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THE EAST BOSTON FOUNDATION
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2015 AND 2014
AND
INDEPENDENT AUDITOR'S REPORT

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THE EAST BOSTON FOUNDATION
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The East Boston Foundation which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Boston Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ballus Lynch, LLP

Worcester, Massachusetts
September 20, 2016

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THE EAST BOSTON FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 104,629	\$ 453,273
Grants receivable	500,000	-
Property and equipment, net	<u>601</u>	<u>1,063</u>
	<u>\$ 605,230</u>	<u>\$ 454,336</u>
Liabilities and Net Assets		
Grants payable	\$ 55,000	\$ -
Accounts payable and accrued liabilities	<u>16,205</u>	<u>10,375</u>
	<u>71,205</u>	<u>10,375</u>
Net assets		
Unrestricted	128,542	128,542
Temporarily restricted	<u>405,483</u>	<u>315,419</u>
	<u>534,025</u>	<u>443,961</u>
	<u>\$ 605,230</u>	<u>\$ 454,336</u>

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

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THE EAST BOSTON FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Change in unrestricted net asset		
Revenue, gains, and other support		
Interest income	\$ 1,660	\$ 4,820
Net assets released from restrictions:		
Satisfaction of purpose restrictions	<u>409,936</u>	<u>485,436</u>
	<u>411,596</u>	<u>490,256</u>
 Expenses		
Grants awarded	312,754	399,369
Supporting services		
General and administrative expenses	<u>98,842</u>	<u>90,887</u>
	<u>411,596</u>	<u>490,256</u>
 Change in unrestricted net assets	<u>-</u>	<u>-</u>
 Change in temporarily restricted net assets		
Grant revenue	500,000	-
Net assets released from restrictions:		
Satisfaction of purpose restrictions	<u>(409,936)</u>	<u>(485,436)</u>
 Change in temporarily restricted net assets	<u>90,064</u>	<u>(485,436)</u>
 Change in net assets	90,064	(485,436)
 Net assets, beginning of year	<u>443,961</u>	<u>929,397</u>
 Net assets, end of year	<u>\$ 534,025</u>	<u>\$ 443,961</u>

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

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THE EAST BOSTON FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 90,064	\$ (485,436)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	462	531
Change in operating assets and liabilities:		
Grants receivable	(500,000)	-
Grants payable	55,000	(16,500)
Accounts payable and accrued liabilities	<u>5,830</u>	<u>(3,028)</u>
Net cash used in operating activities	(348,644)	(504,433)
Cash, beginning of year	<u>453,273</u>	<u>957,706</u>
Cash, end of year	<u>\$ 104,629</u>	<u>\$ 453,273</u>

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

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THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation

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

Method of accounting

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

Financial statement presentation

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

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

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

Permanently Restricted - Endowment or other resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. There are no permanently restricted net assets at December 31, 2015 and 2014.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated the financial statement impact of subsequent events occurring through September 20, 2016, the date that the financial statements were available to be issued.

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THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Furniture and equipment

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

Contributions, gifts, grants

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

Functional allocation of expenses

The costs of providing Foundation programs and the administration of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and promotion

All costs associated with advertising and promoting the Foundation and its programs are expensed in the year incurred. The Foundation did not have any advertising expense in 2015 and 2014.

Tax-exempt status

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

The Foundation files income tax returns in the U.S. federal jurisdiction. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Foundation has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Foundation's statements of financial position, or the related statements of activities, or cash flows. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

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THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - FURNITURE AND EQUIPMENT

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

	Estimated Useful Lives	2015	2014
Furniture	5 years	\$ 4,322	\$ 4,322
Equipment	5 years	5,440	5,440
		9,762	9,762
Less: Accumulated depreciation		9,161	8,699
		\$ 601	\$ 1,063

Depreciation expense was \$462 and \$531 in 2015 and 2014, respectively.

3 - GRANTS PAYABLE

Grants payable (amounts approved and awarded but not yet paid) to local not-for-profit groups consist of \$55,000 and \$0 as of December 31, 2015 and 2014, respectively.

4 - RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 are available for the following purposes:

	2015	2014
East Boston community grants and administrative costs	\$ 405,483	\$ 315,419

During 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	2015	2014
Purpose restrictions accomplished:		
East Boston community grants and administrative costs	\$ 409,936	\$ 485,436

5 - LEASE

The Foundation leases its office space on a tenant at will basis, rent expenses was \$3,750 and \$3,000 in 2015 and 2014, respectively.

6 - RISKS AND UNCERTAINTIES

The Foundation receives its funding under the terms of a Second Community Agreement (the "Agreement") between the East Boston Project Advisory Committee, which is the signatory to the Community Agreement establishing the East Boston Foundation, and the Massachusetts Port Authority (the "Authority"). The Foundation received its final \$800,000 grant under the Agreement from the Authority during 2013.

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THE EAST BOSTON FOUNDATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - RISKS AND UNCERTAINTIES (Continued)

The Agreement was executed in May, 2010 was set to expire on April 30, 2017. On June 30, 2015, the Board of Trustees voted unanimously to extend the terms of the Trust from June 30, 2015 through June 30, 2020. Additionally, on July 21, 2015, the East Boston Project Advisory Committee, Inc., voted unanimously to amend the Agreement to provide further payments to the Foundation based on additional milestones. The Agreement was amended on October 22, 2015. The Amendment extends the terms of the Agreement through July 1, 2020 and provides for total payments of \$2,500,000 to be released based on achieving certain milestones related to projects being undertaken by the Authority. As of December 31, 2015, the initial milestone had been achieved and the Foundation was entitled to a payment of \$500,000. This payment was received in February, 2016 and has been accrued in the accompanying financial statements.

Should any of the milestones not be reached during the term of the Agreement, including the Authority's decision not to commence or continue a project, the Authority shall have no obligation to make the payment tied to the milestone.

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SUPPLEMENTARY INFORMATION

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THE EAST BOSTON FOUNDATION
GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Payroll	\$ 72,888	\$ 62,410
Payroll taxes	5,853	5,472
Insurance	1,558	1,854
Professional fees	10,725	13,165
Rent	3,750	3,000
Utilities	1,920	1,950
Office expenses	478	1,360
Depreciation	462	531
Payroll processing	<u>1,208</u>	<u>1,145</u>
Total general and administrative expenses	<u>\$ 98,842</u>	<u>\$ 90,887</u>

See accompanying independent auditor's report.