated in 2009 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

The Organization is a youth entrepreneurship center that teaches at-risk high school students to start and run their own businesses through its three-year afterschool program. The program works to close the skills and opportunities gap facing its students by providing resources and support that make them more likely to finish high school, complete education and training beyond high school, and enter careers that will provide them with a living wage. The Organization uses entrepreneurship as a vehicle to impart the skills, abilities, and characteristics it knows will make future success more likely for its students. During the course of the program, students become proficient in leadership, resilience, professionalism, self-confidence, teamwork, and a host of other character traits and skills that will propel them on the pathway to success.

There are four main aspects of the program that students participate in during their three years with the Organization. Students learn business and entrepreneurship concepts through an innovative, hands-on curriculum taught by staff; students conceive, launch, and run their own business ventures; students participate in a collaborative work experience, as part of one of the Organization's two in-house businesses; and students receive significant individualized advising on their education, career development, and post-high school pathways.

Students come to the Organization through a nomination process; a guidance counselor, teacher, social worker, or health professional recommends students with untapped potential for the program. More than 80% of students fall into one or more of the following categories that present barriers to achievement: low socio-economic status, recent immigrant/English language learner, or recipient of an Individualized Education Program. Nearly 100% of students are youth of color and more than half use the stipends earned through the program for basic needs such as transportation, food, clothing, or assistance with household expenses.

Due to the hard work and generosity of many stakeholders, The Possible Project was able to open a state-of-the-art "Makerspace" in the first quarter of 2015. The Makerspace has greatly enhanced existing programming, by providing participating teens access to the latest in digital fabrication technology, including a laser cutter, 3-D printer, spray booth, vinyl cutter, and all of the related software systems. These tools enable students to take their businesses to the next level, as well as allow for significant growth and sophistication of one of TPP's in-house Enterprises, Made Possible. Most importantly, these STEAM (Science, Technology, Engineering, Art/Design and Math) related technologies and tools better prepare students for 21st century careers. The largest grant for the Makerspace came from Biogen Idec Foundation, which is $100,000 per year for five years (2014 - 2018).

NOTE 2 *(Continued)*

Also 2015 marked an important milestone for The Possible Project, as it marked the program's 5th year anniversary, which was celebrated at the October *Powering Possibilities Gala.* The evening was a tremendous success raising nearly $600,000 in gross proceeds. Our community of friends and supporters continues to expand. This year *Takeda*, *Biogen*, *Silicon Valley Bank*, and *Industry Lab* hosted upper level Pitch Panels. The Possible Project also introduced several new events including Project Fabulous, a networking event bringing together women executives from the Life Sciences community and we partnered with BUILD, NFTE, Youth CITIES and BPS to create the inaugural G*reater Boston Youth Marketplace*, showcasing over 20 student businesses and young entrepreneurs from participating organizations. Corporate sponsors included Boston Public Schools, Silicone Valley Bank, Cimpress, TechHub, and Work Bar.

The Organization currently operates in Cambridge, Massachusetts with plans to expand to a second city in Massachusetts in 2016. In its Cambridge location, the Organization served over 200 students in 2015 and projects it will serve over 300 students in 2016 and thereafter.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles 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; however, adherence to generally accepted accounting principles, has in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*™, the Organization reports 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. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for activities and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

NOTE 3 *(Continued)*

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. In the accompanying financial statements, temporarily restricted net assets consists of time and program restricted gifts.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, The Possible Project, Inc. did not have any assets of this nature.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid financial instruments purchased with maturity of three months or less at the time of purchase to be cash equivalents.

Receivables:

Accounts and Other Receivables primarily represents amounts due from sales resulting from in-house entrepreneurial programs. *Grants Receivable* represents amounts due from corporations and foundations awarded during the year which had not yet been received as of year-end. *Grants Receivable* also include multi-year unconditional grant awards. Amounts for which payment is expected for collection within one year of the reporting date are classified as current, while commitments that exceed one year are classified as non-current. The Organization's management believes that these amounts are collectible, and therefore, no allowance for doubtful accounts has been established. If accounts become uncollectible, an allowance will be established when that determination is made. There were no bad debts or uncollectible grants reported for the years presented.

Property and Equipment:

Property and equipment purchases in excess of $2,500 ($1,000 in 2014) are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to leasehold improvements. Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenue over the estimated useful lives of the assets, as expressed in terms of years.

Estimated useful lives are as follows: the shorter of 10 years or the life of the lease for leasehold improvements and 3 - 5 years for furniture and fixtures.

Deferred Rent:

Rent expense is recorded on a straight-line basis for the Organization's operating leases *(See Note 14)*. As a result of certain escalation clauses and monthly rent waivers included in the lease arrangements, deferred rent liabilities totaling $39,367 and $16,252, as of December 31, 2015 and 2014, respectively, are reported as *Deferred Rent* in the accompanying Statements of Financial Position.

NOTE 3 *(Continued)*

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*™, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give. The Possible Project, Inc. occasionally receives gifts of stock which are converted to cash typically when received.

Contributions, including unconditional promises to give, are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

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 until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition – In-House Entrepreneurial Program:

As part of its exempt purpose, The Possible Project, Inc. operates two in-house entrepreneurial business programs. Revenue is derived from sales from these businesses and recognized at the time of sale, net of direct costs. For the years ended December 31, 2015 and 2014, these costs amounted to $7,537 and $7,926, respectively.

In-Kind Goods and Services:

As required by the *FASB Accounting Standards Codification*™, the Organization maintains a policy whereby the value of the donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization are recognized as revenue on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses. Donations of equipment and goods which meet the criteria of the Organization’s capitalization policy are capitalized and depreciated pursuant to the policies previously described.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*™, the Organization allocates its expenses on a functional basis among its various programs and support services. Expenses which can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated on various statistical bases. Supporting services are those related to operating and managing The Possible Project, Inc. and its programs on a day-to-day basis.

NOTE 3 *(Continued)*

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to The Possible Project, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, grant writing, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs. Fund raising expenses also include the indirect costs of special fund raising events, while direct event costs are netted against the event proceeds. For the years ended December 31, 2015 and 2014, total fund raising expenses, including both direct and indirect event costs, were $605,969 and $431,488, respectively.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary the Organization's property and equipment as of December 31, 2015 and 2014:

		Accumulated	Net Book Value	
Asset Category	Cost	Depreciation	2015	2014
Leasehold Improvements	$ 995,664	$ 79,444	$ 916,220	$ 70,333
Furniture and Equipment	255,172	143,255	111,917	65,914
Software	12,176	5,073	7,103	11,161
Total	$1,263,012	$227,772	$1,035,240	$147,408

During 2015, the Organization moved its office headquarters. As a result of this move, the Organization disposed of leasehold improvements and furniture with an original cost totaling $310,925. The remaining net book value of these assets of $59,873 was reflected as a *Loss on Abandonment of Leasehold Improvements* in the accompanying financial statements.

As discussed in Note 14, the Organization relocated its corporate headquarters in 2015. The Organization spent $606,541 on a leasehold improvement capital project as a result of their relocation.

In addition, in 2015, the Organization spent $301,605 on construction related activities associated with its agreement with the Cambridge Housing Authority. These costs were capitalized within their appropriate asset classes *(See Note 5)*.

NOTE 5 CONSTRUCTION-IN-PROGRESS

On April 23, 2014, the Organization entered into a development and rehabilitation agreement with the Cambridge Housing Authority ("CHA"). CHA is the owner of a building in Cambridge which contains a 1,812 square foot space that was vacant and unoccupied. TPP agreed to pay for the cost of the construction-related activities associated with converting the space from its original condition to its intended use as a "Makerspace" facility. Per the initial agreement, once construction was completed, TPP and CHA would enter into a lease agreement that will allow TPP to operate aspects of its youth development afterschool program at the location. In exchange for payment of the construction-related redevelopment activity, TPP will be provided a five-year lease and five-year renewal option at no cost (other than those outlined within the final lease agreement). The final lease agreement was signed on February 6, 2015. The cost of construction work completed as of December 31, 2014 that was capitalized as *Construction-in-Progress* in the accompanying Statements of Financial Position was placed in service during 2015 and the assets were reclassified to their appropriate asset categories.

NOTE 6 GRANTS RECEIVABLE

As of December 31, 2015, non-current grants receivable, discounted to fair value at 2%, were due for collection as follows:

Year to Be Paid	Balance Due	Discount	Fair Value
2017	$100,000	$1,961	$ 98,039
2018	100,000	3,883	96,117
Total	$200,000	$5,844	$194,156

NOTE 7 LINE-OF-CREDIT

In connection with the development agreement with CHA, discussed in Note 5, in 2014 TPP received a non-revolving line-of-credit in the amount of $400,000 to cover the cost of improvements to the space. Under this agreement, the bank disbursed funds directly to an escrow account upon CHA's submission of periodic requisitions for leasehold improvements, directly to the bank. During the first six months, "the Draw Period", interest accrued at the WSJ Prime Rate (3.25% during 2014). Once the renovations were complete, or TPP had drawn the full amount, TPP had the option to fix the rate at the Federal Home Loan Classic Rate plus 2.35% (3.45% as of December 31, 2014). The non-revolving line included monthly interest-only payments and an original maturity date of August 1, 2016. The line was secured by the Organization's business assets, including pledged donations. As a result of the new loan agreement *(See Note 8)*, this line was paid in full and as of December 31, 2015, there were no amounts owed under this agreement.

NOTE 8 NOTE PAYABLE

Effective September 21, 2015, the Organization obtained construction financing in the amount of $625,000 from First Republic Bank to complete leasehold improvements on its new office location (*See Note 14*). The note is subject to interest at the annual rate of 3.5%, amortized over a 5-year period, maturing on October 21, 2020. Through December 31, 2015, interest-only payments were made on the loan. Interest only payments are due for the first 12 months of the loan, while monthly payments of $13,973 including both principal and interest commence on December 21, 2016. The note is secured by the assignment of all business assets of the Organization and the unlimited joint and personal guarantees of the Executive Director and a board member *(See Note 12)*. The loan agreement also includes a provision whereby the Organization was required to close its line-of-credit with Cambridge Savings Bank within thirty days of the closing. As of December 31, 2015, the Organization was in compliance with this provision as well as other covenants required under the loan agreement.

The portion of the debt maturing in 2016 is $12,150, which has been classified as a current liability. The principal maturities of the long-term portion of the debt are due as follows:

Fiscal Year Ending	Amount
December 31, 2017	$ 148,589
December 31, 2018	153,874
December 31, 2019	159,346
December 31, 2020	151,041
Total	$ 612,850

NOTE 9 RESTRICTED NET ASSETS

The following is a summary of temporarily restricted net assets for the years presented:

Nature of Restriction	2015	2014
Makerspace Faculty and Program	$372,157	$514,434
We Sell Possible (Youth Program)	-	250,000
Technology	15,695	-
Total	$387,852	$764,434

For the years presented, net assets were released from restriction for the following programs and purposes:

Nature of Restriction	2015	2014
We Sell Possible (Youth Program)	$250,000	$ -
Makerspace Faculty and Program	170,046	25,000
Entrepreneurship Education Program	60,000	-
Time Restrictions Elapsed	-	10,000
Career Development Advisor	-	15,391
Program Expansion	-	20,000
Total	$480,046	$70,391

NOTE 10 IN-KIND GOODS AND SERVICES

For the years ended December 31, 2015 and 2014, the following in-kind contributions were recognized in the accompanying financial statements:

Description	2015	2014
Donated Salaries Provided by Board Member	$147,000	$120,595
Legal and Consulting Services	81,197	65,032
Architect Fees	7,500	-
Event Photography *(See Note 11)*	-	3,000
Event Printing/Design Services *(See Note 11)*	-	1,025
Printing/Design Services	6,950	6,122
Donated Rent*	5,225	-
Program Supplies	-	3,183
Total	$247,872	$198,957

*For the year ended December 31, 2015, donated rent was recognized based on the pre-renovation cost per the CHA agreement *(See Note 5).*

NOTE 11 SPECIAL FUND RAISING EVENTS

For the years presented, the Organization held *Powering Possibilities* as a special fundraising event. The revenue from this fund raising event is reflected on the Statement of Activities, net of the direct costs, while indirect event costs are reported on the Statement of Functional Expenses. The following table summarizes the fund raising events:

	2015	2014
Gross Event Ticket Sales	$ 31,125	$ 119,000
Contributions and Sponsorships Received	555,306	350,405
Total Proceeds	586,431	469,405
Less: Direct Event Costs of Event	(145,696)	(121,885)*
Special Event, Net of Direct Costs	440,735	347,520
Less: Indirect Event Costs	(57,215)	(50,240)*
Net Event Proceeds	$ 383,520	$ 297,280

*For the year ended December 31, 2014, direct costs and indirect costs include $3,000 and $1,025 of donated photography and printing, respectively.

The indirect costs of the special event include the following costs:

	2015	2014
Consultants	$53,651	$39,536
Marketing, Printing and Postage	3,178	6,071
Donated Printing/Design Services	-	1,025
Miscellaneous	386	3,608
Total	$57,215	$50,240

NOTE 12 RELATED PARTY TRANSACTIONS AND CONCENTRATION IN REVENUE

Donated Salaries:

A Board member serves as Executive Director of the Organization.

Revenue:

The Organization receives a significant amount of its funding from a single foundation which is controlled by certain members of the Board of Directors. Contributions from this foundation totaled $1,885,000 and $1,200,000 for the years ended December 31, 2015 and 2014, respectively, which accounts for 65% and 42% of total support and revenue.

Lease Guarantee:

A Board member has provided a personal guarantee for the Organization's facility lease *(See Note 14)*.

Financing Guarantee:

A Board member has provided a personal guarantee for the Organization's financing arrangement *(See Note 8)*.

Management and Consulting Services:

During 2015, the Organization paid $41,737 to a company owned by a Board Member for management services.

Severance Agreement:

Effective April 18, 2014, an agreement was made with a former key employee of the Organization. Pursuant to this agreement, the Organization made severance payments to the former employee totaling $50,273 and $167,479 during 2015 and 2014, respectively, which is included in *Salaries* in the accompanying Statement of Functional Expenses.

NOTE 13 EMPLOYEE BENEFIT PLANS

The Organization maintains a defined contribution plan that covers all eligible employees. Participants can make an elective deferral for any plan year up to a maximum of 100% of their eligible compensation, not to exceed the annual dollar limit as permitted by law. The Organization makes a non-matching contribution of 3%. For the years ended December 31, 2015 and 2014, the Organization contributed $21,445 and $23,463, respectively, to the plan.

NOTE 13 *(Continued)*

During 2014, the Organization approved the establishment of an Internal Revenue Code 457(f) non-qualified, deferred compensation plan (the "Plan") for a select member of current management. The Plan was formally established in 2015. Under the Plan, the Organization contributes 7% of the employee's compensation annually to the Plan as deferred compensation. The Organization will pay the deferred compensation under the Plan upon the retirement of the member of management or earlier based on certain conditions outlined in the Plan. The employee cannot make contributions to the Plan and will not become vested in the Plan until retirement, or as specified in the Plan agreement. As of December 31, 2015 and 2014, the estimated liability of $18,940 and $4,240, respectively, has been included in *Accrued Salaries, Vacation and Related Costs* in the accompanying Statements of Financial Position.

NOTE 14 OPERATING LEASE COMMITMENT

During 2015, the Organization leased the facilities used for its operations under two operating lease agreements. The first agreement commenced September 1, 2010 and expired October 31, 2015. The facility included approximately 6,313 square feet of classroom and office space located in Cambridge, MA.

Rent and Related Expenses include the Organization's share of real estate taxes, operating costs, and utilities specific to this lease arrangement. The Organization made rental payments under this arrangement totaling $163,086 through October 2015, while the actual rent expense was recognized on a straight-line basis in conjunction with the deferred rent, as discussed in Note 3. The security deposit of $33,750 which was paid at the inception of the lease was returned to the Organization upon the lease expiration.

On May 13, 2015, the Organization formalized and signed a new lease arrangement. The facility is located in Cambridge, MA and includes approximately 8,847 square feet which will be used for the Organization's corporate headquarters. The term of the lease is for seven years and four months commencing on November 1, 2015. The first payment is due on March 1, 2016, four months following the commencement date. Monthly payments for the first year are $19,125, which are increased approximately 2.5% for each year thereafter. A security deposit of $19,125 was paid at the inception of the lease and is included in *Security Deposit* in the accompanying Statements of Financial Position.

The following is a schedule of future rental payments due under the lease, while the rent expense will be recognized in conjunction with the deferred rent discussed in Note 3.

Year Ending	Amount
December 31, 2016	$ 191,250
December 31, 2017	234,281
December 31, 2018	240,138
December 31, 2019	246,142
December 31, 2020	252,296
Thereafter	568,029
Total	$1,732,136

As discussed in Note 12, the above obligations were guaranteed by a board member.

NOTE 15 CONCENTRATIONS IN CREDIT RISK

Cash and Cash Equivalents:

The Organization is subject to some credit risk through cash balances in checking and money accounts which are placed high quality institutions. At times during the year, the balances in these accounts may exceed the federally insured and other insured limits; however, the Organization has not experienced any losses on uninsured cash balances and the Organization believes its cash balance is not exposed to significant credit risk. As of December 31, 2015, amounts held in excess of FDIC insured limits totaled $59,253.

Grants Receivable:

As of December 31, 2015 and 2014, amounts due under one multi-year grant agreement accounted for 87% and 89%, respectively, of total *Grants Receivable*.

NOTE 16 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 13, 2016, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.