

TIMOTHY SMITH NETWORK, INC.
FINANCIAL STATEMENTS
June 30, 2008 and 2007

TIMOTHY SMITH NETWORK, INC.

Contents

June 30, 2008 and 2007

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**ANDREW M. ZUROFF, C.P.A., P.C.
632 CENTRE STREET
JAMAICA PLAIN, MA 02130-2554**

Independent Auditor's Report on the Financial Statements

To the Board of Directors
Timothy Smith Network, Inc.
Roxbury, Massachusetts

I have audited the accompanying statements of financial position of Timothy Smith Network, Inc., (a Massachusetts corporation, not-for-profit) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Timothy Smith Network, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Timothy Smith Network, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Andrew M. Zuroff, C.P.A., P.C.
Jamaica Plain, MA

October 10, 2008

TIMOTHY SMITH NETWORK, INC.
STATEMENTS OF FINANCIAL POSTION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$145,279	\$720,730
Unconditional promises to give - Unrestricted:		
Membership dues and fees	12,901	7,999
Prepaid Payroll Taxes	318	0
	<u>158,498</u>	<u>728,729</u>
Total Current Assets		
Property and equipment (Note C)	28,806	28,124
Less: Accumulated Depreciation	<u>15,387</u>	<u>12,243</u>
Net Property and Equipment	<u>13,419</u>	<u>15,881</u>
Total Assets	<u>\$171,917</u>	<u>\$744,610</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$8,625	\$40,332
Payroll taxes payable	0	1,050
	<u>8,625</u>	<u>41,382</u>
Total Current Liabilities		
NET ASSETS		
Unrestricted	23,248	49,231
Temporary Restricted (Note B)	<u>140,044</u>	<u>653,997</u>
Total Net Assets	<u>163,292</u>	<u>703,228</u>
Total Liabilities and Net Assets	<u>\$171,917</u>	<u>\$744,610</u>

See accompanying notes to financial statements.

Andrew M. Zuroff, C.P.A., P.C.

TIMOTHY SMITH NETWORK, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
Support services	\$47,393	\$40,146
Membership dues	4,250	4,750
Investment return	1,926	2,229
Net assets released from restriction	500,470	552,583
	<hr/>	<hr/>
Total Unrestricted Revenues	554,039	599,708
	<hr/>	<hr/>
Functional Expenses:		
Program services	500,470	481,801
Supporting services	93,035	91,220
	<hr/>	<hr/>
Total Functional Expenses	593,505	573,021
	<hr/>	<hr/>
Increase (Decrease) in Unrestricted Net Assets	(39,466)	26,687
	<hr/>	<hr/>
TEMPORARY RESTRICTED NET ASSETS		
Contributions		
Timothy Smith Fund	0	1,081,504
Net assets released from restrictions	(500,470)	(552,583)
	<hr/>	<hr/>
Increase (Decrease) in Temporary Unrestricted Net Assets	(500,470)	528,921
	<hr/>	<hr/>
Net Assets at Beginning of Year	703,228	147,620
	<hr/>	<hr/>
Net Assets at End of Year	<u><u>\$163,292</u></u>	<u><u>\$703,228</u></u>

See accompanying notes to financial statements.

Andrew M. Zuroff, C.P.A., P.C.

TIMOTHY SMITH NETWORK, INC.
STATEMENTS OF CASH FLOW
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Change in net assets	(\$539,936)	\$555,608
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,144	4,451
Net unconditional promises to give	(4,902)	60,978
Accounts and taxes payables	<u>(33,075)</u>	<u>38,600</u>
Net cash provided (used) by operating activities	<u>(574,769)</u>	<u>659,637</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>682</u>	<u>0</u>
Net cash used in investing activities	<u>682</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(575,451)	659,637
Cash and cash equivalents - Beginning	<u>720,730</u>	<u>61,093</u>
Cash and cash equivalents - Ending	<u><u>\$145,279</u></u>	<u><u>\$720,730</u></u>

See accompanying notes to financial statements.

Andrew M. Zuroff, C.P.A., P.C.

TIMOTHY SMITH NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2007 and 2006

	<u>2008</u>		<u>2007</u>	
	<u>Program Services</u>	<u>Support Services</u>	<u>Program Services</u>	<u>Support Services</u>
Grants to Affiliated Centers	\$488,752	\$0	\$459,204	\$0
Salary Expense	5,913	48,670	3,458	46,542
Payroll Taxes & Benefits	615	4,448	331	4,454
Advertising	0	3,152	0	0
Computer Expenses	0	1,389	0	1,117
Conference and Meetings	0	1,562	0	4,875
Depreciation	0	3,144	0	4,451
Facilities	0	17,115	0	17,115
Licenses and Fees	0	1,369	0	384
Postage and Delivery	0	490	0	511
Printing and Copying	0	1,387	0	1,068
Professional Fees	5,190	7,717	18,808	6,800
Supplies	0	603	0	1,165
Technology Projects	0	0	0	0
Telephone	0	829	0	832
Travel	0	285	0	21
Uncollectable Membership Dues	0	875	0	1,885
	<u>\$500,470</u>	<u>\$93,035</u>	<u>\$481,801</u>	<u>\$91,220</u>

See accompanying notes to financial statements.

Andrew M. Zuroff, C.P.A., P.C.

TIMOTHY SMITH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Timothy Smith Network (TSN) is a member organization established to build the capacity of Greater Roxbury's 39 Timothy Smith Centers (TSC). The mission of TSN is to increase the capacity of the Greater Roxbury community of Boston to effectively use and access technology by providing technology-related services, educational programs and resources as well as strengthening and supporting the individual TSCs.

The Timothy Smith Fund has authorized grants in excess of \$5.0 million to thirty-nine charitable organizations in Roxbury for the creation of an integrated consortium of technology centers at their distinct facilities. The Timothy Smith Fund grants are utilized by each non-profit organization to acquire state-of-the-art software and computers and to properly outfit each center with computer peripherals and furnishings. The Timothy Smith Centers' computers are connected to an internal network through a server and externally via the Internet. The average center has twelve to fifteen computers, two printers, one scanner, a digital camera and twelve to fifteen workstations and chairs. These community-based organizations are independent of TSN.

The Timothy Smith Network, Inc. became incorporated in Massachusetts on June 5, 2003. It is recognized as a non-profit in the Commonwealth of Massachusetts and by the IRS as a 501(c)(3) corporation. All TSN sites are 501(c)(3) corporations.

Promises to Give

Contributions are recognized when the donor makes a promise to give to TSN that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor- restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Conditional promises are not recorded as a contribution until the condition on which it depends is substantially met.

Timothy Smith Network, Inc. uses the direct write-off method to determine uncollectible unconditional promises receivable. Although this method is not generally accepted, it does approximate generally accepted accounting principals. This method is based on prior years' experience and management's analysis of specific promises made.

TIMOTHY SMITH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Contributed Services

During the years ended June 30, 2008 and 2007, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the TSN with management and decision making for the Network investigating and applying for available funds and materials. These services do not meet the criteria for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. These are all considered to be cash and cash equivalents for the purpose of the statements of cash flows.

Property and Equipment Depreciation

It is TSN's policy to capitalize property and equipment at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, the Timothy Smith Network reports expiration of the donor restrictions when acquired assets are placed in service as instructed by the donor.

Depreciation of property and equipment is computed using the straight-line method over the following useful lives:

Equipment	3-10 years
Furniture and fixtures	5-10 years

At June 30, 2008 and 2007 there is no fully depreciated property or equipment.

Financial Statement Presentation

Timothy Smith Network according to SFAS No. 117, Financial Statements for Not-for-Profit Organizations is required to report 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. TSN does not use fund accounting.

TIMOTHY SMITH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction.

Income Taxes

Timothy Smith Network is a not-for-profit organization that is exempt from taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundation.

Functional Allocation of Expenses

The costs of providing the various program and activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated between program and support services.

Advertising Expenses

Advertising costs are expensed as incurred. At June 30, 2008 and June 30, 2007, Timothy Smith Network incurred advertising expense of \$3,152 and \$0 respectively.

Free Use of Facilities

Roxbury Community College provides TSN with free use of facilities consisting of office space, utilities, communication and unlimited access to a copy center. The free use of facilities is not promised for a specified period of time; therefore, TSN is recognizing a contribution and expense at the fair value amount of \$18,015 for the year ended June 30, 2008 and 2007.

NOTE – B RESTRICTIONS ON NET ASSETS

Temporarily restricted assets are available to support projects as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Grants to Timothy Smith Centers	\$135,708	\$624,415
NASA – IDEAS	6,304	0
Boston Public Schools	(784)	0
TSN - CSI	(1,184)	0
Microsoft – Technical Training	0	29,582
	<u>\$ 140,044</u>	<u>\$125,076</u>

TIMOTHY SMITH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE – C PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,:

	<u>2008</u>	<u>2007</u>
Computer Equipment	\$12,208	\$12,208
Furniture	16,598	15,916
	<u>\$28,806</u>	<u>\$28,124</u>

NOTE – D CASH IN EXCESS OF FDIC INSURED LIMITS

The Timothy Smith Network maintains its cash in bank deposit accounts at Wainwright Bank, which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007 and June 30, 2006, TSN had approximately \$139,422 and \$615,697 respectively in funds in excess of FDIC limits. TSN has not experienced any losses in such accounts. Due to recent legislation, the FDIC accounts are now guaranteed up to \$250,000.

NOTE – E CONCENTRATION OF CREDIT RISK

The Timothy Smith Network, Inc.’s primary funding source is from “The Timothy Smith Fund for Old Roxbury” which was established by the City of Boston on March 8, 1996.

NOTE – F RELATED PARTY TRANSACTIONS

In accordance with FASB 57, there were no material related party transactions for the years ended June 30, 2008 and 2007.

BUDGET INFORMATION - Non-Construction Programs

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$
2.						
3.						
4.						
5. Totals		\$	\$	\$	\$	\$

SECTION B - BUDGET CATEGORIES

6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY			Total (5)
	(1)	(2)	(3)	
a. Personnel	\$	\$	\$	\$
b. Fringe Benefits				
c. Travel				
d. Equipment				
e. Supplies				
f. Contractual				
g. Construction				
h. Other				
i. Total Direct Charges (sum of 6a-6h)				
j. Indirect Charges				
k. TOTALS (sum of 6i and 6j)	\$	\$	\$	\$

7. Program Income	\$	\$	\$	\$	\$
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SECTION C - NON-FEDERAL RESOURCES

(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS
8.	\$	\$	\$	\$
9.				
10.				
11.				
12. TOTAL <i>(sum of lines 8-11)</i>	\$	\$	\$	\$

SECTION D - FORECASTED CASH NEEDS

	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$	\$	\$	\$	\$
14. Non-Federal					
15. TOTAL <i>(sum of lines 13 and 14)</i>	\$	\$	\$	\$	\$

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT

(a) Grant Program	FUTURE FUNDING PERIODS (Years)			
	(b) First	(c) Second	(d) Third	(e) Fourth
16.	\$	\$	\$	\$
17.				
18.				
19.				
20. TOTAL <i>(sum of lines 16-19)</i>	\$	\$	\$	\$

SECTION F - OTHER BUDGET INFORMATION

21. Direct Charges:	22. Indirect Charges:
23. Remarks:	

INSTRUCTIONS FOR THE SF-424A

Public reporting burden for this collection of information is estimated to average 180 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0044), Washington, DC 20503.

**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET.
SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

General Instructions

This form is designed so that application can be made for funds from one or more grant programs. In preparing the budget, adhere to any existing Federal grantor agency guidelines which prescribe how and whether budgeted amounts should be separately shown for different functions or activities within the program. For some programs, grantor agencies may require budgets to be separately shown by function or activity. For other programs, grantor agencies may require a breakdown by function or activity. Sections A, B, C, and D should include budget estimates for the whole project except when applying for assistance which requires Federal authorization in annual or other funding period increments. In the latter case, Sections A, B, C, and D should provide the budget for the first budget period (usually a year) and Section E should present the need for Federal assistance in the subsequent budget periods. All applications should contain a breakdown by the object class categories shown in Lines a-k of Section B.

Section A. Budget Summary Lines 1-4 Columns (a) and (b)

For applications pertaining to a *single* Federal grant program (Federal Domestic Assistance Catalog number) and *not requiring* a functional or activity breakdown, enter on Line 1 under Column (a) the Catalog program title and the Catalog number in Column (b).

For applications pertaining to a *single* program *requiring* budget amounts by multiple functions or activities, enter the name of each activity or function on each line in Column (a), and enter the Catalog number in Column (b). For applications pertaining to multiple programs where none of the programs require a breakdown by function or activity, enter the Catalog program title on each line in *Column* (a) and the respective Catalog number on each line in Column (b).

For applications pertaining to *multiple* programs where one or more programs *require* a breakdown by function or activity, prepare a separate sheet for each program requiring the breakdown. Additional sheets should be used when one form does not provide adequate space for all breakdown of data required. However, when more than one sheet is used, the first page should provide the summary totals by programs.

Lines 1-4, Columns (c) through (g)

For new applications, leave Column (c) and (d) blank. For each line entry in Columns (a) and (b), enter in Columns (e), (f), and (g) the appropriate amounts of funds needed to support the project for the first funding period (usually a year).

For continuing grant program applications, submit these forms before the end of each funding period as required by the grantor agency. Enter in Columns (c) and (d) the estimated amounts of funds which will remain unobligated at the end of the grant funding period only if the Federal grantor agency instructions provide for this. Otherwise, leave these columns blank. Enter in columns (e) and (f) the amounts of funds needed for the upcoming period. The amount(s) in Column (g) should be the sum of amounts in Columns (e) and (f).

For supplemental grants and changes to existing grants, do not use Columns (c) and (d). Enter in Column (e) the amount of the increase or decrease of Federal funds and enter in Column (f) the amount of the increase or decrease of non-Federal funds. In Column (g) enter the new total budgeted amount (Federal and non-Federal) which includes the total previous authorized budgeted amounts plus or minus, as appropriate, the amounts shown in Columns (e) and (f). The amount(s) in Column (g) should not equal the sum of amounts in Columns (e) and (f).

Line 5 - Show the totals for all columns used.

Section B Budget Categories

In the column headings (1) through (4), enter the titles of the same programs, functions, and activities shown on Lines 1-4, Column (a), Section A. When additional sheets are prepared for Section A, provide similar column headings on each sheet. For each program, function or activity, fill in the total requirements for funds (both Federal and non-Federal) by object class categories.

Line 6a-i - Show the totals of Lines 6a to 6h in each column.

Line 6j - Show the amount of indirect cost.

Line 6k - Enter the total of amounts on Lines 6i and 6j. For all applications for new grants and continuation grants the total amount in column (5), Line 6k, should be the same as the total amount shown in Section A, Column (g), Line 5. For supplemental grants and changes to grants, the total amount of the increase or decrease as shown in Columns (1)-(4), Line 6k should be the same as the sum of the amounts in Section A, Columns (e) and (f) on Line 5.

Line 7 - Enter the estimated amount of income, if any, expected to be generated from this project. Do not add or subtract this amount from the total project amount, Show under the program

INSTRUCTIONS FOR THE SF-424A (continued)

narrative statement the nature and source of income. The estimated amount of program income may be considered by the Federal grantor agency in determining the total amount of the grant.

Section C. Non-Federal Resources

Lines 8-11 Enter amounts of non-Federal resources that will be used on the grant. If in-kind contributions are included, provide a brief explanation on a separate sheet.

Column (a) - Enter the program titles identical to Column (a), Section A. A breakdown by function or activity is not necessary.

Column (b) - Enter the contribution to be made by the applicant.

Column (c) - Enter the amount of the State's cash and in-kind contribution if the applicant is not a State or State agency. Applicants which are a State or State agencies should leave this column blank.

Column (d) - Enter the amount of cash and in-kind contributions to be made from all other sources.

Column (e) - Enter totals of Columns (b), (c), and (d).

Line 12 - Enter the total for each of Columns (b)-(e). The amount in Column (e) should be equal to the amount on Line 5, Column (f), Section A.

Section D. Forecasted Cash Needs

Line 13 - Enter the amount of cash needed by quarter from the grantor agency during the first year.

Line 14 - Enter the amount of cash from all other sources needed by quarter during the first year.

Line 15 - Enter the totals of amounts on Lines 13 and 14.

Section E. Budget Estimates of Federal Funds Needed for Balance of the Project

Lines 16-19 - Enter in Column (a) the same grant program titles shown in Column (a), Section A. A breakdown by function or activity is not necessary. For new applications and continuation grant applications, enter in the proper columns amounts of Federal funds which will be needed to complete the program or project over the succeeding funding periods (usually in years). This section need not be completed for revisions (amendments, changes, or supplements) to funds for the current year of existing grants.

If more than four lines are needed to list the program titles, submit additional schedules as necessary.

Line 20 - Enter the total for each of the Columns (b)-(e). When additional schedules are prepared for this Section, annotate accordingly and show the overall totals on this line.

Section F. Other Budget Information

Line 21 - Use this space to explain amounts for individual direct object class cost categories that may appear to be out of the ordinary or to explain the details as required by the Federal grantor agency.

Line 22 - Enter the type of indirect rate (provisional, predetermined, final or fixed) that will be in effect during the funding period, the estimated amount of the base to which the rate is applied, and the total indirect expense.

Line 23 - Provide any other explanations or comments deemed necessary.