

HP Alliance, Inc.

Financial Statements

Year Ended June 30, 2013

HP Alliance, Inc.

Table of Contents

Year Ended June 30, 2013

	<u>Page</u>
Independent Accountants' Review Report.....	1
Financial Statements:	
Statement of Assets and Net Assets – Cash Basis	2
Statement of Revenue and Expenses and Change in Net Assets – Cash Basis	3
Statement of Functional Expenses – Cash Basis	4
Statement of Cash Flows – Cash Basis	5
Notes to Financial Statements	6-9



Independent Accountant's Review Report

Board of Directors
HP Alliance, Inc.
Somerville, Massachusetts

I have reviewed the accompanying statement of assets and net assets—cash basis of HP Alliance, Inc. (a nonprofit organization) as of June 30, 2013, and the related statements of revenues, expenses, and other changes in net assets – cash basis and cash flows – cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note 1.

A handwritten signature in black ink that reads 'Michael L. Hamlin, CPA'.

Michael L. Hamlin, CPA

January 14, 2014
Stoneham, Massachusetts

HP Alliance, Inc.

Statement of Assets and Net Assets - Cash Basis

June 30, 2013

Assets	
Current assets:	
Cash	\$ <u>169,596</u>
Total assets	\$ <u><u>169,596</u></u>
Net Assets	
Net assets	\$ <u>169,596</u>
Total net assets	\$ <u><u>169,596</u></u>

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.

**Statement of Revenue and Expenses and
Change in Net Assets - Cash Basis**

Year Ended June 30, 2013

Revenue and Support

Donations	\$ 215,090
Net profit on sales of merchandise	7,423
Program service fees	7,263
Interest income	<u>107</u>
	<u>229,883</u>

Expenses

Program services	124,687
General and administration	84,392
Fundraising	<u>35,055</u>
	<u>244,134</u>

Change in net assets (14,251)

Net assets, beginning of year	<u>183,847</u>
Net assets, end of year	<u><u>\$ 169,596</u></u>

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.

Statement of Functional Expenses - Cash Basis

Year Ended June 30, 2013

	Program Services	General and Administrative	Fundraising	Total Expenses
Functional expenses				
Personnel costs				
Salaries	\$ 81,255	\$ 52,874	\$ 21,953	\$ 156,082
Payroll taxes	6,919	4,502	1,869	13,290
Employee benefits	2,299	1,127	1,007	4,433
Total personnel costs	90,473	58,503	24,829	173,805
Professional fees	10,451	6,903	-	17,354
Travel and transportation	7,194	2,877	4,316	14,387
Internet services	7,685	1,098	2,196	10,979
Service fees	3,116	6,465	1,261	10,842
Printing and publications	2,404	2,404	1,202	6,010
Postage and shipping	2,191	2,191	1,095	5,477
Office supplies and expense	-	2,104	-	2,104
Workers' compensation insurance	-	769	-	769
Payroll processing fees	-	916	-	916
Meals	260	104	156	520
Event expenses	513	-	-	513
Contributions	400	-	-	400
Miscellaneous	-	58	-	58
Total expenses	\$ 124,687	\$ 84,392	\$ 35,055	\$ 244,134

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.

Statement of Cash Flows - Cash Basis

Year Ended June 30, 2013

Operating activities	
Change in net assets	\$ (14,251)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Inventory	<u>4,197</u>
Net cash used in operating activities	<u>(10,054)</u>
Net decrease in cash	(10,054)
Cash, beginning of year	<u>179,650</u>
Cash, end of year	<u><u>\$ 169,596</u></u>

See Independent Accountant's Review Report and Notes to Financial Statements.

HP Alliance, Inc.

Notes to Financial Statements

Year Ended June 30, 2013

Note 1 – Organization

Organization

HP Alliance, Inc. (“the Organization”) is organized for the purpose of enacting social change in the United States and throughout the world by using parallels from the Harry Potter book series.

The Organization was formed in 2008 and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code of 1986. Section 501(c)(3) of the code provides for the exemption of Trusts that were organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholders or individuals.

Note 2 – Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

The Organization has adopted Accounting Standards Codification Topic 958-205 “*Not-for-Profit Entities Presentation of Financial Statements*,” (ASC 958-205), issued by the Financial Accounting Standards Board (“FASB”). Under ASC 958-205, the Organization is required to present a statement of cash flows. Net assets and revenues, expenses, and 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 and reported as follows:

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

Temporarily Restricted Net Assets - Temporarily restricted net assets are those resources subject to donor-imposed restrictions that will be satisfied by the actions of the Organization or the passage of time. When a restriction expires or is satisfied, 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 which have permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently but permit the Organization to expend part or all of the income derived from the donated assets.

As of June 30, 2013, all net assets were unrestricted.

HP Alliance, Inc.

Notes to Financial Statements

Year Ended June 30, 2013

Note 2 – Significant Accounting Policies (Continued)

Contributions

The Organization recognizes revenues when they are received. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash

Cash consists of cash held in checking and savings accounts. The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash primarily with a high credit financial institution. However, portions of its cash balances may exceed FDIC insured limits (\$250,000) from time to time during the year. The Organization has not experienced any losses in its cash accounts and believes it is not exposed to any significant credit risk on any of its cash balances. As of June 30, 2013 none of the cash balances exceeded FDIC insured limits.

Inventory

The Organization will purchase items for resale during the course of its activities. These inventory items typically have a shelf life of three months or less and are expensed upon purchase.

Estimates

The Organization's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles in the United States. Actual results could differ from those assumptions.

HP Alliance, Inc.

Notes to Financial Statements

Year Ended June 30, 2013

Note 2 – Significant Accounting Policies (Continued)

Contributed Services

A number of unpaid volunteers, including members of the Board of Directors, have made significant contributions of their time to develop and promote the Organization. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement of valuation. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

Expenses are allocated among programs and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (the "Code") and is not a private foundation. The Organization is required to file an annual information return with the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization has either filed or extended the time to file the annual information returns and has not been notified by any federal or state taxing authorities of any matters that would jeopardize the Organization's tax-exempt status. Accordingly, no income tax expense has been recorded in the financial statements.

FASB issued ASC Topic 740, "*Income Taxes*," (ASC 740). ASC 740 clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined in ASC 740 as a tax position that is more likely than not to be sustained upon examination by the applicable tax authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The uncertain tax position standard must be applied to all existing tax positions upon initial adoption.

As of June 30, 2013, the Organization had no material unrecognized tax benefits and no adjustments to liabilities or operations were required under ASC 740. The Organization's practice was and continues to be to recognize interest and penalty expenses related to uncertain tax positions in income tax expense, which were zero for the years ended June 30, 2013. Generally, the Organization's three preceding tax years are subject to examination by federal and state tax authorities. There are no income tax examinations currently in process.

HP Alliance, Inc.

Notes to Financial Statements

Year Ended June 30, 2013

Note 2 – Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through the January 14, 2014, the date the financial statements were available to be issued. For the year ended June 30, 2013, there were no material subsequent events noted during the evaluation.

Note 3 – Cash

Cash at June 30, 2013 consisted of the following:

Savings accounts with bank	\$	100,219
Checking accounts with bank		<u>69,377</u>
	\$	<u>169,596</u>

Note 4 – Sales of Merchandise

The Organization had the following sales and cost of goods sold for the year ended June 30, 2013:

Sales of merchandise	\$	24,206
Cost of goods sold		<u>16,783</u>
Net profit on sales of merchandise	\$	<u>7,423</u>

Note 5 – Significant Contributors

Contributions from two donors totaled \$88,500, or 41% of total donations for the year ended June 30, 2013.