

The Newton Chinese Language School, Inc.  
Financial Statements  
June 30, 2013

Prepared by  
W.A. Leonard and Company, P.C.  
Certified Public Accountants

**The Newton Chinese Language School, Inc.**

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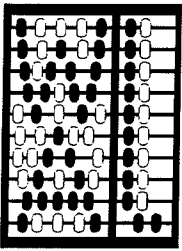
Financial Statements:

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W. A. LEONARD & COMPANY, P.C.

*Certified Public Accountants*

## Independent Auditors' Report

Norwood Corporate Center  
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Norwood, Massachusetts 02062  
Telephone: 781 762-2027  
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Board of Directors  
The Newton Chinese Language School, Inc.  
P.O. Box 600442  
Newtonville, Massachusetts 02460-0004

We have audited the accompanying financial statements of The Newton Chinese Language School, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and statement of 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.

### Auditor's 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 judgement, 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 Newton Chinese Language School, Inc. as of June 30, 2013, 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.

Respectfully submitted,

W. A. Leonard & Co., P.C.  
Certified Public Accountants

October 28, 2013  
Norwood, Massachusetts

## Financial Statements

**Exhibit A**

**The Newton Chinese Language School, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2013**

**2013**

Assets

|                                |                          |
|--------------------------------|--------------------------|
| Current Assets                 |                          |
| Cash - Unrestricted            | \$ 760,258               |
| Inventory                      | <u>15,756</u>            |
| Total Current Assets           | <u>\$ 776,014</u>        |
| Property and Equipment         |                          |
| Office Equipment               | \$ 30,167                |
| Less: Accumulated Depreciation | <u>(22,639)</u>          |
| Net Property and Equipment     | <u>\$ 7,528</u>          |
| Total Assets                   | <u><u>\$ 783,542</u></u> |

Liabilities and Net Assets

|                                  |                          |
|----------------------------------|--------------------------|
| Current Liabilities              |                          |
| Accrued Expense                  | \$ 103,102               |
| Unearned Revenue                 | <u>219,515</u>           |
| Total Current Liabilities        | <u>\$ 322,617</u>        |
| Total Liabilities                | <u>\$ 322,617</u>        |
| Net Assets                       |                          |
| Unrestricted                     | <u>\$ 460,925</u>        |
| Total Net Assets                 | <u>\$ 460,925</u>        |
| Total Liabilities and Net Assets | <u><u>\$ 783,542</u></u> |

See Accompanying Notes to the Financial Statements

**The Newton Chinese Language School, Inc.**  
**Statement of Activities**  
**For Year Ended June 30, 2013**

2013

## Changes in Unrestricted Net Assets

## Revenue and Support

|                      |              |
|----------------------|--------------|
| Net Tuition and Fees | \$ 480,351   |
| Student Activities   | 7,654        |
| Contributions        | 11,879       |
| Miscellaneous Income | 5,550        |
| Interest Income      | <u>2,043</u> |

Total Unrestricted Revenue and Support \$ 507,477

## Expenses

## Program Services Expenses:

|                    |               |
|--------------------|---------------|
| Academic Programs  | \$ 464,254    |
| Student Activities | <u>12,128</u> |

Total Program Services Expenses \$ 476,382

## Supporting Services Expenses:

|                            |               |
|----------------------------|---------------|
| General and Administrative | <u>27,943</u> |
|----------------------------|---------------|

Total Expenses \$ 504,325

Increase in Unrestricted Net Assets \$ 3,152

Net Assets at Beginning of Years \$ 457,773

Net Assets at End of Years \$ 460,925

**The Newton Chinese Language School, Inc.**  
**Statement of Cash Flows**  
**For Year Ended June 30, 2013**

|                                       | <b>2013</b>              |
|---------------------------------------|--------------------------|
| Cash Flows From Operating Activities: |                          |
| Increase in Net Assets                | \$ 3,152                 |
| Adjustments to reconcile Net Income   |                          |
| Amortization and Depreciation         | 3,634                    |
| Inventory                             | (12,036)                 |
| Accrued Expense                       | 77,464                   |
| Deferred Revenue                      | 98,474                   |
| Total Adjustments                     | <u>\$ 167,536</u>        |
| Net Cash Provided By (Used in)        |                          |
| Operating Activities                  | \$ 170,688               |
| Cash Flows From Investing Activities: |                          |
| Acquisition of Equipment              | <u>\$ (1,855)</u>        |
| Net Cash Provided By (Used in)        |                          |
| Investing Activities                  | <u>\$ (1,855)</u>        |
| Net Increase in Cash                  | \$ 168,833               |
| Cash, Beginning of Year               | <u>591,425</u>           |
| Cash, End of Year                     | <u><u>\$ 760,258</u></u> |
| Supplemental Disclosures:             |                          |
| Interest Paid During Year             | <u>\$ 0</u>              |
| Income Taxes Paid During Year         | <u><u>\$ 0</u></u>       |

See Accompanying Notes to the Financial Statements

Notes to the Financial Statements

**The Newton Chinese Language School, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2013**

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

- A. Nature of Activities - The Newton Chinese Language School, Inc. (the School) is a not-for-profit organization incorporated on November 2, 2001, under the laws of the Commonwealth of Massachusetts. The School operates a private language educational institution in the City of Newton for the purpose of promoting and preserving the Chinese culture and tradition. Prior to commencing operations, the School was administered by the Greater Boston Chinese Cultural Association, Inc.
- B. Basis of Accounting - The School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues are recognized when earned, and expenses are recognized when incurred.
- C. Basis of Presentation - In accordance with Financial Accounting Standards Board - Accounting Standards Codification No. 958 formerly known as SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the School 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. The School has no temporarily restricted or permanently restricted net assets.
- D. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- E. Property, Equipment and Depreciation - Acquisitions of property, equipment and costs that materially prolong the useful lives of assets are capitalized. Depreciation is provided by use of the straight-line method utilized over the estimated useful lives of the related assets.
- F. Donated services - No amounts have been reflected in the statements for donated services because they did not meet the criteria for recognition under Financial Accounting Standards Board - Accounting Standards Codification No. 310 formerly known as SFAS No. 116. Management estimates that volunteers helping in the academic programs donated approximately 3,600 hours to the School in fiscal 2012.

The Newton Chinese Language School, Inc.  
Notes to the Financial Statements  
June 30, 2013

(Continued)

- G. Significant Leases - Effective on September 1, 2002, the School entered into a one year lease to rent facilities from the City of Newton. Said lease has been renewed annually in subsequent periods. Annual rental payments to the City of Newton totalled \$38,275 per annum for the year ended June 30, 2013. For the period ending June 30, 2014, the rental stipend anticipated will be \$41,034, plus other maintenance fees. The lease is anticipated to continue being renewed on an annual basis and will expire on June 30, 2014.
- H. Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.
- I. Income Taxes - The Newton Chinese School, Inc. is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Note 2 - Property and Equipment

Property and Equipment as of June 30, 2013 is summarized as follows:

|                                  |                 |
|----------------------------------|-----------------|
| Property and Equipment - At Cost | \$30,167        |
| Accumulated Depreciation         | (22,639)        |
| Property and Equipment - Net     | <u>\$ 7,528</u> |
| Depreciation Expense             | <u>\$ 3,634</u> |

Note 3 - Functional Allocation of Expenses

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

Note 4 - Cash Balances

Certain cash balances maintained by the School may exceed the limit of insurance coverage provided by the Federal Deposit Insurance Corporation. Management is of the opinion that the risk of loss is minimal.

The Newton Chinese Language School, Inc.  
Notes to the Financial Statements  
June 30, 2013

(Continued)

Note 5 - Compensated Absences

The School operates without employees. All officers are volunteer members. Certain individuals are paid stipends for services rendered to the School, however they are not deemed to be employees and correspondingly are only paid when services are rendered. Therefore, the School has not established an accrual for compensated absences.

Note 6 - Inventory

As of June 30, 2013, inventory consisted of text books that would be used for educational purposes in the following fiscal year. The School states all inventory at cost in the amount of \$15,756.

Note 7 - Current Liabilities

As of June 30, 2013, there were accrued expenses consisting of contractor stipends owed to teaching personnel and other costs totaling \$103,102. Additionally, for the year ended June 30, 2013; there were tuition payments received in advance totaling \$219,515.

Note 8 - Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted Net Assets - net assets that are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets - net assets subject to explicit or implicit donor imposed stipulations that may or will be met either by actions of the Organization and/or by the passage of time.

Permanently Restricted Net Assets - net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

As of June 30, 2013; there were no temporarily restricted net assets or permanently restricted net assets.

Sources of Revenue and Support - Revenues and Support are derived from tuition, fees, student activities, interest income and contributions.

**The Newton Chinese Language School, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2013**

**(Continued)**

Note 9 - Fund Raising

The School does conduct small fund raising events that involve both students and parents. For the year ended June 30, 2013, the total support received from same was \$11,879 and the expenses incurred were \$17,064.

Note 10 - Income Taxes

The Newton Chinese Language School, Inc., is exempt from federal income tax pursuant to IRC 501(C)(3) and, as such, files nonprofit tax returns with the U.S. Treasury. The U.S. Treasury has the authority to examine tax filings and as of the date of this report; the periods that statutorily could be examined would include the years ended June 30, 2011, 2012 and 2013. No examination notifications have been received as of the date of this report. School management is of the opinion there are no uncertain tax positions as articulated via FASB ASC 740.

Note 11 - Subsequent Events

Management has evaluated all subsequent events as of October 28, 2013; the date the financial statements were available to be issued; and has determined that there has been no activity that merits disclosure in these financial statements.