

**The Newton Chinese Language School, Inc.  
Financial Statements  
June 30, 2004 (Reviewed) and 2003 (Audited)**

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

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

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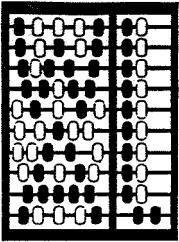
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W. A. LEONARD & COMPANY, P.C.

*Certified Public Accountants*

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Board of Directors  
The Newton Chinese Language School, Inc.  
P.O. Box 2661  
Woburn, MA 01888

Ladies and Gentlemen:

We have reviewed the accompanying statement of financial position of The Newton Chinese Language School, Inc., (a nonprofit organization), as of June 30, 2004, and the related statement of activities and statement of cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Newton Chinese Language School, Inc.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles.

The financial statements for the year ended June 30, 2003 were audited by us, and we expressed an unqualified opinion on them in our report dated August 25, 2003, but we have not performed any auditing procedures since that date.

Respectfully submitted,

  
W.A. Leonard and Company, P.C.

October 29, 2004  
Norwood, Massachusetts

## Financial Statements

## Exhibit A

**The Newton Chinese Language School, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2004 (Reviewed) and 2003 (Audited)**

	2004	2003
<b>Assets</b>		
Current Assets		
Cash - Unrestricted	\$ 122,927	\$ 106,935
Cash - Temporarily Restricted	0	132
Total Current Assets	\$ 122,927	\$ 107,067
Property and Equipment		
Office Equipment	\$ 4,220	\$ 3,513
Accumulated Depreciation	(1,339)	(536)
Net Property and Equipment	\$ 2,881	\$ 2,977
Total Assets	\$ 125,808	\$ 110,044
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accrued Expense	\$ 2,000	\$ 2,000
Total Current Liabilities	\$ 2,000	\$ 2,000
Total Liabilities	\$ 2,000	\$ 2,000
Net Assets		
Unrestricted	\$ 123,808	\$ 107,912
Temporarily Restricted	0	132
Total Net Assets	\$ 123,808	\$ 108,044
Total Liabilities and Net Assets	\$ 125,808	\$ 110,044

The accompanying notes are an integral part of the financial statements.

**The Newton Chinese Language School, Inc.**  
**Statements of Activities**  
**For Years Ended June 30, 2004 (Reviewed) and 2003 (Audited)**

	2004	2003
<b>Changes in Unrestricted Net Assets</b>		
Revenue and Support		
Net Tuition and Fees	\$ 232,978	\$ 222,373
Student Activities	7,008	9,357
Other Contributions	7,667	90,232
Interest Income	1,919	2,294
	<u>                    </u>	<u>                    </u>
Total Unrestricted Revenue and Support	\$ 249,572	\$ 324,256
Expenses		
Program Services Expenses:		
Academic Programs	\$ 227,282	\$ 202,052
Student Activities	5,215	13,284
	<u>                    </u>	<u>                    </u>
Total Program Services Expenses	\$ 232,497	\$ 215,336
Supporting Services Expenses:		
General and Administrative	<u>1,179</u>	<u>1,008</u>
Total Expenses	<u>\$ 233,676</u>	<u>\$ 216,344</u>
<b>Increase in Unrestricted Net Assets</b>	<b><u>\$ 15,896</u></b>	<b><u>\$ 107,912</u></b>
<b>Changes in Temporarily Restricted Net Assets</b>		
SARS Donations Received	0	18,220
SARS Donations Paid Out	(132)	(18,000)
Office Expense	0	(88)
	<u>                    </u>	<u>                    </u>
<b>Increase (Decrease) in Temporarily Restricted Assets</b>	<b><u>\$ (132)</u></b>	<b><u>\$ 132</u></b>
<b>Net Assets at Beginning of Years</b>	<b><u>\$ 108,044</u></b>	<b><u>\$ 0</u></b>
<b>Net Assets at End of Years</b>	<b><u>\$ 123,808</u></b>	<b><u>\$ 108,044</u></b>

The accompanying notes are an integral part of the financial statements.

Exhibit C

The Newton Chinese Language School, Inc.  
**Statements of Cash Flows**  
**For Years Ended June 30, 2004 (Reviewed) and 2003 (Audited)**

	2004	2003
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ 15,764	\$ 108,044
Adjustments to reconcile Net Income		
Depreciation	803	536
Accrued Expense	0	2,000
Total Adjustments	<u>\$ 803</u>	<u>\$ 2,536</u>
Net Cash Provided By (Used in)		
Operating Activities	\$ 16,567	\$ 110,580
Cash Flows From Investing Activities:		
Acquisition of Equipment	<u>\$ (707)</u>	<u>\$ (3,513)</u>
Net Cash Provided By (Used in)		
Investing Activities	<u>\$ (707)</u>	<u>\$ (3,513)</u>
Net Increase in Cash	\$ 15,860	\$ 107,067
Cash, Beginning of Years	<u>107,067</u>	<u>0</u>
Cash, End of Years	<u><u>\$ 122,927</u></u>	<u><u>\$ 107,067</u></u>
Supplemental Disclosures:		
Interest Paid During Period	<u>\$ 0</u>	<u>\$ 0</u>
Income Taxes Paid During Period	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

## Notes to the Financial Statements

**The Newton Chinese Language School, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2004**

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 generally accepted accounting principles, 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 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 permanently restricted net assets.
- D. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.
- E. Equipment and Depreciation - Acquisitions of equipment and costs that materially prolong the useful lives of assets are capitalized. Depreciation is being provided by use of the straight-line method 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 SFAS No. 116. Management estimates that volunteers helping in the academic programs donated approximately 3,000 hours to the School in 2004.

**The Newton Chinese Language School, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(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 in subsequent periods. Annual rental payments to the Newton Public Schools total \$16,420 and \$15,356 per annum for the years ended June 30, 2004 and 2003. For the period ending June 30, 2005, the rental stipend will be \$17,997, plus other maintenance fees. The lease is renewed on an annual basis and will expire on June 30, 2005.
- 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 - Equipment

Equipment as of June 30, 2004 and 2003 is summarized as follows:

	2004	2003
Equipment & Furniture-At Cost	\$4,220	\$3,513
Accumulated Depreciation	(1,339)	(536)
	-----	-----
Equipment - Net	\$2,881	\$2,977
	=====	=====
Depreciation Expense	<u>\$ 803</u>	<u>\$ 536</u>

Note 3 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2003 were available for supporting the surviving families of SARS disease. This supporting mission was completed during the year ended June 30, 2004, and the temporarily restricted fund balance has been closed out.

Note 4 - 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.

**The Newton Chinese Language School, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

Note 5 - Cash Balances

Certain cash balances maintained by the School 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.

Note 6 - 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 7 - 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 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.

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