

**THE BOX PROJECT, INC.**

(a not-for-profit organization)

Audited Financial Statements and Independent Auditors' Report

For the year ended December 31, 2004

**WESTON, GREGORY & DURANCEAU, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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# WESTON, GREGORY & DURANCEAU, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Box Project, Inc.  
Ormond Beach, Florida

We have audited the accompanying statement of financial position of The Box Project, Inc. (a not-for-profit organization) as of December 31, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of The Box Project, Inc. as of December 31, 2004, 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.

*Weston, Gregory & Duranceau, P.A.*

March 23, 2005



THE BOX PROJECT, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2004

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 180,018	\$ 19,471	\$ 199,489
Total current assets	<u>180,018</u>	<u>19,471</u>	<u>199,489</u>
Property and equipment - net	7,509	-	7,509
Deposits	<u>600</u>	<u>-</u>	<u>600</u>
 Total assets	 <u>\$ 188,127</u>	 <u>\$ 19,471</u>	 <u>\$ 207,598</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accrued expenses	\$ 7,228	\$ -	\$ 7,228
Deferred revenue	11,000	-	11,000
Total current liabilities	<u>18,228</u>	<u>-</u>	<u>18,228</u>
Net Assets:			
Unrestricted	169,899	-	169,899
Temporarily restricted	-	19,471	19,471
Total net assets	<u>169,899</u>	<u>19,471</u>	<u>189,370</u>
 Total liabilities and net assets	 <u>\$ 188,127</u>	 <u>\$ 19,471</u>	 <u>\$ 207,598</u>

The accompanying Independent Auditors' Report and notes  
should be read with these financial statements

THE BOX PROJECT, INC.  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Support:			
Contributions	\$ 89,392	\$ -	\$ 89,392
Membership dues	64,399	-	64,399
Direct aid fee	3,120	-	3,120
Total Support	<u>156,911</u>	<u>-</u>	<u>156,911</u>
Revenue:			
Other income	18	-	18
Interest income	222	50	272
Total Revenue	<u>240</u>	<u>50</u>	<u>290</u>
Total Public Support and Revenue before Net Assets Released from Restriction	<u>157,151</u>	<u>50</u>	<u>157,201</u>
Net Assets Released From Restrictions:			
Restrictions satisfied by payments	<u>2,535</u>	<u>(2,535)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>159,686</u>	<u>(2,485)</u>	<u>157,201</u>
<u>EXPENSES</u>			
Program Services:			
Family match	115,272	-	115,272
Class match	3,075	-	3,075
Educational awards	3,075	-	3,075
Total program services	<u>121,422</u>	<u>-</u>	<u>121,422</u>
Supporting Services:			
Management and general	<u>32,275</u>	<u>-</u>	<u>32,275</u>
<b>TOTAL EXPENSES</b>	<u>153,697</u>	<u>-</u>	<u>153,697</u>
Change in net assets	5,989	(2,485)	3,504
Net assets, beginning of year	<u>163,910</u>	<u>21,956</u>	<u>185,866</u>
Net assets, end of year	<u>\$ 169,899</u>	<u>\$ 19,471</u>	<u>\$ 189,370</u>

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THE BOX PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2004

EXPENSES	Program Services			Total Program Services	Support Services	Total Expenses
	Family Match	Class Match	Educational Awards		Management and General	
Compensation and benefits:						
Compensation	\$ 52,465	\$ 1,399	\$ 1,399	\$ 55,263	\$ 14,690	\$ 69,953
Employee benefits	5,378	143	143	5,664	1,505	7,169
Payroll taxes	4,532	121	121	4,774	1,269	6,043
	<u>62,375</u>	<u>1,663</u>	<u>1,663</u>	<u>65,701</u>	<u>17,464</u>	<u>83,165</u>
Other operating expenses:						
Occupancy	12,788	341	341	13,470	3,581	17,051
Printing	6,700	179	179	7,058	1,876	8,934
Meetings	4,816	128	128	5,072	1,348	6,420
Telephone	4,705	126	126	4,957	1,318	6,275
Professional fees	4,699	125	125	4,949	1,315	6,264
Postage	3,909	104	104	4,117	1,094	5,211
Office supplies	3,369	90	90	3,549	943	4,492
Travel	2,249	60	60	2,369	630	2,999
Insurance	1,936	52	52	2,040	542	2,582
Program expense	1,788	48	48	1,884	501	2,385
Depreciation	1,459	39	39	1,537	409	1,946
Bank charges	1,393	37	37	1,467	390	1,857
Computer expenses	1,375	37	37	1,449	385	1,834
License and permits	1,218	33	33	1,284	341	1,625
Dues and subscriptions	493	13	13	519	138	657
	<u>49,375</u>	<u>1,075</u>	<u>1,075</u>	<u>51,525</u>	<u>13,800</u>	<u>65,325</u>
TOTAL EXPENSES	<u>\$ 115,272</u>	<u>\$ 3,075</u>	<u>\$ 3,075</u>	<u>\$ 121,422</u>	<u>\$ 32,275</u>	<u>\$ 153,697</u>

The accompanying Independent Auditors' Report and notes  
should be read with these financial statements

THE BOX PROJECT, INC.  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2004

Cash flows from operating activities:	
Cash received from contributors and service recipients	\$ 167,911
Interest and other revenue	290
Cash paid to suppliers and employees	<u>(151,197)</u>
Net cash provided by operating activities	<u>17,004</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(2,968)</u>
Net cash used in investing activities	(2,968)
Net increase in cash and cash equivalents	14,036
Cash and cash equivalents, beginning of year	<u>185,453</u>
Cash and cash equivalents, end of year	<u><u>\$ 199,489</u></u>
Reconciliation of net assets to net cash provided by operating activities:	
Change in net assets	\$ 3,504
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	1,946
(Increase) decrease in operating assets:	
Prepaid expenses	800
Deposits	(600)
Increase (decrease) in operating liabilities:	
Accrued expenses	354
Deferred revenue	<u>11,000</u>
Net cash provided by operating activities	<u><u>\$ 17,004</u></u>

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THE BOX PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2004

1. Nature of Activities:

The Box Project, Inc., is a national not-for-profit organization originally incorporated in the State of Connecticut in 1969 and reincorporated in the State of Florida on September 23, 2004. The Organization's mission is to provide charitable and educational assistance to individual families and groups in the United States, especially those living in rural poverty.

The Box Project serves these needs by:

- a. Matching members with a family or group living in poverty in the rural United States, particularly the Mississippi Delta, for the purpose of providing charitable material help and educational assistance.
- b. Providing an opportunity to increase understanding, trust, and cooperation among people of diverse economic and geographic backgrounds, in order to alleviate poverty and inequality.
- c. Promoting changes that will lead to equal opportunity for all people to live in dignity, wherever they choose to make their home.
- d. Assisting families in need to use personal and community resources and programs effectively.

2. Summary of Significant Accounting Policies:

The following is a summary of the Company's significant accounting policies:

Basis of accounting - The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - In June 1993, the Financial Accounting Standards Board issued statement No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS 116), and Statement No. 117, "Financial Statements of Not-for-Profit Organizations: (SFAS 117). SFAS 116 establishes recognition and disclosure requirements for contributions received and made, whether in cash, property, or in kind, for all entities, including not-for-profit organizations. SFAS 117 establishes the basic financial statement presentation for not-for-profit organizations.

The financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets—net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets—net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets—net assets subject to donor imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2004 there were no permanently restricted assets.

THE BOX PROJECT, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 For the year ended December 31, 2004

2. Summary of Significant Accounting Policies, continued:

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 136 (SFAS 136), in September 1999. SFAS 136 establishes accounting and reporting standards for organizations that collect money from individuals directed to be transferred to other organizations or individuals identified by the donors. These types of monetary exchanges are not considered contributions to the organization but rather liabilities.

The organization has a program identified as 'Aid to the Needy'. Individuals contribute money to the organization and designate their 'matched families' as beneficiaries of this money. The organization transfers the funds to the designated families and deducts a small amount of the donors' money as a transfer fee located on the Statement of Activity as 'Direct Aid Fees'.

Cash and cash equivalents - The Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Land, Buildings and Equipment - Property and equipment having a unit cost of \$500 or more and an estimated useful life of more than three years are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years.

Income Taxes - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates - The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Concentration of Credit - At December 31, 2004, the Organization had cash accounts with one local financial institution. The cash balances exceeded the Federal Deposit Insurance Corporation's coverage by approximately \$105,212.

3. Property and Equipment:

Property and equipment for the Organization consists of the following:

Furniture and fixtures	\$ 1,231
Machinery and equipment	<u>19,178</u>
	20,409
Less: Accumulated Depreciation	<u>(12,900)</u>
Net Property and Equipment	<u>\$ 7,509</u>

Depreciation expense was \$1,946 for the year ended December 31, 2004.

THE BOX PROJECT, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 For the year ended December 31, 2004

4. Restriction of Net Assets:

Temporarily restricted net assets are available for the following purpose:

Scholarship Fund	\$ 19,471
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Satisfaction of purpose restrictions:

Donor restricted contributions used by the Comic Book Fund	\$ 2,535
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5. Functional Allocation of Expenses:

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

6. Leases:

The Organization leases its office facilities under a lease expiring in 2006. Minimum future rental payments under this lease are:

2005	-	\$	7,200
2006			3,000
Thereafter			0
			\$ 10,200

Rent expense for fiscal year 2004 was \$9,300.

7. Deferred Compensation Plan:

The Organization has a 403(b) deferred compensation plan with Mutual of America. All employees are eligible to contribute immediately. There is neither a waiting period nor a minimum number of work hours required. The Organization does not make an employer contributory match.