

THE BOX PROJECT, INC.

(a not-for-profit organization)

Audited Financial Statements and Independent Auditors' Report

For the year ended December 31, 2007

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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, 2007, 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, 2007, 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, PA

March 10, 2008



THE BOX PROJECT, INC.
Statement of Financial Position
December 31, 2007

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 37,592	\$ 690	\$ 38,282
Certificates of deposit	73,921	-	73,921
Prepaid expenses	1,138	-	1,138
	<u>112,651</u>	<u>690</u>	<u>113,341</u>
<u>Noncurrent Assets:</u>			
Property and equipment - net	1,704	-	1,704
Deposits	600	-	600
	<u>2,304</u>	<u>-</u>	<u>2,304</u>
Total assets	<u>\$ 114,955</u>	<u>\$ 690</u>	<u>\$ 115,645</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>Current Liabilities:</u>			
Accrued expenses	\$ 14,797	\$ -	\$ 14,797
	<u>14,797</u>	<u>-</u>	<u>14,797</u>
<u>Net Assets:</u>			
<u>Unrestricted</u>			
Board designated	74,765	-	74,765
Undesignated	25,393	-	25,393
Temporarily restricted	-	690	690
	<u>100,158</u>	<u>690</u>	<u>100,848</u>
Total liabilities and net assets	<u>\$ 114,955</u>	<u>\$ 690</u>	<u>\$ 115,645</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, 2007

	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE</u>			
Support:			
Contributions	\$ 76,764	\$ 600	\$ 77,364
Membership dues	56,017	-	56,017
Direct aid fees	1,786	-	1,786
Total Support	134,567	600	135,167
Revenue:			
Interest income	4,363	-	4,363
Total Public Support and Revenue before Net Assets Released from Restriction	138,930	600	139,530
Net Assets Released From Restrictions:			
Restrictions satisfied by payments	1,445	(1,445)	-
TOTAL SUPPORT AND REVENUE	140,375	(845)	139,530
<u>EXPENSES</u>			
Program Services:			
Family match	129,684	-	129,684
Class match	3,459	-	3,459
Educational awards	4,904	-	4,904
Total program services	138,047	-	138,047
Supporting Services:			
Management and general	32,027	-	32,027
Fundraising	5,187	-	5,187
Total supporting services	37,214	-	37,214
TOTAL EXPENSES	175,261	-	175,261
Change in net assets	(34,886)	(845)	(35,731)
Net assets, beginning of year	135,044	1,535	136,579
Net assets, end of year	\$ 100,158	\$ 690	\$ 100,848

The accompanying Independent Auditors' Report and notes
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THE BOX PROJECT, INC.
Statement of Functional Expenses
For the year ended December 31, 2007

<u>EXPENSES</u>	<u>Program Services</u>			Total Program Services
	<u>Family Match</u>	<u>Class Match</u>	<u>Educational Awards</u>	
Compensation and benefits:				
Compensation	\$ 70,127	\$ 1,870	\$ 1,870	\$ 73,867
Employee benefits	5,749	153	153	6,055
Payroll taxes	6,516	174	174	6,864
	<u>82,392</u>	<u>2,197</u>	<u>2,197</u>	<u>86,786</u>
Other operating expenses:				
Occupancy	7,072	189	189	7,450
Printing	3,511	94	94	3,699
Meetings	823	22	22	867
Telephone	4,888	130	130	5,148
Professional fees	4,456	119	119	4,694
Postage	5,403	144	144	5,691
Office supplies	1,989	53	53	2,095
Travel	2,388	64	64	2,516
Insurance	1,679	45	45	1,769
Program expense	-	-	1,445	1,445
Depreciation	2,035	54	54	2,143
Bank charges	1,690	45	45	1,780
Computer expenses	1,343	36	36	1,415
License and permits	1,987	53	53	2,093
Advertising	7,345	196	196	7,737
Dues and subscriptions	683	18	18	719
	<u>683</u>	<u>18</u>	<u>18</u>	<u>719</u>
TOTAL EXPENSES	<u><u>\$ 129,684</u></u>	<u><u>\$ 3,459</u></u>	<u><u>\$ 4,904</u></u>	<u><u>\$ 138,047</u></u>

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Support Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 16,830	\$ 2,805	19,635	\$ 93,502
1,380	230	1,610	7,665
1,564	261	1,825	8,689
<u>19,774</u>	<u>3,296</u>	<u>23,070</u>	<u>109,856</u>
1,697	283	1,980	9,430
843	140	983	4,682
198	33	231	1,098
1,173	195	1,368	6,516
1,070	178	1,248	5,942
1,297	216	1,513	7,204
478	80	558	2,653
573	96	669	3,185
403	67	470	2,239
900	-	900	2,345
488	81	569	2,712
406	68	474	2,254
323	54	377	1,792
477	79	556	2,649
1,763	294	2,057	9,794
164	27	191	910
<u>\$ 32,027</u>	<u>\$ 5,187</u>	<u>\$ 37,214</u>	<u>\$ 175,261</u>

THE BOX PROJECT, INC.
Statement of Cash Flows
For the year ended December 31, 2007

Cash flows from operating activities:	
Cash received from contributors and service recipients	\$ 127,882
Interest and other revenue	4,363
Cash paid to suppliers and employees	<u>(178,325)</u>
Net cash used in operating activities	<u>(46,080)</u>
Cash flows from investing activities:	
Maturities of certificates of deposit	<u>24,750</u>
Net cash provided by investing activities	<u>24,750</u>
Net decrease in cash and cash equivalents	(21,330)
Cash and cash equivalents, beginning of year	<u>59,612</u>
Cash and cash equivalents, end of year	<u><u>\$ 38,282</u></u>
Reconciliation of net assets to net cash used in operating activities:	
Change in net assets	\$ (35,731)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	2,712
(Increase) decrease in operating assets:	
Prepaid expenses	(531)
Increase (decrease) in operating liabilities:	
Accrued expenses	(5,245)
Deferred revenue	<u>(7,285)</u>
Net cash used in operating activities	<u><u>\$ (46,080)</u></u>

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

THE BOX PROJECT, INC.
Notes to Financial Statements
December 31, 2007

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 encourage and enrich the lives of families and individuals living in poverty in rural America by a) establishing meaningful relationships, b) promoting education, and c) offering material aid.

The Box Project serves these needs by:

- a. Matching members with a family or group living in poverty in the rural United States, 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 the effects of poverty on families.
- 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 Organization'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 - The financial statements of the Organization are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in 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 BOX PROJECT, INC.
Notes to Financial Statements
December 31, 2007

2. Summary of Significant Accounting Policies, continued:

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—the unrestricted net asset class includes the general and board designated assets and liabilities of the Organization. Revenue and support received by the Organization without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Organization. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and the Board of Directors to support the Organization's purposes and operations. Temporarily restricted net assets are reclassified to unrestricted as the time or purpose of the restrictions is met. These amounts are then reported in the Statement of Activities as "net assets released from restriction."

Temporarily Restricted Net Assets—the temporarily restricted net asset class includes expendable assets and related liabilities of the Organization. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met. When the time or purpose of the restriction is met, these assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restriction."

Permanently Restricted Net Assets—the permanently restricted net asset class includes assets and related liabilities of the Organization related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. The income generated from the investment of corpus is available for the Organization's operations in accordance with the donor restrictions. Appreciation related to the permanently restricted net assets, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class. At December 31, 2007 there were no permanently restricted assets.

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 BOX PROJECT, INC.
Notes to Financial Statements
December 31, 2007

2. Summary of Significant Accounting Policies, continued:

The Organization has a program identified as 'Direct Aid'. 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 a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are deductible under Section 170(b)(1)(A)(iv) of the 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, 2007, the Organization had cash accounts and certificates of deposit with local financial institutions. The balances in these accounts did not exceed the Federal Deposit Insurance Corporation's coverage.

3. Property and Equipment:

Property and equipment for the Organization consists of the following:

Furniture and fixtures	\$ 1,231
Machinery and equipment	21,498
	<u>22,729</u>
Less: Accumulated Depreciation	(21,025)
Net Property and Equipment	<u>\$ 1,704</u>

Depreciation expense was \$2,712 for the year ended December 31, 2007.

THE BOX PROJECT, INC.
Notes to Financial Statements
December 31, 2007

4. Restriction of Net Assets:

Temporarily restricted net assets are available for the following purpose:

Education Award Fund	\$ <u>690</u>
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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:

Education Award Fund	\$ <u>1,445</u>
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5. Net Assets Designated by Board:

The Board of Directors has designated unrestricted net assets of \$74,765 and are not available for current operations.

6. 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.

7. Leases:

The Organization leases its office facilities under a lease expiring in February 2008. Minimum future rental payments under this lease are:

2008	\$ 1,275
Thereafter	<u>0</u>
	<u>\$ 1,275</u>

Rent expense for fiscal year 2007 was \$7,595.