

BOSTON 2024 PARTNERSHIP, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

PERIOD ENDED DECEMBER 31, 2014

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

BOSTON 2024 PARTNERSHIP, INC.
REPORT ON FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2014

Vision

We are humbled, excited, and motivated by the United States Olympic Committee's selection of Boston as its partner to host the 2024 Olympic and Paralympic Games. While still very early in the overall bid process, this opportunity recognizes Massachusetts as an international beacon for drawing the best and brightest from around the globe each year and as a cradle of innovation where youth assemble to dream of, and plan for, a better future for all of us.

BOSTON 2024 PARTNERSHIP, INC.
REPORT ON FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2014

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1
Statement of Financial Position as of December 31, 2014.....	2
Statement of Activities for the Period January 23, 2014 (Date of Inception) to December 31, 2014.....	3
Statement of Functional Expenses for the Period January 23, 2014 (Date of Inception) to December 31, 2014....	4
Statement of Cash Flows for the Period January 23, 2014 (Date of Inception) to December 31, 2014.....	5
Notes to Financial Statements.....	6 - 11

**Smith  Sullivan
& Brown PC**
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boston 2024 Partnership, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Boston 2024 Partnership, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the period January 23, 2014 (Date of Inception) to December 31, 2014, 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.

Auditors' 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 judgment, 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 Organization'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 Organization'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 Boston 2024 Partnership, Inc. as of December 31, 2014 and the changes in its net assets and its cash flows for the period January 23, 2014 (Date of Inception) to December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
May 14, 2015

BOSTON 2024 PARTNERSHIP, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

ASSETS

CURRENT ASSETS:

Cash	\$ 1,526,031
Contributions Receivable	150,980
Prepaid Expenses	3,014
Total Current Assets	<u>1,680,025</u>

PROPERTY AND EQUIPMENT:

Leasehold Improvements	22,068
Less: Accumulated Depreciation	<u>(613)</u>
Net Property and Equipment	<u>21,455</u>

TOTAL ASSETS

\$ 1,701,480

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 640,054
Accrued Payroll and Related Costs	56,118
Total Current Liabilities	<u>696,172</u>

TOTAL LIABILITIES

696,172

NET ASSETS:

Unrestricted Net Assets	1,005,308
Total Net Assets	<u>1,005,308</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,701,480

BOSTON 2024 PARTNERSHIP, INC.

STATEMENT OF ACTIVITIES

FOR THE PERIOD JANUARY 23, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<u>SUPPORT, REVENUES, AND RECLASSIFICATIONS:</u>			
<i>Support and Revenues:</i>			
Gifts, Grants and Contributions	\$ 6,333,103	\$ 250,000	\$ 6,583,103
Donated Goods, Services and Facilities	3,836,586	-	3,836,586
Other Income	1,068	-	1,068
Total Support and Revenues	<u>10,170,757</u>	<u>250,000</u>	<u>10,420,757</u>
 <i>Reclassification of Net Assets:</i>			
Net Assets Released from Restriction	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
 <u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>10,420,757</u>	<u>-</u>	<u>10,420,757</u>
 <u>FUNCTIONAL EXPENSES:</u>			
Program Services	8,050,576	-	8,050,576
Administrative	1,209,577	-	1,209,577
Fund Raising	155,296	-	155,296
 <u>TOTAL FUNCTIONAL EXPENSES</u>	<u>9,415,449</u>	<u>-</u>	<u>9,415,449</u>
 <u>CHANGE IN NET ASSETS</u>	<u>1,005,308</u>	<u>-</u>	<u>1,005,308</u>
 <u>UNRESTRICTED NET ASSETS - BEGINNING OF PERIOD</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>UNRESTRICTED NET ASSETS - END OF PERIOD</u>	<u>\$ 1,005,308</u>	<u>\$ -</u>	<u>\$ 1,005,308</u>

BOSTON 2024 PARTNERSHIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD JANUARY 23, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Salaries	\$ 384,777	\$ 74,295	\$ 35,688	\$ 494,760
Payroll Taxes	32,104	4,484	2,891	39,479
Employee Benefits	26,657	4,113	5,077	35,847
Planning and Modeling Costs	1,868,522	-	-	1,868,522
Architectural Services	1,135,482	-	-	1,135,482
Engineering Services	952,423	-	-	952,423
Other Professional Fees	405,620	43,430	60,350	509,400
Meetings and Events	453,274	-	8,555	461,829
Travel	51,522	5,839	2,802	60,163
Occupancy	5,880	4,901	3,191	13,972
Office Equipment and Supplies	2,829	2,293	1,251	6,373
Depreciation	-	613	-	613
	<u>5,319,090</u>	<u>139,968</u>	<u>119,805</u>	<u>5,578,863</u>
Total Functional Expenses before Donated Goods, Services and Facilities				
Donated Services <i>(Note 4)</i>	2,601,493	1,015,602	-	3,617,095
Donated Facilities <i>(Note 4)</i>	64,809	54,007	35,491	154,307
Donated Event Expenses <i>(Note 4)</i>	65,184	-	-	65,184
	<u>5,319,090</u>	<u>139,968</u>	<u>119,805</u>	<u>5,578,863</u>
Total Functional Expenses	<u>\$ 8,050,576</u>	<u>\$ 1,209,577</u>	<u>\$ 155,296</u>	<u>\$ 9,415,449</u>

BOSTON 2024 PARTNERSHIP, INC.

STATEMENT OF CASH FLOWS
FOR THE PERIOD JANUARY 23, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

<i>Change in Net Assets</i>	<u>\$ 1,005,308</u>
Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:	
Depreciation Expense	613
Donated Investments	(27,020)
<i>(Increase) Decrease in Current Assets:</i>	
Contributions Receivable	(150,980)
Prepaid Expenses	(3,014)
<i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	640,054
Accrued Payroll and Related Costs	<u>56,118</u>
Net Adjustment	<u>515,771</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES **1,521,079**

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sale of Investments	27,020
Acquisition of Property and Equipment	<u>(22,068)</u>
Net Cash Flows from Investing Activities	<u>4,952</u>

NET INCREASE IN CASH BALANCES **1,526,031**

CASH BALANCES - BEGINNING OF PERIOD -

CASH BALANCES - END OF PERIOD **\$ 1,526,031**

BOSTON 2024 PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 ORGANIZATION

Boston 2024 Partnership, Inc. (“Boston 2024” or the “Organization”) was incorporated on January 23, 2014 under Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under section 501(c)(3) of the Internal Revenue Code. Boston 2024 Partnership, Inc. is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. These financial statements reflect activities for the period January 23, 2014 (Date of Inception) to December 31, 2014, which is less than a one-year operating cycle.

NOTE 2 PROGRAM SERVICES

For the past two years, there has been a slow but steady interest growing across the Commonwealth to entertain a discussion around the feasibility of hosting the Olympic and Paralympic Games in 2024. The modern Olympic Games were first held in 1896 in Athens, Greece. Since 1988, the Paralympic Games have been held directly after the Olympic Games, in the same city, and oftentimes using the same venues. The 2012 Olympics in London saw 10,500 athletes from 88 countries compete in 302 events in 26 sports across 34 venues. Following the London Olympics, the Paralympic Games competition spanned a ten-day period, featuring over 4,200 athletes from 164 countries competing in 503 events in 20 sports. The number of athletes and nations participating in the Paralympic Games has steadily increased over the past 20 years, as has the audience that watches them.

In January 2015, the United States Olympic Committee (“USOC”) chose Boston to be its entry in a global competition to host the 2024 Olympic and Paralympic Games. The Boston 2024 Partnership, Inc. is humbled, excited, and motivated by the USOC’s selection of Boston. While still very early in the overall bid process, this opportunity recognizes Massachusetts as an international beacon for drawing the best and brightest from around the globe each year and as a cradle of innovation where youth assemble to dream of, and plan for, a better future for all of us.

Looking ahead, the Organization believes that pursuing an Olympics and Paralympics bid not only aligns with existing plans for the state’s continued economic growth, but can also serve to accelerate the delivery of improvements in transportation, infrastructure, and housing. Put simply, the Olympics can help catalyze the long-term vision of the Commonwealth.

Much has already been done by the legislature and community to assess the feasibility of hosting the Olympics and Paralympics. For these next critical steps, the Organization will rely on its greatest asset—our people—and work closely and collaboratively to better understand the intersection of the city and its citizens in planning a better tomorrow.

There is much to be done, and the Organization is eager to work closely with the government, the local business community, the USOC, and most importantly the citizens of Massachusetts to continue this exciting process.

BOSTON 2024 PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

Basis of Accounting:

The Organization maintains its books and prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization 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. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. In 2014, the Organization received one restricted grant totaling \$250,000, which was to be used exclusively for the support of the Regional Smart Model Initiative. The full amount of this grant was released from restriction in 2014.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. As of December 31, 2014, the Organization did not have any assets of this nature.

BOSTON 2024 PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 3 (Continued)

Contributions Receivable:

Contributions Receivable represents unconditional promises to give which are due from individual donors which are classified as current if they are scheduled for payment in less than one year, and non-current when the expected payment date exceeds one year. As of December 31, 2014, all contributions receivable were classified as current. *Contributions Receivable* are reported at fair value, which is assumed to be the expected collectible amount, after estimating a provision for losses, in the period the promise to give is made. Management believes that these promises to give will be collected in full; accordingly, these financial statements do not contain a provision for uncollectible amounts. If any amounts are determined to be uncollectible, the balances will be charged to expense when that determination is made.

Property and Equipment:

Property and equipment purchases in excess of \$1,500 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenue over the estimated useful lives of the assets as expressed in terms of years.

As of December 31, 2014, the Organization's property and equipment consisted of leasehold improvements, amortized over the life of the lease (including optional extensions).

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, stock, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Goods, Services and Facilities:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received and are recognized as revenue on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses.

BOSTON 2024 PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 3 *(Continued)*

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among their program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from the nature of related time and space usage. Supporting services are those related to operating and managing the Organization and their programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Boston 2024 Partnership, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the period presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. As the period ending December 31, 2014 is the initial filing for the Organization, there are no tax periods subject to examination by taxing authorities.

NOTE 4 DONATED GOODS, SERVICES AND FACILITIES

For the period presented, the following donated goods, services and facilities have been recognized as revenues with offsetting expenses in the accompanying financial statements:

<u>Description</u>	<u>Amount</u>
Donated Services:	
General Program Services Consulting	\$1,202,329
Pro Bono Legal Services	1,015,602
Planning Consulting Services	498,749
Public Relations Consulting Services	467,750
Architectural Services	<u>432,665</u>
Total Donated Services	<u>3,617,095</u>
Donated Facilities:	
Donated Office Space	118,668
Donated Furniture, Fixtures and Equipment	<u>35,639</u>
Total Donated Facilities	<u>154,307</u>
Donated Event Costs	<u>65,184</u>
Total Donated Goods, Services and Facilities	<u><u>\$3,836,586</u></u>

BOSTON 2024 PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 5 RELATED PARTY TRANSACTIONS

In 2014, a Board member and officer of Boston 2024 served as Chief Executive Officer of a company that made several contributions to the Organization, including \$500,000 in cash contributions, \$369,499 in donated professional services, and \$210,677 in payments for professional services on behalf of Boston 2024.

NOTE 6 CONCENTRATIONS

Cash:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash deposits held at one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. As of December 31, 2014, cash balances in excess of the FDIC coverage were \$1,359,095. The Organization has not experienced any losses on uninsured cash balances.

Contributions Receivables:

As of, and for the period ended December 31, 2014, pledges totaling \$150,000 and the corresponding receivables reflect commitments from two individuals.

NOTE 7 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through May 14, 2015, the date which the financial statements were available for issue, and noted the following events which met the criteria:

USOC Bid and Related Agreements:

On January 8, 2015, the USOC chose Boston to be its entry in a global competition to host the 2024 Olympic and Paralympic Games. A prerequisite to selection by the USOC of Boston to submit a bid to host the 2024 Games is agreement to the terms of a Bid City Agreement between the USOC and Boston 2024 Partnership, Inc. and a Joinder Agreement from the City of Boston to the USOC under which the City agrees to certain terms of the Bid City Agreement. The Bid City Agreement and Joinder Agreement will govern the terms of the business arrangement among the USOC, Boston 2024 and the City of Boston during the period through selection by the International Olympic Committee (“IOC”) of a host city in 2017. The Bid City Agreement and Joinder Agreement include an obligation by Boston 2024 and the City of Boston to indemnify the USOC and, in the event of a breach of the Bid City Agreement by Boston 2024 or the City of Boston, the payment of liquidated damages to the USOC in the amount of \$25,000,000. This agreement was signed on March 20, 2015.

Effective upon the City’s selection by the USOC, Boston 2024 obtained a comprehensive, claims-based insurance policy from three highly-rated insurance companies that covers the obligations of Boston 2024 and the City of Boston under the Bid City Agreement and Joinder Agreement, including a demand for the \$25,000,000 liquidated damages. The policy period covers the period January 8, 2015 through October 1, 2017 (the period through selection by the IOC of a host city) with a premium of \$1,007,500.

BOSTON 2024 PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 7 *(Continued)*

Changes in Management and Phase 2 of the Bid Process:

On January 22, 2015, the President of the Organization gave notice of his resignation; however, he continues to serve as part of Boston 2024's Board of Directors. On January 26, 2015, a new Chief Executive Officer of the Organization was appointed.

As of the date of these financial statements, the Organization was expanding both its Board of Directors and staff for the IOC selection process (Phase 2 of the Bid Process). This will involve raising \$75M during this period with all funds expected to be expended on the goal of becoming the selected host city by the IOC.

Change in Benefits:

The Organization instituted short-term disability, long-term disability and life insurance plans for employees effective May 1, 2015.