

# 2012 & 2011 Annual Financial Statements

## PIONEER INSTITUTE, INC.

85 Devonshire Street; 8<sup>th</sup> Floor

Boston, Massachusetts

Years Ended September 30, 2012 and 2011

Contents:	Page
Independent Auditor's Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-13
Summary of Funding & Expenses by Program .....	14-15

**GLENN RICCIARDELLI, P.C.**

---

Certified Public Accountants

# GLENN RICCIARDELLI, P.C.

---

Certified Public Accountants  
10 High Street • Boston, Massachusetts 02111  
Office (617) 426-1551 • Facsimile (617) 426-6023

Glenn Ricciardelli, P.C

The Board of Directors  
PIONEER INSTITUTE, INC.  
85 Devonshire Street; 8th Floor  
Boston, Massachusetts 02109

## ***Report on Financial Statements***

We have audited the accompanying financial statements of PIONEER INSTITUTE, INC., which comprise the statement of financial position as of September 30, 2012, and 2011, the related statements of activity and cash flows for the years 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 assessing the accounting principles used and significant 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 in the first paragraph present fairly, in all material respects, the financial position of PIONEER INSTITUTE, INC. as of September 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on Pages 14 & 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

*Glenn Ricciardelli, PC*

Boston, Massachusetts

January 19, 2013

**PIONEER INSTITUTE, INC.**

Statement of Financial Position

As of September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS:</u></b>		
<i>Current Assets:</i>		
Cash & Cash Equivalents (Note A)	\$526,961	\$654,377
Contributions Receivable (Note A)	117,318	134,800
Prepaid Expenses & Deposits	36,131	24,248
Total Current Assets	<u>680,410</u>	<u>813,425</u>
<i>Property &amp; Equipment:</i>		
Furniture & Fixtures	31,091	31,091
Office Equipment	94,227	94,216
Software	174,136	174,136
Leasehold Improvements	35,498	35,498
Subtotal	<u>334,952</u>	<u>334,941</u>
Less: Accumulated Depreciation & Amortization	<u>(329,401)</u>	<u>(323,003)</u>
Net Property & Equipment	5,551	11,938
<i>Other Assets</i>		
Long-Term Investments (Note F)	1,996,807	1,217,731
Long-term Contributions Receivable	<u>0</u>	<u>53,300</u>
<b>Total Assets</b>	<b><u><u>\$2,682,768</u></u></b>	<b><u><u>\$2,096,394</u></u></b>
<b><u>LIABILITIES:</u></b>		
Accounts Payable & Other Accrued Expenses	<u>\$54,441</u>	<u>\$56,148</u>
<b>Total Liabilities</b>	<b><u>54,441</u></b>	<b><u>56,148</u></b>
<b><u>NET ASSETS:</u></b>		
Unrestricted	820,600	838,120
Permanently Restricted (Note C)	228,105	215,746
Temporarily Restricted (Note C)	<u>1,579,622</u>	<u>986,380</u>
<b>Total Net Assets</b>	<b><u>2,628,327</u></b>	<b><u>2,040,246</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$2,682,768</u></u></b>	<b><u><u>\$2,096,394</u></u></b>

# PIONEER INSTITUTE, INC.

## Statement of Activities

As of September 30, 2012 and 2011

	2012		2011	
	Amount	Percent	Amount	Percent
<b><i>CHANGE in UNRESTRICTED NET ASSETS:</i></b>				
Revenues and Gains:				
Contributions	\$1,020,603	67%	\$833,034	67%
Sales of Publications, Tickets, etc.	28,602	2%	22,075	2%
Total Unrestricted Revenues & Gains	1,049,205	69%	855,109	69%
Net Assets Released from Restrictions: (Note D)				
Satisfaction of Program Restrictions	478,237	31%	383,696	31%
<b>Total Unrestricted Revenues, Gains &amp; Other</b>	<b>1,527,442</b>	<b>100%</b>	<b>1,238,805</b>	<b>100%</b>
Expenses:				
Management & General Operations	150,236	10%	189,295	15%
Fund Raising	263,776	17%	247,193	20%
Outreach & Public Communications	54,940	4%	77,928	6%
<i>Major Research &amp; Program Categories:</i>				
Lovett C. Peters Memorial	6,829	0%	0	0%
Center for School Reform	433,432	28%	297,557	24%
Center for Economic Opportunity	54,249	4%	104,752	8%
Healthcare Initiative	238,215	16%	134,697	11%
Shamie Center for Better Government	300,652	20%	283,826	23%
Middle Cities Initiative	28,941	2%	56,515	5%
Lovett C. Peters Lecture Series	84,972	6%	83,991	7%
<b>Total Expenses</b>	<b>1,616,242</b>	<b>106%</b>	<b>1,475,754</b>	<b>119%</b>
Interest Income	758	0%	881	0%
Dividend Income	20,595	1%	49,148	4%
Realized gains on Long-term Investments	12,205	1%	(6,918)	-1%
Unrealized Gain on Long Term Investments	37,722	2%	(26,877)	-2%
	<b>71,280</b>	<b>5%</b>	<b>16,234</b>	<b>1%</b>
Increase/(Decrease) in Unrestricted Net Assets	<b>(17,520)</b>	<b>-1%</b>	<b>(220,715)</b>	<b>-18%</b>
<b><i>CHANGE in PERMANENT &amp; TEMPORARILY RESTRICTED NET ASSETS:</i></b>				
Contributions - Permanent Restriction (Note A, C)	2,000	0%	12,000	1%
Contributions - Temporary Restriction (Note A, C)	1,064,257	70%	908,465	73%
Interest Income (net of Expense)	1,468	0%	23	0%
Dividend Income	5,637	0%	8,902	1%
Realized Gain (Loss) on Long Term Investments	2,839	0%	(2,634)	0%
Unrealized Gain on Long Term Investments	7,637	0%	2,077	0%
Net Assets Released from Restrictions (Note D)	(478,237)	-31%	(383,696)	-31%
Inc./(Dec.) in Permanent & Temporarily Restricted Net Assets	<b>605,601</b>	<b>40%</b>	<b>545,137</b>	<b>44%</b>
<b><i>INCREASE/(DECREASE) IN NET ASSETS:</i></b>	<b>588,081</b>	<b>39%</b>	<b>324,422</b>	<b>26%</b>
<b><i>NET ASSETS: Beginning of Year</i></b>	<b>2,040,246</b>	<b>134%</b>	<b>1,715,824</b>	<b>139%</b>
<b><i>NET ASSETS: End of Year</i></b>	<b>\$2,628,327</b>	<b>172%</b>	<b>\$2,040,246</b>	<b>165%</b>

**PIONEER INSTITUTE, INC.**

## Statement of Cash Flows

As of September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<i><u>CASH FLOWS from OPERATING ACTIVITIES:</u></i>		
Change in Net Assets	\$588,081	\$324,422
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	8,707	16,447
Decrease/(Increase) in Contributions Receivable	70,782	(158,588)
Decrease/(Increase) in Prepaid Expenses & Deposits	(11,884)	9,294
Increase/(Decrease) in Accounts Payable/Deferred Expenses	(1,707)	9,320
Unrealized Losses/(Gains) on Long Term Investments	(45,358)	(24,801)
<b>Net Cash Provided by Operating Activities</b>	<b><u>608,621</u></b>	<b><u>176,094</u></b>
<i><u>CASH FLOWS from INVESTING ACTIVITIES:</u></i>		
(Purchase) / Disposals of Property & Equipment	(2,320)	(9,982)
(Purchase & Income Reinvestments) / Sales of Long Term Investments	(733,717)	(39,662)
<b>Net Cash Used by Investing Activities</b>	<b><u>(736,037)</u></b>	<b><u>(49,644)</u></b>
<i><u>CASH FLOWS from FINANCING ACTIVITIES:</u></i>		
<b>Net Cash Used by Financing Activities</b>	<b><u>0</u></b>	<b><u>0</u></b>
<i><u>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS:</u></i>	(127,416)	126,450
<i><u>CASH &amp; EQUIVALENTS: Beginning of Year</u></i>	<b><u>654,377</u></b>	<b><u>527,927</u></b>
<i><u>CASH &amp; EQUIVALENTS: End of Year</u></i>	<b><u>\$526,961</u></b>	<b><u>\$654,377</u></b>

# PIONEER INSTITUTE, INC.

Notes to Financial Statements

Years Ended September 30, 2012 and 2011

## NOTE A - DESCRIPTION OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **ORGANIZATION:**

PIONEER INSTITUTE, INC. (PIONEER) is a public policy research organization, which specializes in the support, distribution, and promotion of scholarly research on Massachusetts' public policy issues. PIONEER does not incur any costs related to lobbying for the purpose of influencing legislation as addressed under Section 501(h) of the Federal Tax Code.

### **BASIS OF FINANCIAL STATEMENT PRESENTATION:**

The financial statements of PIONEER have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting and reporting policies used by PIONEER are subsequently described to enhance the usefulness and understandability of the financial statements.

PIONEER presents information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted Net Assets – All resources over which the governing board has discretionary control. The governing board of PIONEER may elect to designate such resources for specific purpose. This designation may be removed at the Board's direction.

Temporarily Restricted Net Assets – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted Net Assets – Endowment resources accumulated through donations or grants that are subject to donor-imposed stipulations that they be maintained in perpetuity that the principal be invested by PIONEER. These net assets include the original value of the gift, plus any subsequent additions. Unexpended appreciation on restricted assets is included in restricted net assets unless otherwise instructed by the donor.

PIONEER recognizes contributions as revenue when they are received or unconditionally pledged. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reclassified as unrestricted. Unconditional promises to give, subject to donor imposed restrictions, with due dates scheduled after the balance sheet date are shown as increases in temporarily restricted net assets and shall be reclassified to unrestricted net assets when the related purpose or time restrictions are met. Conditional

## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

*Years Ended September 30, 2012 and 2011*

promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value at the date of the gift.

PIONEER reports gifts of cash and other assets as permanently restricted support if they are received with donor stipulations that limit the access to the principal portion of the original donated assets. The release of permanently restricted assets amounted to \$7,160 and \$7,825, in the years ended September 30, 2012 and 2011, respectively.

Contributions receivable represent amounts unconditionally pledged by donors that have not been received by PIONEER. Contributions receivable were \$117,318 and \$134,800 as of September 30, 2012 and 2011, respectively.

### **ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included in the financial statements include the fair value of certain allowances on contributions receivable, the useful lives of depreciable assets, and the allocation of expenses to operations and programs based upon the time allocated to each by PIONEER's employees.

### **CLASSIFICATION OF NET ASSETS AND REVENUE RECOGNITION:**

PIONEER's net assets and activities that increase or decrease net assets are classified as unrestricted, temporarily restricted, or permanently restricted.

### **CONTRIBUTIONS, GIFTS AND PLEDGES RECEIVABLE:**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction. Restrictions on contributions related to the acquisition of long-lived assets are considered satisfied at the time the asset is acquired.

The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donor's indicate that payment is merely postponed. There was no allowance for uncollectible contributions at September 30, 2012 and 2011, while a contribution receivable of \$2,500 was written off during the year ended September 30, 2011.



## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

*Years Ended September 30, 2012 and 2011*

### **CONTRIBUTED SERVICES:**

PIONEER receives contributed services from its members, principally as volunteer leaders in the governance structure of the organization. The value of this contributed time is not reflected in these financial statements since it is not easily susceptible to objective measurement or valuation.

A portion of PIONEER's annual audit and tax preparation services are provided on a pro-bono basis. The financial statements reflect \$15,000 for Certified Public Accounting services provided on a pro-bono basis in each of the years ended September 30, 2012 and 2011.

### **CASH AND CASH EQUIVALENTS:**

PIONEER maintains its cash and cash equivalents in bank deposit accounts. Investments held in money market mutual funds are considered part of long-term investments. Management believes the Institute is not exposed to any significant credit risk on cash and cash equivalents (see Note I).

### **LONG-TERM INVESTMENTS:**

PIONEER reports long-term investments at their fair value. Fair value is determined as per the fair value policies described below.

Interest, dividends and net gains and losses on investments are reported in the statement of activities as increases or decrease in permanently restricted net assets if the terms of the gift require that amounts be applied to principal, as increases or decreases in temporarily restricted net assets if the term of the gift imposed restriction on current use, and increases or decreases in unrestricted net assets in all other cases.

### **FAIR VALUE MEASUREMENTS:** (see Note E)

PIONEER reports investments at fair value on a recurring basis. These standards require an entity to maximize use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, PIONEER reports certain investments using the net asset value per share as determined by investment managers under the Accounting Standards Update No. 2009-12, called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require PIONEER to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value (NAV) practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

*Years Ended September 30, 2012 and 2011*

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments that are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes practical expedient investments which notice periods for redemption are 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes practical expedient investments with notice periods of more than 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and such changes could affect the amounts reported in these financial statements.

### **PROPERTY AND DEPRECIATION:**

Property amounts are recorded at historical cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets using a straight-line basis. PIONEER adopts useful lives of 3-years for office equipment & software and 5-years for furniture and fixtures, while leasehold improvements are amortized over the length of the lease, or the life of the asset, whichever is shorter. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Years Ended September 30, 2012 and 2011

### NON-PROFIT STATUS AND INCOME TAXES:

PIONEER is recognized by the Internal Revenue Service as an organization described under Section 501 (c)(3) of the U.S. Internal Revenue Code and is generally exempt from Federal and state income taxes on related income, while income from any unrelated business may be subject to tax. Donors may deduct contributions made to PIONEER within Internal Revenue Code regulations.

### UNCERTAIN TAX POSITIONS:

PIONEER accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. PIONEER has identified its tax status as a tax-exempt entity as its only significant tax position; however, Pioneer has determined that such tax position does not result in an uncertainty requiring recognition. PIONEER is not currently under examination by any taxing jurisdiction. PIONEER’s Federal and state tax returns are generally open for examination for three years following the date filed.

### NOTE B – PROPERTY & EQUIPMENT

The following comprise PIONEER’s investments in property and equipment as of September 30<sup>th</sup>:

	<u>2012</u>	<u>2011</u>
Furniture & Fixtures	\$31,091	\$31,091
Office Equipment	94,227	94,216
Software	174,316	174,316
Leasehold Improvements	<u>35,498</u>	<u>35,498</u>
Subtotal	334,952	334,941
Less: Accumulated Depreciation	<u>(329,401)</u>	<u>(323,003)</u>
Net Property & Equipment	<u>\$5,551</u>	<u>\$11,938</u>

### NOTE C - RESTRICTED NET ASSETS

Permanently restricted net assets are available for the following specific programs, at year-end September 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Colby Hewitt Endowment for Health Care	<u>\$228,105</u>	<u>\$215,746</u>
<b>Total Permanently Restricted</b>	<b><u>\$228,105</u></b>	<b><u>\$215,746</u></b>

## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Years Ended September 30, 2012 and 2011

Temporarily restricted net assets are available for the following specific programs, at year-end September 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
General Operations Grant	\$ -	\$2,550
Direct Mail Fund-Raising Campaign	48,525	41,095
Pioneer Building Fund	282,087	282,087
Lovett C. Peters Memorial Fund	830,000	397,160
Center for School Reform	296,443	93,251
Healthcare Initiative	-	46,560
Shamie Center for Better Government	111,567	113,589
Middle Cities Initiative	11,000	-
Lovett C. Peters Lecture Series	-	<u>10,087</u>
<b>Total Temporarily Restricted</b>	<b><u>\$1,579,622</u></b>	<b><u>\$986,380</u></b>

During years ended September 30, 2012 and 2011, PIONEER facilitated a capital campaign to gain additional contributions to purchase an office condominium and to fund fellowships. Contributions related to these efforts comprise the Lovett C. Peters Memorial Fund.

### NOTE D - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donor. For the years ended September 30, 2012 and 2011, the following purpose restrictions were accomplished:

	<u>2012</u>	<u>2011</u>
General Operations Grant	\$2,550	\$ -
Direct Mail Fund-Raising Campaign	24,896	16,601
Lovett C. Peters Memorial Fund	6,829	-
Center for School Reform	233,608	106,599
Healthcare Initiative	67,720	47,214
Shamie Center for Better Government	132,547	114,291
Middle Cities Initiative	-	15,000
Lovett C. Peters Lecture Series	<u>10,087</u>	<u>83,991</u>
<b>Total Restrictions Released</b>	<b><u>\$478,237</u></b>	<b><u>\$383,696</u></b>

## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Years Ended September 30, 2012 and 2011

### NOTE E – FAIR VALUE OF INVESTMENTS

PIONEER investments are reported at fair value in the accompanying statements of net assets.

September 30, 2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$645,594	\$645,594
Closed-End Funds	71,993	71,993

SFAS 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. PIONEER's investments are comprised solely of Level 1 assets.

### NOTES F – MUTUAL FUNDS

The fair market values at September 30, 2012 and 2011 are as follows:

Description	2012	2011
Domestic Stock Fund - Large	\$ -	\$33,096
Domestic Stock Funds – Intermediate & Small	64,702	188,829
Global Opportunity Funds	-	103,530
Corporate & Government Bond Funds	652,885	740,977
Money Market	<u>1,279,220</u>	<u>151,299</u>
Total	<u>\$1,996,807</u>	<u>\$1,217,731</u>

Investment income from cash equivalents and investments is comprised of the following for the years ended September 30, 2012 and 2011.

Description	2012	2011
Dividend & Interest	\$28,458	\$58,954
Net Realized Gains	15,044	6,728
Net Unrealized Gains (Losses)	45,359	<u>(41,010)</u>
Total	<u>\$88,861</u>	<u>\$24,672</u>

### NOTE G – AGENCY TRANSACTION

PIONEER holds no "pass through" grants as of September 30th, 2012.

## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Years Ended September 30, 2012 and 2011

### NOTE H - OPERATING LEASE COMMITMENTS

PIONEER leases its premises located on the eighth floor at 85 Devonshire Street, Boston, Massachusetts. The base rental payments, excluding utilities, for the remainder of the lease agreement are as follows:

<b>Period</b>	<b>Minimum Lease Payments</b>	<b>Deferred Rent Reduction</b>	<b>Rent Expense</b>
<b>FY2013</b>	\$103,250	(\$15,225)	\$88,025
<b>FY2014 (2 Mos.)</b>	17,306	(2,635)	14,671

### NOTE I – CONCENTRATION OF CREDIT RISK

PIONEER maintains several bank accounts at two large regional financial institutions. The unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction account are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to at least \$250,000. At times, PIONEER's aggregate bank balances exceed the available limit of insurance.

### NOTE J – SUBSEQUENT EVENTS

On December 28, 2012, PIONEER purchase an office condominium located at 185 Devonshire Street in Boston, Massachusetts in return for cash consideration of \$800,000. Subsequent events have been evaluated through January 17, 2013, the date the financial statements were issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**PIONEER INSTITUTE, INC.**  
 Supplemental Schedule - Summary of Funding & Expenses by Program  
 For the Years Ended September 30th, 2012 and 2011

Account Number / Description	FY2012 DISTRIBUTION of FUNDING & EXPENSE by PROGRAM												FY2012 Total Funding & Expense	FY2011 Total Funding & Expense	
	Management & General Operations	Fund Raising	Pioneer Building Fund	Lovett C. Peters Memorial Fund	Outreach & Public Communication	MAJOR RESEARCH & PROGRAM CATEGORIES									
						Center for School Reform	Center for Economic Opportunity	Healthcare Initiative	Shamie Center for Better Government	Middle Cities Initiative	LCP Lecture Series	Colby Hewitt Endowment			
<b>REVENUE:</b>															
<b>UNRESTRICTED DONATIONS:</b>															
4-1010 · Individual Donations	\$ 679,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 679,707	\$ 624,491
4-1020 · Corporate Donations	22,400	-	-	-	-	-	-	-	-	-	-	-	-	22,400	27,797
4-1030 · Foundation Donations	303,496	-	-	-	-	-	-	-	-	-	-	-	-	303,496	158,650
<b>Total - Unrestricted Donations</b>	<b>1,005,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,005,603</b>	<b>810,937</b>
<b>IN-KIND DONATIONS:</b>															
4-1040 · In-Kind Donations	15,000	-	-	-	-	-	-	-	-	-	-	-	-	15,000	22,097
<b>Total - In-Kind Donations</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>22,097</b>
<b>PERMANENT &amp; TEMPORARILY RESTRICTED DONATIONS:</b>															
4-2010 · Individual Donations	-	17,125	-	285,607	-	-	-	-	13,025	-	-	-	-	315,757	476,590
4-2020 · Corporate Donations	-	200	-	2,500	-	3,000	-	-	3,500	-	-	-	-	9,200	47,575
4-2030 · Foundation Donations	-	15,000	-	151,500	-	433,800	-	10,500	70,500	11,000	-	-	-	692,300	380,300
4-2040 · Event Sponsorship	-	-	-	-	-	-	-	3,500	43,500	-	-	-	-	47,000	10,500
<b>Subtotal</b>	<b>-</b>	<b>32,325</b>	<b>-</b>	<b>439,607</b>	<b>-</b>	<b>436,800</b>	<b>-</b>	<b>14,000</b>	<b>130,525</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,064,257</b>	<b>914,965</b>
<i>Endowments:</i>															
4-2110 · Colby Hewitt Endowment	-	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000	5,500
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>5,500</b>
<b>Total 4-2000 · Restricted Donations</b>	<b>-</b>	<b>32,325</b>	<b>-</b>	<b>439,607</b>	<b>-</b>	<b>436,800</b>	<b>-</b>	<b>14,000</b>	<b>130,525</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>1,066,257</b>	<b>920,465</b>
<b>OTHER REVENUE:</b>															
4-5000 · Ticket Sales	-	4,265	-	-	-	-	-	2,505	11,750	-	-	-	-	18,520	21,375
4-6000 · Book Sales	-	-	-	-	-	523	-	3,059	-	-	-	-	-	3,583	-
4-7000 · Editorial Income	6,500	-	-	-	-	-	-	-	-	-	-	-	-	6,500	700
<b>Subtotal</b>	<b>6,500</b>	<b>4,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>523</b>	<b>-</b>	<b>5,564</b>	<b>11,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,602</b>	<b>22,075</b>
<b>Total Income</b>	<b>1,027,103</b>	<b>36,590</b>	<b>-</b>	<b>439,607</b>	<b>-</b>	<b>437,323</b>	<b>-</b>	<b>19,564</b>	<b>142,275</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,115,462</b>	<b>1,775,575</b>
<b>OPERATING EXPENSES:</b>															
<b>EMPLOYMENT COSTS:</b>															
6-1100 · Gross Wages	65,205	155,088	-	-	31,819	167,655	38,510	97,424	99,984	21,119	11,750	-	-	688,555	654,043
6-1150 · Bonus	-	1,000	-	-	-	-	-	3,000	-	-	-	-	-	4,000	499
6-1200 · Federal P/R Taxes-employer	4,627	11,005	-	-	2,258	11,896	2,733	6,913	7,095	1,499	834	-	-	48,859	47,010
6-1300 · State P/R Taxes	66	157	-	-	32	170	39	99	101	21	12	-	-	697	496
6-1400 · Health & Dental-employer	5,244	12,472	-	-	2,559	13,482	3,097	7,835	8,040	1,698	945	-	-	55,371	59,259
6-1500 · 401K-employer share	1,552	3,692	-	-	757	3,991	917	2,319	2,380	503	280	-	-	16,390	13,516
6-1550 · Pension Plan Charges	170	404	-	-	83	437	100	254	260	55	31	-	-	1,794	1,469
6-1600 · Workmen's Compensation	121	287	-	-	59	310	71	180	185	39	22	-	-	1,273	1,313
6-1700 · Unemployment Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,312
6-1800 · Payroll Expenses	272	647	-	-	133	699	161	406	417	88	49	-	-	2,873	2,582
<b>Subtotal</b>	<b>77,256</b>	<b>184,751</b>	<b>-</b>	<b>-</b>	<b>37,700</b>	<b>198,640</b>	<b>45,627</b>	<b>118,429</b>	<b>118,463</b>	<b>25,023</b>	<b>13,921</b>	<b>-</b>	<b>-</b>	<b>819,811</b>	<b>796,498</b>
<b>OUTSIDE SERVICES:</b>															
6-2100 · Consultants	9,555	-	-	-	-	10,638	257	795	37,227	-	5,277	-	-	63,749	86,578
6-2150 · Consultant Expenses	-	-	-	500	-	-	-	-	-	-	-	-	-	500	-
6-2200 · Temporary help	11,237	860	-	350	56	28	-	1,168	4,161	-	-	-	-	17,860	26,738
6-2400 · Annual Audit	20,000	-	-	-	-	-	-	-	-	-	-	-	-	20,000	20,000
<b>Subtotal</b>	<b>40,792</b>	<b>860</b>	<b>-</b>	<b>850</b>	<b>56</b>	<b>10,666</b>	<b>257</b>	<b>1,963</b>	<b>41,388</b>	<b>-</b>	<b>5,277</b>	<b>-</b>	<b>-</b>	<b>102,109</b>	<b>133,316</b>
<b>RESEARCH:</b>															
6-3160 · Data/FOIA	-	-	-	-	-	-	96	45	153	-	-	-	-	295	6,068
6-3200 · Contracts	-	-	-	2,000	-	109,200	-	50,706	28,707	-	-	-	-	190,612	97,516
6-3300 · Prizes	-	-	-	-	-	-	-	-	14,000	-	-	-	-	14,000	21,085
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>109,200</b>	<b>96</b>	<b>50,751</b>	<b>42,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204,907</b>	<b>124,669</b>
<b>PRINTING &amp; PUBLISHING:</b>															
6-4100 · Printing Costs	1,761	16,589	-	-	5,136	429	-	9,189	14,288	-	1,286	-	-	48,677	21,353
6-4300 · Editors/Writers	-	-	-	-	-	1,712	133	3,703	588	-	-	-	-	6,135	21,534
6-4400 · Graphic Design	100	1,010	-	363	1,775	7,053	425	610	5,551	75	773	-	-	17,733	11,271
<b>Subtotal</b>	<b>1,861</b>	<b>17,599</b>	<b>-</b>	<b>363</b>	<b>6,911</b>	<b>9,194</b>	<b>558</b>	<b>13,502</b>	<b>20,426</b>	<b>75</b>	<b>2,059</b>	<b>-</b>	<b>-</b>	<b>72,545</b>	<b>54,157</b>
<b>DISTRIBUTION COSTS:</b>															
6-5100 · Copying/Reproduction	-	175	-	-	46	457	-	61	747	-	115	-	-	1,601	1,177
6-5200 · Postage Costs	1,238	6,798	-	6	89	168	12	648	4,123	-	66	-	-	13,148	6,870
6-5300 · Shipping/Delivery fees	46	-	-	-	18	322	-	318	552	-	243	-	-	1,498	769
6-5400 · Mailing Services	53	6,149	-	-	989	-	-	-	80	-	-	-	-	7,270	12,966
6-5500 · Advertising Costs	-	-	-	-	3,028	5,170	-	111	25	-	-	-	-	8,333	2,579
<b>Subtotal</b>	<b>1,337</b>	<b>13,122</b>	<b>-</b>	<b>6</b>	<b>4,169</b>	<b>6,116</b>	<b>12</b>	<b>1,139</b>	<b>5,527</b>	<b>-</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>31,850</b>	<b>24,361</b>
<b>EVENTS &amp; MEETINGS:</b>															
6-6100 · Room Costs	1,348	700	-	-	-	7,045	200	1,915	-	-	840	-	-	12,048	10,305
6-6200 · Food & Beverage Costs	3,123	4,308	-	-	-	13,692	179	14,843	31,104	-	36,275	-	-	103,523	120,317
6-6250 · Transportation	7	-	-	-	-	6,587	-	609	605	-	23	-	-	7,830	6,172
6-6300 · Photography	-	91	-	-	28	-	-	464	40	-	15	-	-	637	-
6-6500 · Taping and Transcripts	-	-	-	-	-	800	-	-	-	-	-	-	-	800	-
6-6600 · Audio-Visual	1,668	1,360	-	-	-	4,000	-	3,070	5,397	-	4,517	-	-	20,013	10,833
6-6800 · Honorarium	-	-	-	-	-	13,000	-	500	10,000	-	15,000	-	-	38,500	17,000
6-6950 · Other Event Expenses	271	84	-	-	-	2,025	-	-	1,560	-	4,507	-	-	8,447	3,784
<b>Subtotal</b>	<b>6,417</b>	<b>6,543</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>47,148</b>	<b>379</b>	<b>21,400</b>	<b>48,705</b>	<b>-</b>	<b>61,178</b>	<b>-</b>	<b>-</b>	<b>191,799</b>	<b>168,411</b>

**PIONEER INSTITUTE, INC.**  
 Supplemental Schedule - Summary of Funding & Expenses by Program  
 For the Years Ended September 30th, 2012 and 2011

Account Number / Description	FY2012 DISTRIBUTION of FUNDING & EXPENSE by PROGRAM												FY2012 Total Funding & Expense	FY2011 Total Funding & Expense
	Management & General Operations	Fund Raising	Pioneer Building Fund	Lovett C. Peters Memorial Fund	Outreach & Public Communication	MAJOR RESEARCH & PROGRAM CATEGORIES								
						Center for School Reform	Center for Economic Opportunity	Healthcare Initiative	Shamie Center for Better Government	Middle Cities Initiative	LCP Lecture Series	Colby Hewitt Endowment		
<b>STAFF BUSINESS EXPENSES:</b>														
6-7100 · Breakfasts/Luncheons	649	2,274	-	-	56	182	152	120	1,286	-	-	-	4,719	450
6-7200 · Training/Meeting Fees	90	-	-	-	-	1,998	-	2,126	805	-	-	-	5,019	620
6-7300 · Transportation	328	6,289	-	-	37	11,735	29	5,161	97	132	-	-	23,809	12,478
6-7400 · Meals/Food	327	414	-	-	72	2,803	75	768	874	-	50	-	5,383	2,607
6-7600 · Lodging	-	161	-	-	-	1,096	-	678	-	-	-	-	1,934	2,774
6-7700 · Miscellaneous/Petty Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	13
<b>Subtotal</b>	<b>1,394</b>	<b>9,138</b>	<b>-</b>	<b>-</b>	<b>165</b>	<b>17,814</b>	<b>256</b>	<b>8,854</b>	<b>3,062</b>	<b>132</b>	<b>50</b>	<b>-</b>	<b>40,864</b>	<b>18,942</b>
<b>OFFICE OPERATIONS:</b>														
6-8100 · Rent	8,628	20,520	-	-	4,210	22,182	5,095	12,890	13,229	2,794	1,555	-	91,102	93,114
6-8150 · Equip. Supplies	55	130	-	-	27	141	32	82	84	18	10	-	578	373
6-8175 · Equip. Contracts/Rental	571	4,637	-	-	597	1,467	385	852	1,022	185	103	-	9,818	7,905
6-8180 · Equip. Maintenance & Repairs	34	81	-	-	17	88	20	51	52	11	6	-	360	756
6-8200 · Electric	348	828	-	-	170	895	206	520	534	113	63	-	3,676	4,065
6-8300 · Telephone	195	464	-	-	95	502	115	292	299	63	35	-	2,062	5,471
6-8500 · Office Supplies	736	1,749	-	-	359	1,890	443	1,257	1,484	238	132	-	8,289	7,530
6-8600 · Insurance	415	988	-	-	203	1,068	245	620	637	135	75	-	4,385	4,371
6-8725 · Accounting Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-8750 · Legal Fees	-	-	-	3,610	-	-	-	-	-	-	-	-	3,610	-
6-8800 · Publications/Subscriptions	263	626	-	-	128	1,419	179	393	403	85	47	-	3,545	2,840
6-9925 · Newsclips	-	-	-	-	-	-	-	-	2,000	-	-	-	2,000	-
6-8850 · Dues/Memberships	12	28	-	-	6	4,480	7	4,918	168	4	2	-	9,625	1,696
6-8875 · Licenses and Permits	30	1,302	-	-	15	78	18	45	46	10	5	-	1,550	2,212
<b>Subtotal</b>	<b>11,287</b>	<b>31,353</b>	<b>-</b>	<b>3,610</b>	<b>5,826</b>	<b>34,210</b>	<b>6,746</b>	<b>21,920</b>	<b>19,959</b>	<b>3,655</b>	<b>2,034</b>	<b>-</b>	<b>140,601</b>	<b>130,331</b>
<b>INTERNET/WEBSITE:</b>														
6-9100 · Internet Access	120	285	-	-	58	308	71	179	184	39	22	-	1,264	1,187
6-9300 · Programming	-	-	-	-	-	-	-	-	-	-	-	-	-	758
6-9400 · Hosting	53	126	-	-	26	136	247	79	81	17	10	-	774	1,109
<b>Subtotal</b>	<b>172</b>	<b>410</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>444</b>	<b>318</b>	<b>258</b>	<b>264</b>	<b>56</b>	<b>31</b>	<b>-</b>	<b>2,037</b>	<b>3,055</b>
<b>Total Operating Expense</b>	<b>140,517</b>	<b>263,776</b>	<b>-</b>	<b>6,829</b>	<b>54,940</b>	<b>433,432</b>	<b>54,249</b>	<b>238,215</b>	<b>300,652</b>	<b>28,941</b>	<b>84,973</b>	<b>-</b>	<b>1,606,523</b>	<b>1,453,741</b>
<b>OTHER EXPENSE:</b>														
8-1200 · Bank Service Charges	164	-	-	-	-	-	-	-	-	-	-	-	164	113
8-1300 · Brokerage Fees	77	-	-	-	-	-	-	-	-	-	-	16	93	2,041
8-1600 · PayPal Fees	1,694	-	-	-	-	-	-	-	-	-	-	-	1,694	984
8-2000 · Depreciation Expense	8,707	-	-	-	-	-	-	-	-	-	-	-	8,707	16,447
8-4500 · Uncollected Pledges	-	-	-	-	-	-	-	-	-	-	-	-	-	2,500
8-5000 · Miscellaneous (Miscellaneous)	(923)	-	-	-	-	-	-	-	-	-	-	-	(923)	-
<b>Subtotal</b>	<b>9,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>9,735</b>	<b>5</b>
<b>Total Expense</b>	<b>150,236</b>	<b>263,776</b>	<b>-</b>	<b>6,829</b>	<b>54,940</b>	<b>433,432</b>	<b>54,249</b>	<b>238,215</b>	<b>300,652</b>	<b>28,941</b>	<b>84,973</b>	<b>16</b>	<b>1,616,258</b>	<b>1,453,746</b>
<b>OTHER INCOME:</b>														
7-1000 · Interest Income	758	-	-	56	-	-	-	-	-	-	-	1,428	2,242	905
7-2000 · Dividend Income	20,595	-	-	-	-	-	-	-	-	-	-	5,637	26,233	58,049
7-4000 · Other Capital Gains/(Losses)	12,205	-	-	-	-	-	-	-	-	-	-	2,839	15,044	(9,482)
7-5000 · Increase/(Decrease) in mkt.value	37,722	-	-	6	-	-	-	-	-	-	-	7,631	45,358	(24,801)
<b>Subtotal</b>	<b>71,280</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,535</b>	<b>88,876</b>	<b>24,672</b>
<b>Net Income/(Loss)</b>	<b>\$ 948,147</b>	<b>\$ (227,186)</b>	<b>\$ -</b>	<b>\$ 432,840</b>	<b>\$ (54,940)</b>	<b>\$ 3,892</b>	<b>\$ (54,249)</b>	<b>\$ (218,651)</b>	<b>\$ (158,377)</b>	<b>\$ (17,941)</b>	<b>\$ (84,973)</b>	<b>\$ 19,519</b>	<b>\$ 588,081</b>	<b>\$ 346,501</b>
<b>CHANGE in RESTRICTED NET ASSETS:</b>														
<b>PERMANENTLY RESTRICTED FUNDS:</b>														
Beginning Balance - Permanently Restricted Funds	-	-	-	-	-	-	-	-	-	-	-	-	215,746	203,203
Plus: 2012 Permanently Restricted Contributions	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000	12,000
Plus/(Minus): Dividends, Interest, Δ Mkt VI Perm. Rest. Funds	-	-	-	-	-	-	-	-	-	-	-	17,519	17,519	8,367
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,265</b>	<b>235,265</b>	<b>223,571</b>
Less: 2012 Funds Released From Perminant Restriction	-	-	-	-	-	-	-	-	-	-	-	(7,160)	(7,160)	(7,825)
<b>Ending Permanently Restricted Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,105</b>	<b>228,105</b>	<b>215,746</b>
<b>TEMPORARILY RESTRICTED FUNDS:</b>														
Beginning Balance - Temporarily Restricted Funds	2,550	41,096	282,087	397,160	-	93,251	-	46,560	113,589	-	10,087	-	986,380	453,786
Plus: 2012 Funds Released from Perm. Rstcd. Funds	-	-	-	-	-	-	-	7,160	-	-	-	-	7,160	7,825
Plus: 2012 Temporarily Restricted Contributions	-	32,325	-	439,669	-	436,800	-	14,000	130,525	11,000	-	-	1,064,319	908,465
<b>Subtotal</b>	<b>2,550</b>	<b>73,421</b>	<b>282,087</b>	<b>836,829</b>	<b>-</b>	<b>530,051</b>	<b>-</b>	<b>67,720</b>	<b>244,114</b>	<b>11,000</b>	<b>10,087</b>	<b>-</b>	<b>2,057,859</b>	<b>1,370,076</b>
Less: 2012 Funds Expended	-	24,896	-	6,829	-	433,432	54,249	238,215	300,652	28,941	84,973	-	1,172,186	977,940
<b>Net (Contributions less expenses)</b>	<b>2,550</b>	<b>48,525</b>	<b>282,087</b>	<b>830,000</b>	<b>-</b>	<b>96,619</b>	<b>(54,249)</b>	<b>(170,495)</b>	<b>(56,538)</b>	<b>(17,941)</b>	<b>(74,886)</b>	<b>-</b>	<b>885,672</b>	<b>(392,136)</b>
Funds Released From Restriction	2,550	24,896	-	6,829	-	233,608	-	67,720	132,547	-	10,087	-	478,237	383,696
<b>Ending Temporarily Restricted Balance</b>	<b>\$ -</b>	<b>\$ 48,525</b>	<b>\$ 282,087</b>	<b>\$ 830,000</b>	<b>\$ -</b>	<b>\$ 296,443</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 111,567</b>	<b>\$ 11,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,579,622</b>	<b>\$ 986,380</b>