THE POSSIBLE PROJECT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

Smith Sullivan & Brown PC

CERTIFIED PUBLIC ACCOUNTANTS

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THE POSSIBLE PROJECT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

Mission Statement

The Possible Project works to instill an entrepreneurial mindset in our students, developing the social-emotional skills necessary to work collaboratively and solve problems in a high-level career path. We guide students through a dynamic curriculum, including hands-on work experience and individualized career planning, to develop the personal qualities that predict future professional success.

www.possibleproject.org

THE POSSIBLE PROJECT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Information for 2015)

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, 2016, 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, 2016 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 2015 financial statements, and our report dated April 13, 2016, 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, 2015, 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 26, 2017

THE POSSIBLE PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 588,947	$ 590,223
Grants Receivable	260,000	240,858
Accounts and Other Receivables	44,619	17,810
Prepaid Expenses and Other Assets	43,954	13,032
Total Current Assets	937,520	861,923
NET PROPERTY AND EQUIPMENT	853,726	1,035,240
OTHER ASSETS:		
Grants Receivable, Net of Discount	146,578	194,156
Intangible Assets	44,184	-
Security Deposit	19,125	19,125
Total Other Assets	209,887	213,281
TOTAL ASSETS	$ 2,001,133	$ 2,110,444

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 148,589	$ 12,150
Accounts Payable and Accrued Expenses	89,842	55,460
Accounts Payable, Construction	-	73,560
Accrued Salaries, Vacation and Related Costs	132,038	63,246
Deferred Rent	-	39,367
Total Current Liabilities	370,469	243,783
NON-CURRENT LIABILITIES:		
Long-Term Debt, Net of Current Portion	457,261	612,850
Deferred Rent	84,317	-
Total Non-Current Liabilities	541,578	612,850
TOTAL LIABILITIES	912,047	856,633
NET ASSETS:		
Unrestricted Net Assets	706,047	865,959
Temporarily Restricted Net Assets	383,039	387,852
Total Net Assets	1,089,086	1,253,811
TOTAL LIABILITIES AND NET ASSETS	$ 2,001,133	$ 2,110,444

THE POSSIBLE PROJECT, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT, REVENUES AND RECLASSIFICATIONS:						
Gifts, Grants and Contributions	$ 2,537,657	$ 187,373	$ 2,725,030	$ 1,978,695	$ 103,464	$ 2,082,159
In-Kind Goods and Services	386,511	-	386,511	247,872	-	247,872
Special Fundraising Event	379,228	-	379,228	586,431	-	586,431
Less: Cost of Direct Benefits to Donors	(151,377)	-	(151,377)	(145,696)	-	(145,696)
Entrepreneurial Program Revenue, Net	120,776	-	120,776	108,697	-	108,697
Interest Income	89	-	89	37	-	37
Total Support and Revenues	3,272,884	187,373	3,460,257	2,776,036	103,464	2,879,500
Reclassification of Net Assets:						
Net Assets Released from Restriction	192,186	(192,186)	-	480,046	(480,046)	-
TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	**3,465,070**	**(4,813)**	**3,460,257**	**3,256,082**	**(376,582)**	**2,879,500**
EXPENSES AND LOSSES:						
Program Services	2,503,931	-	2,503,931	1,564,151	-	1,564,151
Administrative	641,581	-	641,581	458,510	-	458,510
Fund Raising	479,470	-	479,470	460,273	-	460,273
Total Expenses	3,624,982	-	3,624,982	2,482,934	-	2,482,934
Loss on Abandonment of Leasehold Improvements	-	-	-	59,873	-	59,873
TOTAL EXPENSES AND LOSSES	**3,624,982**	**-**	**3,624,982**	**2,542,807**	**-**	**2,542,807**
CHANGE IN NET ASSETS	**(159,912)**	**(4,813)**	**(164,725)**	**713,275**	**(376,582)**	**336,693**
NET ASSETS - BEGINNING OF YEAR	**865,959**	**387,852**	**1,253,811**	**152,684**	**764,434**	**917,118**
NET ASSETS - END OF YEAR	**$ 706,047**	**$ 383,039**	**$ 1,089,086**	**$ 865,959**	**$ 387,852**	**$ 1,253,811**

THE POSSIBLE PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Totals for 2015)

	PROGRAM SERVICES	ADMINI-STRATIVE	FUND RAISING	TOTAL FUNCTIONAL EXPENSES 2016	TOTAL FUNCTIONAL EXPENSES 2015
Salaries	$ 680,584	$ 113,861	$ 276,864	$ 1,071,309	$ 812,888
Donated Salaries	225,000	12,500	12,500	250,000	147,000
Payroll Taxes	59,590	9,656	15,639	84,885	66,008
Employee Benefits	80,503	12,444	33,232	126,179	109,569
Professional Fees and Consultants	298,870	336,368	48,848	684,086	341,955
Educational Stipends	164,168	-	-	164,168	109,033
Program Supplies and Activities	387,269	-	-	387,269	193,671
Costs of Special Event	-	-	206,201	206,201	202,911
Food and Meals	34,400	18,891	923	54,214	36,888
Rent and Related Expenses	283,020	23,234	14,687	320,941	292,940
Depreciation Expense	177,797	10,532	10,532	198,861	151,897
Interest Expense	19,936	1,108	1,104	22,148	9,805
Repairs and Maintenance	25,581	26,160	192	51,933	53,392
Marketing and Promotion	7,000	17,844	3,040	27,884	8,272
Insurance	19,014	1,921	2,597	23,532	16,513
Printing and Postage	13,973	17,452	523	31,948	35,170
Staff Development and Training	8,902	6,597	-	15,499	6,488
Dues and Subscriptions	1,558	4,134	3,055	8,747	5,339
Staff Travel and Mileage	11,904	4,392	891	17,187	8,863
Office Supplies	1,495	16,013	19	17,527	9,523
Miscellaneous Expense	3,367	8,474	-	11,841	10,505
Total Functional Expenses	**2,503,931**	**641,581**	**630,847**	**3,776,359**	**2,628,630**
Less: Cost of Direct Benefits to Donors	-	-	(151,377)	(151,377)	(145,696)
Total Expenses Per Statement of Activities	**$ 2,503,931**	**$ 641,581**	**$ 479,470**	**$ 3,624,982**	**$ 2,482,934**

THE POSSIBLE PROJECT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (164,725)	$ 336,693
Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:		
Depreciation Expense	198,861	151,897
Loss on Abandonment of Leasehold Improvements	-	59,873
(Increase) Decrease in Current Assets:		
Accounts Receivable	(26,809)	(12,095)
Grants Receivable	(19,142)	(93,302)
Prepaid Expenses and Other Assets	(30,922)	15,725
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	(39,178)	74,204
Accrued Salaries, Vacation and Related Costs	68,792	(25,638)
Deferred Rent	-	23,115
(Increase) Decrease in Other Assets:		
Grant Receivable, Net of Discount	47,578	94,232
Security Deposit	-	14,625
Increase (Decrease) in Non-Current Liabilities:		
Deferred Rent	44,950	-
Net Adjustment	244,130	302,636
NET CASH PROVIDED BY OPERATING ACTIVITIES	**79,405**	**639,329**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction Expenditures	-	(908,146)
Purchase of Intangible Assets	(44,184)	-
Purchase of Property and Equipment	(17,347)	(57,273)
Net Cash Flows From Investing Activities	(61,531)	(965,419)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Line-of-Credit	-	(43,314)
Principal Payments on Long-Term Debt	(19,150)	-
Proceeds from Construction Financing	-	625,000
Net Cash Flows From Financing Activities	(19,150)	581,686
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,276)**	**255,596**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**590,223**	**334,627**
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 588,947**	**$ 590,223**
Supplemental Disclosures:		
Interest Paid	*$ 22,148*	*$ 9,805*

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 an extended-day program that works to close the skills and opportunities gap by providing resources and support that will ultimately help students enter careers that will provide a living wage. The Organization uses entrepreneurship and authentic work experiences as vehicles to impart the skills, abilities, and characteristics that make future success more likely for its students. During 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. The Organization currently operates in Boston and in Cambridge, Massachusetts.

There are three main program components that students participate in during their 3-5 years. First, students learn business and entrepreneurship concepts through an innovative, hands-on curriculum, and conceive, launch and run their own business ventures. Second, students have collaborative, authentic work experiences, in one of the Organization’s two in-house businesses. Third, students receive significant individualized advising on their education, financial aid, career development, and post high school pathways. Through a combination of this pathways support and entrepreneurial and work experiences, the program builds social-emotional learning, job readiness skills, school engagement, design thinking and STEAM (Science, Technology, Engineering, Art/Design and Math) skills towards the important goal of postsecondary attainment and meaningful careers.

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 Cambridge “Makerspace” in the first quarter of 2015. The Makerspace has greatly enhanced existing programming, by providing participants 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 a kind in-house enterprises. Most importantly, these STEAM related technologies and tools better prepare students for 21st century careers. The largest grant for the Makerspace came from Biogen Foundation, which is $100,000 per year for five years (2014 - 2018).

NOTE 2 *(Continued)*

In 2016, the Organization forged a partnership with Madison Park Technical Vocational High School in Roxbury to spread the positive impact of the Organization from Cambridge into Boston. The goal is that by 2021, TPP will directly impact 204 students per year at the school. Future replication efforts include taking a district wide approach to expansion that would enable the Organization to work with a total of 908 students and alumni annually across all sites. The Organization also settled into its new Cambridge headquarters located at 17 Seller Street in time for the 2016 winter session. This new space accommodates 100 more students a year, allowing us to serve 320 students annually in Cambridge.

There were many other accomplishments in 2016. The Organization conducted a national Listening Tour to hear from world class visionaries, entrepreneurs and educators on how to make the most transformative impact on students. In support of replication efforts and plans, the recruitment of three executive level positions commenced for a Vice- President of Evaluation and Learning, a Vice-President of Education and a Vice-President of Business Development and Employment Alliances. The Organization successfully completed its search for the VP of Evaluation and Learning and for the VP of Education.

The Organization also received a highly competitive $100k grant from the Cummings Foundation to support our expansion into Boston. Finally, further evidence of strong outcomes - 100% of seniors graduated from high school, and 98% matriculated on to college, including Cornell University and Bates College.

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.

NOTE 3 *(Continued)*

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.

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 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 balances are determined to be uncollectible in subsequent periods, an allowance will be established when that determination is made. There were no bad debts or uncollectible grants reported for the years presented.

NOTE 3 *(Continued)*

Property and Equipment:

Property and equipment purchases in excess of $2,500 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, 3 - 5 years for furniture and fixtures and 36 months for software.

Intangible Assets:

During 2016, the Organization capitalized $44,184 in costs incurred for the development of its website. The website costs will be amortized over a three-year period commencing in January 2017 upon the launch of the new site.

Deferred Rent:

Rent expense is recorded on a straight-line basis for the Organization's operating leases *(See Note 12)*. As a result of certain escalation clauses and monthly rent waivers included in the lease arrangements, deferred rent liabilities totaling $84,317 and $39,367, as of December 31, 2016 and 2015, respectively, are reported as *Deferred Rent* in the accompanying Statements of Financial Position.

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 typically converted to cash 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.

NOTE 3 *(Continued)*

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, 2016 and 2015, these costs amounted to $16,777 and $7,537, 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.

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, 2016 and 2015, total fund raising expenses, including both direct and indirect event costs, were $630,847 and $605,969, 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 3 *(Continued)*

Reclassifications:

Certain amounts in the prior year information have been reclassified to conform to the current year presentation. Specifically, the presentation of the direct costs of special events has been included within the Statement of Functional Expenses. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary the Organization's property and equipment as of December 31, 2016 and 2015:

		Accumulated	Net Book Value	
Asset Category	Cost	Depreciation	2016	2015
Leasehold Improvements	$1,053,437	$259,313	$794,124	$ 916,220
Furniture and Equipment	214,746	158,188	56,558	111,917
Software	12,176	9,132	3,044	7,103
Total	$1,280,359	$426,633	$853,726	$1,035,240

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

As discussed in Note 12, the Organization relocated its corporate headquarters in 2015. As part of this relocation, the Organization spent $606,541 on a leasehold improvement capital project.

NOTE 5 GRANTS RECEIVABLE

As of December 31, 2016, 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
2018	$125,000	$2,451	$122,549
2019	25,000	971	24,029
Total	$150,000	$3,422	$146,578

NOTE 6 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 12)*. The note is subject to interest at the annual rate of 3.5%, amortized over a 5-year period, maturing on October 21, 2020. Interest only payments are due for the first 12 months of the loan, while monthly payments of $13,973 including both principal and interest commenced 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 10)*. The loan agreement also included 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, 2016 and 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 2017 is $148,589, 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, 2018	$153,874
December 31, 2019	159,346
December 31, 2020	144,041
Total	$457,261

NOTE 7 RESTRICTED NET ASSETS

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

Nature of Restriction	2016	2015
Makerspace Faculty and Program	$273,039	$372,157
Time Restricted for Operations	75,000	-
College Career Advising	35,000	-
Technology	-	15,695
Total	$383,039	$387,852

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

Nature of Restriction	2016	2015
We Sell Possible (Youth Program)	$ -	$250,000
Makerspace Faculty and Program	103,000	170,046
Entrepreneurship Education Program	-	60,000
Time Restrictions Elapsed	25,000	-
College Career Advising	35,000	-
Technology	29,186	-
Total	$192,186	$480,046

NOTE 8 IN-KIND GOODS AND SERVICES

For the years ended December 31, 2016 and 2015, the following in-kind contributions were recognized in the accompanying financial statements:

Description	2016	2015
Donated Salaries Provided by Board Member	$250,000	$147,000
Legal and Consulting Services	130,241	81,197
Architect Fees	-	7,500
Printing/Design Services	-	6,950
Donated Rent*	6,270	5,225
Total	$386,511	$247,872

*For the years ended December 31, 2016 and 2015, donated rent represents the amount donated by the Cambridge Housing Authority in exchange for the payment of construction-related costs of the space.

NOTE 9 SPECIAL FUND RAISING EVENTS

For the years presented, the Organization held *Powering Possibilities* as a special fundraising event. The following table summarizes the fund raising events:

	2016	2015
Gross Event Ticket Sales	$ 45,000	$ 31,125
Contributions and Sponsorships Received	334,228	555,306
Total Proceeds	379,228	586,431
Less: Direct Event Costs of Event	(151,377)	(145,696)
Special Event, Net of Direct Costs	227,851	440,735
Less: Indirect Event Costs	(54,824)	(57,215)
Net Event Proceeds	$ 173,027	$ 383,520

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

	2016	2015
Consultants	$50,629	$53,651
Marketing, Printing and Postage	4,049	3,178
Miscellaneous	146	386
Total	$54,824	$57,215

NOTE 10 RELATED PARTY TRANSACTIONS AND CONCENTRATION IN REVENUE

Donated Salaries:

A Board member serves as Executive Director of the Organization on a volunteer basis.

NOTE 10 *(Continued)*

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 $2,450,000 and $1,885,000 for the years ended December 31, 2016 and 2015, respectively, which accounts for 71% and 65% of total support and revenue.

Lease Guarantee:

A Board member has provided a personal guarantee for the Organization's facility lease *(See Note 12)*.

Financing Guarantee:

A Board member has provided a personal guarantee for the Organization's financing arrangement *(See Note 6)*.

Management and Consulting Services:

During 2016 and 2015, the Organization paid $58,890 and $41,737, respectively, to a company owned by a Board Member for management services.

NOTE 11 EMPLOYEE BENEFIT PLANS AND EMPLOYMENT ARRANGEMENT

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, 2016 and 2015, the Organization contributed $24,190 and $21,445, respectively, to the plan.

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 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, 2016 and 2015, the estimated liability of $34,218 and $18,940, respectively, has been included in *Accrued Salaries, Vacation and Related Costs* in the accompanying Statements of Financial Position and the annual expense of $14,700 and $14,994 for 2016 and 2015, respectively, is included in *Employee Benefits* in the accompanying Statement of Functional Expenses.

NOTE 11 *(Continued)*

The Organization is a party to a co-employment agreement with TriNet for the purpose of outsourcing the Organization's human resource function, including employee benefits administration, payroll processing, tax remittance and reporting and workers compensation coverage. Accordingly, TriNet became the employer of record, while TPP continues to direct the day-to-day duties and activities of its employees. For purposes of financial and tax reporting, TPP continues to report and track the components of its personnel costs, maintaining the integrity of the specific line items as required for state and federal contract reporting.

NOTE 12 OPERATING LEASE COMMITMENT

During 2016 and 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 was due on March 1, 2016, four months following the commencement date. Monthly payments for the first year are $19,125, which are increased by approximately 2.5% for each year thereafter. Actual rent expense is recognized on a straight-line basis in conjunction with deferred rent, which amounted to $236,200 for the year ended December 31, 2016 and is included *in Rent and Related Expenses*. 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, 2017	$ 234,281
December 31, 2018	240,138
December 31, 2019	246,142
December 31, 2020	252,296
Thereafter	568,029
Total	$1,540,886

As discussed in Note 10, the above obligations are guaranteed by a board member.

NOTE 13 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, 2016 and 2015, amounts held in excess of FDIC insured limits totaled $174,483 and $59,253, respectively.

Grants Receivable:

As of December 31, 2016 and 2015, amounts due under one multi-year grant agreement accounted for 66% and 87%, respectively, of total *Grants Receivable*.

NOTE 14 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 26, 2017, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.