



Financial Statements
and
Independent Auditors' Report

June 30, 2013 with Comparative Totals for 2012

JFYNetWorks, a Non-profit Corporation

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JFYNetWorks, a Non-profit Corporation

Management Discussion and Analysis

June 30, 2013

(Unaudited)

The following discussion and analysis provides an overview of JFYNetWorks, a Non-profit Corporation's financial activities for the fiscal year (FY) ended June 30, 2013 with comparative information for 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Summary: Operating Surplus and Organizational Reconstruction

In FY 2013, JFYNetWorks achieved a \$51,962 operating surplus. This positive outcome was the result of a programmatic and financial reconstruction which began in 2009, through which JFYNetWorks transformed itself into a 21st century innovator in blended learning. The organization realigned its programmatic focus and redesigned its delivery system to increase scale and impact while decreasing expenses. It expanded its instructional range from the high school standard test, the MCAS, to the college standard test, the Accuplacer, thereby encompassing the new national educational standard of "College and Career Readiness." Concurrently, it shifted its delivery system from direct service to school-based collaboration.

JFYNetWorks' organizational and financial reconstruction strategy was put into operation to respond to the rising skill demands of the labor market and to adapt to the economic downturn and the state and federal budget cuts of 2009-10 which dramatically reduced available funding.

Rising Skill Demands

The labor market changes about which so much has been written are captured by the epigrammatic New York Times lead, "The college degree is becoming the new high school diploma: the new minimum requirement ... for getting even the lowest-level job" (2/19/13).

These changes, which had been gathering momentum for decades, drove the national policy shift under the Obama Administration's "Race to the Top" program from the longstanding goal of high school graduation to the new goal of "College and Career Readiness." The baseline definition of that new goal, as stated by the Commonwealth of Massachusetts, is "*Successful achievement of specified levels of competence in English Language Arts/Literacy and Mathematics required for students to be placed into entry-level courses in college without the need for remediation.*" (MA Definition of College and Career Readiness, 2013)."

The new goal is not a mere extension of the old; it is in fact a major leap. The breadth of the leap is indicated by the fact that 60% of incoming students at Massachusetts community colleges test into remedial courses and are therefore, by definition, not college ready. Only 10% of these students complete a two-year degree within three years.*

JFYNetWorks anticipated the new standard by developing a college readiness program in 2011 based on the state's mandated college placement test, the College Board's Accuplacer suite. This Accuplacer Prep program of assessment and instruction prepares students to pass the required battery of Accuplacer placement tests by identifying and teaching lagging skills. Despite the universally acknowledged importance of college-level skills for any kind of employment, with or without an actual degree; and despite the paramount importance of the Accuplacer as the statewide college placement standard, there were virtually no Accuplacer preparation programs in Massachusetts high schools. JFYNet was the first to address this critical gap in college preparation. Over 2½ years, in courses delivered collaboratively through high schools and community colleges, the JFYNet Accuplacer Prep program has helped students eliminate over 1100 developmental courses. The tuition

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

savings represented by these courses exceed \$600,000. JFYNet Accuplacer Prep now reaches 2500 students per year, a number equal to JFYNet's current MCAS Prep enrollment. Because Accuplacer is used in many states, JFYNet has conducted programs in Connecticut, Texas, Rhode Island and Washington, D.C.

The shift from direct service--conducting adult education and job training classes on its own premises—to school-based collaboration on MCAS and Accuplacer preparation dramatically increased JFYNet's reach and impact. Instead of instructing a few hundred students in its own Boston classrooms, JFYNet now reaches thousands of students in school classrooms throughout Massachusetts and in other states. The collaborative "train the trainer" delivery model and curated online curriculum keep the cost low. By helping teachers develop and practice new strategies, JFYNet multiplies its impact and assures the continuation of its methods into the future as those teachers pursue their careers and influence other teachers. By helping improve academic achievement and reduce achievement gaps, JFYNet impacts the skill deficiencies that lie at the root of underemployment, income inequality and poverty. This measurable impact on critical skills, magnified by the scale of the high school population, can produce significant change in the composition of the workforce, and the lives of young people after high school.

Financial Restructuring

The financial restructuring mirrored the programmatic. The net result of the strategic moves as of FY 2013 was as follows:

- 77% increase in grants and contributions
- 68% increase in service fees
- 86% decrease in contract revenue due to state and federal budget cuts
- 51% decrease in total expenses

The full annualized impact of the cost reductions was realized in FY 2013, when the reductions reached 51% (compared to FY 09). These reductions combined with new revenue growth returned the agency to positive operating results after four years of financial struggle following the state and federal budget cuts of FY 2009 and 2010 that abruptly reduced JFYNetWorks' revenue base by half and caused four years of operating deficits.

Solid Foundation for the Future

As the labor market has become more skill-intensive, the need for high academic skills and post-high school education has become critical. The challenges of the public school system in meeting the rising demands of the labor market are well documented.

JFYNetWorks has over three decades of experience in translating skill standards, both vocational and academic, into curriculum and designing instructional delivery methods leading to measurable results. The organization has applied its expertise to the development of an effective methodology for bringing online tools and resources into the school classroom to focus instruction leading to improved student achievement on the high school MCAS and continuing up to the Accuplacer college placement tests.

All current trends in K12 and higher education, including the Common Core State Standards, the new national assessments that will replace MCAS and other state tests, the emphasis on math-based science and technology (STEM), performance-based teacher evaluations, and performance-based community

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

college funding, are incentivizing high schools and community colleges to upgrade the skills of high school students and college entrants in order to reduce remedial college courses and increase college graduation rates. The new standard of “college readiness” is driving the search for more effective teaching methods. Since the new national high school tests will be given online, schools will be compelled to upgrade their technology infrastructure rapidly in order to administer them. The current implementation deadline is Spring 2015.

For JFYNet, higher standards and upgraded technology create a broader market for blended learning support as schools seek help to meet the new standards and prepare for the new assessments. JFYNet has a competitive advantage in being the first provider to develop and market a school-based assessment and instruction course directly aligned to the Accuplacer; and it is still the only Accuplacer preparation program that provides hands-on support in the classroom to teachers and students. The organization has a robust and growing network of schools and community colleges, longstanding relationships with the state and foundations, and close partnerships with the providers of the Accuplacer tests and integrated curriculum. As rising performance requirements drive demand for more effective instructional methods leading to measurable college readiness, JFYNet is well positioned for continued growth.

Future Potential

JFYNet made the strategic decision to focus on College and Career Readiness, the program area that makes the largest economic and social impact, contributes the most to operating income, and offers the best potential for future growth. The decision to focus on expanding delivery through high schools, as well as community colleges and community agencies, has direct and significant results in terms of scale and sustainability. By reaching young people in high schools, the institutions they are required by law to attend, JFYNet can reach a scale that cannot be equaled through any other delivery system. Intervention at the high school level can also prevent academic failure and reduce negative incentives to drop out. In addition, the permanent high school infrastructure of personnel and facilities supports the sustainability of JFYNet’s methods over the long term.

Getting a college degree is the most important single step a young person can take toward economic viability. JFYNet’s successful data-driven focus on the foundation skills of college and career readiness aligns the organization directly with the most important education and workforce development issue of the present and future. The national, state and foundation policy and funding emphasis on college and career readiness, and JFYNet’s unique success in addressing it programmatically, offer maximum opportunity for future growth, and maximum return on the investment of public and private funders.

* *Remediation: Higher Education’s Bridge to Nowhere*, Complete College America, 2012.

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Management Discussion and Analysis - Continued
June 30, 2013

Using the Financial Statements

The primary purpose of financial statements is to provide relevant information to meet the common interests of donors, members, creditors, and others who provide resources to not-for-profit organizations. More specifically, the purpose of financial statements, including accompanying notes, is to provide information about:

- a) The amount and nature of an organization's assets, liabilities, and net assets;
- b) The effects of transactions and other events and circumstances that change the amount and nature of net assets;
- c) The amount and kinds of inflows and outflows of economic resources during a period and the relation between the inflows and outflows;
- d) How an organization obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity;
- e) The service efforts of an organization.

This annual report consists of a series of financial statements. In accordance with the Financial Accounting Standards Board (FASB) JFYNetWorks issues a *Statement of Financial Position*, a *Statement of Activities*, a *Statement of Functional Expenses*, and a *Statement of Cash Flows*. These statements provide information about the financial activities of JFYNetWorks. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Statement of Financial Position

The primary purpose of a statement of financial position is to provide relevant information about an organization's assets, liabilities and net assets and about their relationships to each other at a moment in time. The information provided in a statement of financial position, used with related disclosures and information in other financial statements, helps donors, members, creditors, and others to assess (a) the organization's ability to continue to provide services and (b) the organization's liquidity, financial flexibility, ability to meet obligations and needs for external financing. A statement of financial position reports the amounts for each of three classes of net assets—permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets—based on the existence or absence of donor-imposed restrictions.

Over time, readers of the financial statements will be able to evaluate JFYNetWorks' fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if its financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of JFYNetWorks. This statement is also a good source for readers to determine how much JFYNetWorks owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

A summarized comparison of the JFYNetWorks assets, liabilities and net assets as of June 30, 2013 and 2012 is as follows:

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 367,786	\$ 424,541
Fixed assets	-	4,637
Other assets	<u>16,616</u>	<u>25,141</u>
Total assets	<u>\$ 384,402</u>	<u>\$ 454,319</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities and total liabilities	<u>\$ 227,804</u>	<u>\$ 349,683</u>
Net assets	<u>\$ 156,598</u>	<u>\$ 104,636</u>

The excess of current assets over current and total liabilities of \$156,598 in 2013 reflects the continuing ability of JFYNetWorks to meet its obligations. Current assets consist primarily of cash, grants and contributions receivable and accounts receivable. Total current assets decreased by \$56,755 from \$424,541 at June 30, 2012 to \$367,786 at June 30, 2013, primarily due to the decrease in cash of \$176,796 representing the lingering effects of the financial restructuring, while grants and contributions receivable increased by \$170,500 due to restructured fundraising efforts.

Other assets consist primarily of intangible assets, such as website and course development costs, and a security deposit. The total other assets decreased by \$8,525 from \$25,141 to \$16,616 at June 30, 2013, due to normal amortization of the intangible assets.

Current and total liabilities consisting of accounts payable, accrued expenses and deferred revenue decreased by \$121,879 primarily due to timely payment of accounts payable (\$118,054), given the improved fiscal operations.

Net Assets is the difference between total assets and total liabilities. JFYNetWorks' net assets are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted Net Assets* - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of JFYNetWorks and/or the passage of time.
- *Permanently Restricted Net Assets* - Net assets subject to donor imposed stipulations that require JFYNetWorks to permanently maintain certain contributed assets. Permanent restrictions do not pass with the expiration of time, nor can they be removed through JFYNetWorks' actions. Generally, donors of such assets permit JFYNetWorks to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. At June 30, 2013 and 2012, JFYNetWorks had no permanently restricted net assets.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

Net assets accumulated that are not subject to donor imposed restrictions, but which the Board of Directors has earmarked for specific uses, is segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

JFYNetWorks net assets at June 30, 2013 and 2012 are summarized as follows:

<i>Net Assets</i>	<i>2013</i>	<i>2012</i>
Unrestricted:		
Undesignated	\$ 146,598	\$ (65,276)
Directors' discretionary fund	<u> -</u>	<u>141,912</u>
Total unrestricted net assets	146,598	76,636
Temporarily restricted	<u>10,000</u>	<u>28,000</u>
Total net assets	<u>\$ 156,598</u>	<u>\$ 104,636</u>

Total unrestricted net assets increased by \$69,962 from its June 30, 2012 balance to total \$146,598 at June 30, 2013 due to improved financial performance.

The board designated Directors' Discretionary Fund net assets provide for contingencies outside of and beyond normal program operations. These contingencies include, but are not limited to, new program development, program scholarships, program expansion, real estate acquisition, technology upgrade, improvements and emergencies. During FY 2013, the board designated Directors' Discretionary Fund was used to finance operations, until the outstanding grants and contributions were received.

On June 30, 2013 and 2012, temporarily restricted net assets were restricted for program services. The \$28,000 that was restricted at June 30, 2012 was used for programs in accordance with the donor's restrictions in FY 2013. Promises made by donors in FY 2013 to give \$10,000 to support JFYNet, for which payments will be received in FY 2014, make up the temporarily restricted net assets at June 30, 2013.

Statement of Activities

The primary purpose of a statement of activities is to provide relevant information about (a) the effects of transactions and other events and circumstances that change the amount and nature of net assets, (b) the relationships of those transactions and other events and circumstances to each other, and (c) how the organization's resources are used in providing various programs or services. The information provided in a statement of activities, used with related disclosures and information in the other financial statements, helps donors, creditors, and others to (1) evaluate the organization's performance during a period, (2) assess an organization's service efforts, and (3) evaluate its ability to continue to provide services. Changes in total net assets as presented on the statement of financial position are based on the activity presented in this statement. This statement helps to determine whether JFYNetWorks had sufficient revenues and support to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

A summarized comparison of JFYNetWorks' statement of activities for the years ended June 30, 2013 and 2012 is as follows:

	<i>2013</i>	<i>2012</i>
<i>Revenue and Support</i>		
Grants and contributions	\$ 654,621	\$ 467,702
Contracts	200,000	496,711
Fees	391,665	450,556
Interest income	168	834
Miscellaneous	-	898
	1,246,454	1,416,701
<i>Expenses</i>		
Program services	839,176	1,238,791
Management and general	232,541	196,848
Fundraising	122,775	116,760
	1,194,492	1,552,399
Change in net assets	51,962	(135,698)
Net assets, beginning of year	104,636	240,334
Net assets, end of year	\$ 156,598	\$ 104,636

Grants and contributions increased by 40% from FY 2012 due to increased fundraising efforts in FY 2013 and now make up the largest source of JFYNetWorks' revenue and support. JFYNetWorks is also pursuing other fundraising options to further increase support in the future. Contract revenue and fees decreased by 60% and 13%, respectively, from FY 2012, due to the strategy to transition adult basic education (ABE) programs and staff to another organization. The expansion of the JFYNet blended online learning program is being aggressively pursued to position JFYNetWorks to become a large and successful organization with the capacity to make a significant positive impact on students, schools, the workforce and society.

Program services decreased by 32% from FY 2012, due to the transfer of the ABE program, the wind-down of the Environmental Technology Training program and the move to smaller and less costly quarters. Despite the transfer, JFYNetWorks still continues to focus on programs and spent 70% of its total expenses on program services in FY 2013. Management and general expenses increased by 18% from FY 2012 primarily due to investments made to pursue contracts from local schools and school districts for JFYNet. Fundraising costs increased by 5% from FY 2012 due to the use of different fundraising strategies in FY 2013. Only 19% of related contributions were spent on fundraising expenses.

JFYNetWorks' bottom line surplus of \$51,962 for FY 2013 was a \$187,660 increase from the FY 2012 loss of \$135,698. This increase was consistent with the operational strategy that was put in place to respond to the economic downturn and state budget cuts that began in FY 2009.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

Statement of Functional Expenses

The primary purpose of a statement of functional expenses is to help donors, creditors, and others understand the type of expenses incurred by their natural classification, such as personnel, occupancy, etc. by major programs and supporting services. Natural classification tells what was purchased.

JFYNetWorks' statement of functional expenses for the year ended June 30, 2013 with summarized comparative totals for 2012 is as follows:

Expenses	<i>Education and Training</i>	<i>Management and General</i>	<i>Fund- Raising</i>	2013 Total	2012 Total
Personnel	\$ 607,357	\$ 99,833	\$ 50,358	\$ 757,548	\$ 766,651
Occupancy	54,208	7,898	4,402	66,508	144,012
Program expense	38,776	-	-	38,776	43,263
Contracted services	19,802	18,649	1,111	39,562	359,536
Administrative expenses	44,554	97,871	63,518	205,943	143,998
Other operating expenses	63,979	6,570	2,444	72,993	78,423
Depreciation and amortization	<u>10,500</u>	<u>1,720</u>	<u>942</u>	<u>13,162</u>	<u>16,516</u>
Total expenses	<u>\$ 839,176</u>	<u>\$ 232,541</u>	<u>\$ 122,775</u>	<u>\$ 1,194,492</u>	<u>\$ 1,552,399</u>

All expenses, except for administrative expenses, decreased from FY 2012 due to the transition of the ABE programs and the move to less expensive office space. Administrative services increased due to the donation of professional services to secure contracts from schools and school districts and additional trainers for JFYNet.

JFYNetWorks' program spending for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Adult Basic Education	\$ -	\$ 239,332
JFYNet	824,994	741,165
Environmental Technology Training	<u>14,182</u>	<u>258,294</u>
Total Education and Training	<u>\$ 839,176</u>	<u>\$ 1,238,791</u>

Program spending on the ABE and Environmental and Technology Training programs decreased and spending on JFYNet increased by 11% from FY 2012, in accordance with the transition plan. The expansion of the JFYNet blended online learning program is being aggressively pursued to position JFYNetWorks to become a large and successful organization with the capacity to make a significant positive impact on students, schools, the workforce and society.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2013

Statement of Cash Flows

The primary purpose of a statement of cash flows is to provide relevant information about the cash receipts and cash payments of an organization during a period. The statement reports net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as “from where did cash come?,” “for what was cash used?,” and “what was the change in cash balance during the reporting period?”

This statement also is an important tool in helping users assess JFYNetWorks' ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

A summarized comparison of JFYNetWorks' statement of cash flows for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Net cash (used in) provided by operating activities	\$ (176,796)	\$ 52,958
Net cash used in investing activities	-	(10,473)
Net cash used in financing activities	-	(100,000)
Net decrease in cash and cash equivalents	(176,796)	(57,515)
Cash and cash equivalents, beginning of year	<u>220,345</u>	<u>277,860</u>
Cash and cash equivalents, end of year	<u>\$ 43,549</u>	<u>\$ 220,345</u>

Cash flows from operations decreased by \$229,754 from FY 2012 primarily due to accounts payable and accrued expenses payments of \$116,179 that were primarily the result of the transfer of the ABE programs and wind down of the Environmental Technology Training program, and the increase of grants and contributions receivable of \$170,500. Subsequent to year end, grants and contributions totaling \$215,000 was collected.

No significant investing activities were anticipated for FY 2013 and none were made.

No significant financing activities were anticipated for FY 2013 and none were made.

Overall for FY 2013, cash decreased from FY 2012 by \$176,798 to \$43,548 at June 30, 2013. The decrease was anticipated and was offset by unrestricted cash and the Directors' discretionary fund.



Randall S. Davis & Company LLP

Certified Public Accountants

Creating Value From Numbers

Independent Auditors' Report

To the Board of Directors of
JFYNetWorks, a Non-profit Corporation

We have audited the accompanying financial statements of JFYNetWorks, a Non-profit Corporation (JFYNetWorks) (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and 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 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 JFYNetWorks' 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 JFYNetWorks' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JFYNetWorks, a Non-profit Corporation as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2012 Financial Statements

The 2012 financial statements of JFYNetWorks, as of and for the year ended June 30, 2012, were audited by other auditors whose report thereon, dated January 30, 2013, expressed an unqualified opinion.

A handwritten signature in black ink that reads "Russell L. Jarvis & Company LLP". The signature is written in a cursive, flowing style.

February 11, 2014

JFYNetWorks, a Non-profit Corporation
Statement of Financial Position
June 30, 2013 with Comparative Totals for 2012

	<i>2013</i>	<i>2012</i>
<i>Assets</i>		
<hr/>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 43,549	\$ 220,345
Grants and contributions receivable	215,000	44,500
Accounts receivable, net	105,000	153,240
Prepaid expenses	<u>4,237</u>	<u>6,456</u>
Total current assets	<u>367,786</u>	<u>424,541</u>
<i>Fixed Assets:</i>		
Leasehold improvements	5,543	5,543
Furniture and equipment	242,156	242,156
Less: accumulated depreciation	<u>(247,699)</u>	<u>(243,062)</u>
Net fixed assets	<u>-</u>	<u>4,637</u>
<i>Other Assets:</i>		
Intangible assets, net	8,530	17,055
Security deposit	<u>8,086</u>	<u>8,086</u>
Total other assets	<u>16,616</u>	<u>25,141</u>
Total assets	<u>\$ 384,402</u>	<u>\$ 454,319</u>
<i>Liabilities and Net Assets</i>		
<hr/>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 125,942	\$ 243,996
Accrued expenses	89,862	87,987
Deferred revenue	<u>12,000</u>	<u>17,700</u>
Total current liabilities and total liabilities	<u>227,804</u>	<u>349,683</u>
<i>Net Assets:</i>		
Unrestricted:		
Undesignated	146,598	(65,276)
Directors' discretionary fund	<u>-</u>	<u>141,912</u>
Total unrestricted net assets	146,598	76,636
Temporarily restricted	<u>10,000</u>	<u>28,000</u>
Total net assets	<u>156,598</u>	<u>104,636</u>
Total liabilities and net assets	<u>\$ 384,402</u>	<u>\$ 454,319</u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation

Statement of Activities

For the Year Ended June 30, 2013 with Summarized Comparative Totals for 2012

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2013 Total</i>	<i>2012 Total</i>
<i>Revenue and Support</i>				
Grants and contributions	\$ 644,621	\$ 10,000	\$ 654,621	\$ 467,702
Contracts	200,000	-	200,000	496,711
Fees	391,665	-	391,665	450,556
Interest income	168	-	168	834
Miscellaneous	-	-	-	898
Net assets released from restrictions	<u>28,000</u>	<u>(28,000)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	<u>1,264,454</u>	<u>(18,000)</u>	<u>1,246,454</u>	<u>1,416,701</u>
<i>Expenses</i>				
Education and Training	839,176	-	839,176	1,238,791
Management and general	232,541	-	232,541	196,848
Fundraising	<u>122,775</u>	<u>-</u>	<u>122,775</u>	<u>116,760</u>
 Total expenses	<u>1,194,492</u>	<u>-</u>	<u>1,194,492</u>	<u>1,552,399</u>
 Change in net assets	69,962	(18,000)	51,962	(135,698)
 Net assets, beginning of year	<u>76,636</u>	<u>28,000</u>	<u>104,636</u>	<u>240,334</u>
 Net assets, end of year	<u><u>\$ 146,598</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 156,598</u></u>	<u><u>\$ 104,636</u></u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2013 with Summarized Comparative Totals for 2012

<i>Description</i>	<i>Education and Training</i>		<i>Total Education and Training</i>	<i>Management and General</i>	<i>Fund- Raising</i>	2013 Total	2012 Total
	<i>JFYNet</i>	<i>Environmental Technology Training</i>					
Personnel	\$ 595,230	\$ 12,127	\$ 607,357	\$ 99,833	\$ 50,358	\$ 757,548	\$ 766,651
Occupancy	54,042	166	54,208	7,898	4,402	66,508	144,012
Program expense	38,158	618	38,776	-	-	38,776	43,263
Contracted services	19,329	473	19,802	18,649	1,111	39,562	359,536
Administrative expenses	43,866	688	44,554	97,871	63,518	205,943	143,998
Other operating expenses	63,869	110	63,979	6,570	2,444	72,993	78,423
Depreciation and amortization	<u>10,500</u>	<u>-</u>	<u>10,500</u>	<u>1,720</u>	<u>942</u>	<u>13,162</u>	<u>16,516</u>
Total expenses	<u>\$ 824,994</u>	<u>\$ 14,182</u>	<u>\$ 839,176</u>	<u>\$ 232,541</u>	<u>\$ 122,775</u>	<u>\$ 1,194,492</u>	<u>\$ 1,552,399</u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Statement of Cash Flows
For the Year Ended June 30, 2013 with Comparative Totals for 2012

	2013	2012
<i>Cash Flows from Operating Activities:</i>		
Change in net assets	\$ 51,962	\$ (135,698)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	13,162	16,516
(Increase)/decrease in operating assets:		
Cash restricted for collateral	-	150,000
Grants and contributions receivable	(170,500)	(13,500)
Accounts receivable	48,240	(77,567)
Prepaid expenses	2,219	1,580
Security deposit	-	29,896
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(116,179)	93,381
Deferred revenue	<u>(5,700)</u>	<u>(11,650)</u>
Net cash (used in) provided by operating activities	<u>(176,796)</u>	<u>52,958</u>
<i>Cash Flows from Investing Activities:</i>		
Purchase of fixed assets	-	(9,533)
Purchase of intangible assets	<u>-</u>	<u>(940)</u>
Net cash used in investing activities	<u>-</u>	<u>(10,473)</u>
<i>Cash Flows from Financing Activities:</i>		
Repayment of line of credit	<u>-</u>	<u>(100,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(100,000)</u>
Net decrease in cash and cash equivalents	(176,796)	(57,515)
Cash and cash equivalents, beginning of year	<u>220,345</u>	<u>277,860</u>
Cash and cash equivalents, end of year	<u><u>\$ 43,549</u></u>	<u><u>\$ 220,345</u></u>
Supplemental data		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 3,685</u></u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

1. Organization and Activities

JFYNetWorks, a Non-profit Corporation, is an education and workforce development agency founded in 1976 as Jobs for Youth-Boston to help low-income, disadvantaged youth and adults overcome the barriers to achieving a self-sustaining income. JFYNetWorks' target population, originally out-of-school Boston youth, has expanded over the past decade to include high school students, school dropouts, unemployed and underemployed youth and adults from all parts of the Commonwealth of Massachusetts and other states. Headquartered in Boston, JFYNetWorks has historically provided job training and placement, GED preparation classes, ESOL classes, school-based online academic support and advanced skills training in selected occupations. In recent years, the organization has refocused its programs on the use of online resources to support students' acquisition of the basic academic skills required for high school graduation and college entry at the credit-earning level—the definition of “College and Career Readiness.”

In fiscal year (FY) 2012, after long deliberation, JFYNetWorks' board of directors and executive leadership reached a strategic decision to concentrate its efforts and resources into JFYNet, the on-line education program that began in 2000. Accordingly, as of FY 2012, JFY NetWorks' state-funded Adult Basic Education program, comprising GED and ESOL components, was transferred to another agency. Its Environmental Technology job training program concluded in FY 2013. This transition enabled JFYNetWorks to focus completely on JFYNet, its suite of online learning programs in high schools, community agencies and community colleges. These functional changes operationalized the consolidation of JFY's programmatic focus into the single theme of College and Career Readiness—the new standard of the U.S. Departments of Education and Labor.

The programmatic concentration dramatically improves JFYNetWorks' financial sustainability, while maintaining programmatic impact.

In FY 2013, JFYNetWorks' programs comprised the following components:

JFYNet – A school-based blended learning program that works in high schools, community agencies and community colleges throughout Massachusetts and in other states using online resources and techniques to align instruction to state and national standards with the goals of improving instruction and raising student achievement.

Raising the academic skills of high school graduates to college entry standards through online intervention in high school, and between high school and college, is, in the agency's judgment, the highest value-added contribution it can make to the development of a globally-competitive American workforce. *JFYNet's* methodology—bringing digital resources into schools and systematically building the capacity of teachers to use them effectively—has shown that it can produce measurable improvement in student learning by gradually transforming the practice of teaching.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

1. *Organization and Activities - Continued*

The universal accessibility and low cost of online resources make JFYNet scalable. This means that it can be grown to a size that can produce a significant impact on student achievement statewide, regionally, and nationally. Because it utilizes the permanent infrastructure of personnel and facilities of the public education system, it is also sustainable. It is the only education support or training program JFY has encountered that has the potential for population-scale outcomes in the tens of thousands or higher. This is why JFYNetWorks has decided to concentrate its efforts, expertise and resources here.

Environmental Technology Training – A hands-on technical skill-training program that prepares candidates for jobs as field and lab technicians, hazardous materials handlers, emergency response technicians, decontamination technicians, environmental educators, and other industry, government and community positions in the environmental remediation field. This program was partially funded by the U.S. Environmental Protection Agency. The program concluded in FY 2013.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets Classification

JFYNetWorks' net assets are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted Net Assets* - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of JFYNetWorks and/or the passage of time.
- *Permanently Restricted Net Assets* - Net assets subject to donor imposed stipulations that require JFYNetWorks to permanently maintain certain contributed assets. Permanent restrictions do not pass with the expiration of time, nor can they be removed through JFYNetWorks' actions. Generally, donors of such assets permit JFYNetWorks to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. At June 30, 2013 and 2012, JFYNetWorks had no permanently restricted net assets.

Net assets accumulated that are not subject to donor imposed restrictions, but which the Board of Directors of the Organization has earmarked for specific uses, are segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

2. *Summary of Significant Accounting Policies - Continued*

Grants and Contributions

Grants and contributions are recognized when a donor makes a promise to give to JFYNetWorks that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 donated, are recorded at their fair values in the period received.

JFYNetWorks uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2013 and 2012, the outstanding grants and contributions were deemed fully collectible and due within one year.

Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents does not include cash restricted for collateral.

Fixed Assets

Donations of fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, JFYNetWorks reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. JFYNetWorks reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased fixed assets are carried at cost. Repairs and maintenance are charged to operations. Betterments, renewals and purchases of more than \$1,000 are capitalized. Fixed assets are depreciated using the straight-line method.

Depreciation expense for the years ended June 30, 2013 and 2012 was \$4,634 and \$7,986, respectively.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

2. *Summary of Significant Accounting Policies - Continued*

Accounts Receivable

Accounts receivable, which represents outstanding payments for services rendered, are presented net of the allowance for doubtful accounts. JFYNetWorks' periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are charged off when deemed uncollectible. At June 30, 2013 and 2012, there was no allowance for potentially uncollectible accounts.

Income Taxes

JFYNetWorks is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the fiscal year ended June 30, 2013, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provisions from income taxes.

JFYNetWorks evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. JFYNetWorks has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2013 returns and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. JFYNetWorks' fiscal year 2010 through fiscal year 2012 tax years remain subject to examination by federal and state tax authorities.

Intangible Assets

Intangible assets are stated at cost and are amortized using the straight-line method.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended June 30, 2013 and 2012 was \$12,227 and \$10,220, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services based on direct charges and personnel time estimates.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

2. *Summary of Significant Accounting Policies - Continued*

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional areas. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JFYNetWorks' financial statements for the year ended June 30, 2012, from which the summarized information was derived.

3. *Temporarily Restricted Net Assets*

At June 30, 2013 and 2012, temporarily restricted net assets were restricted for program services.

4. *Directors' Discretionary Fund*

The board designated Directors' Discretionary Fund net assets provide for contingencies outside of and beyond normal program operations. These contingencies include, but are not limited to, new program development, program scholarships, program expansion, real estate acquisition, technology upgrade, improvements and emergencies. During fiscal year 2013, the board designated Directors' Discretionary Fund was used to finance operations. At June 30, 2013 and 2012, the Directors' Discretionary Fund balance was \$0 and \$141,912, respectively.

5. *Concentrations*

During 2013 and 2012, JFYNetWorks received 17% and 30%, respectively, of its total revenue and support from the Commonwealth of Massachusetts. Grants and contributions receivable from one donor totaled 58% and 45%, respectively, of total grants and contributions receivable at June 30, 2013 and 2012. Accounts receivable from one clients at June 30, 2013 and three clients at June 30, 2012, totaled 95% and 70%, respectively, of total accounts receivable.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

6. Intangible Assets

Intangible assets consist of the following:

<i>Descriptions</i>	<i>Life</i>	<i>2013</i>	<i>2012</i>
Logo costs	5	\$ 5,000	\$ 5,000
Trademark costs	5	4,147	4,147
Website development costs	5	9,839	9,839
Course development costs	5	<u>32,800</u>	<u>32,800</u>
Total		51,786	51,786
Accumulated amortization		<u>(43,256)</u>	<u>(34,731)</u>
Net intangible assets		<u>\$ 8,530</u>	<u>\$ 17,055</u>

Amortization expense for the years ended June 30, 2013 and 2012 was \$8,528.

Future amortization expense for the remaining amortization periods is as follows:

<i>Fiscal</i>	<i>Year</i>	<i>Amount</i>
	2014	\$ 5,040
	2015	1,968
	2016	<u>1,522</u>
	Total	<u>\$ 8,530</u>

7. Lease Commitment

JFYNetWorks leases office space under a two-year noncancelable lease at 44 School Street that expires on January 31, 2014. In addition to rent payments of \$4,043 per month, JFYNetWorks is liable for modest real estate taxes and operating costs. JFYNetWorks has three sequential options to extend the lease for one year each from the expiration of the prior term.

Rent expense for the years ended June 30, 2013 and 2012 was \$48,516 and \$94,706, respectively.

Subsequent to year end, the lease was extended to June 30, 2014. The future minimum payment due under the lease is \$28,301 for fiscal year 2014.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

8. Retirement Plan

JFYNetWorks contributes to a Simplified Employee Pension IRA (SEP IRA) retirement plan for its employees. All full time employees with two years of service are eligible to participate in the plan. JFYNetWorks' contribution is discretionary and is determined annually. Employees cannot make additional voluntary contributions, since they can participate in JFYNetWorks' non-contributory 403(b) pension plan. There were no pension plan contributions for the SEP IRA for the years ended June 30, 2013 or 2012.

9. Contingencies

Government Contracts

The expenses reflected in the accompanying financial statements relating to government contracts are subject to review by the various funding sources. The possible disallowance of any items recorded as contract costs cannot be determined at this time. However, management does not believe that any such disallowance would be material to the financial statements. Accordingly, no provision for any liability that may result has been made in financial statements.

Financial Stabilization, Program Focus and Growth

The economic downturn and related state and federal budget cuts that began in FY 2009 imposed sudden and significant reductions in financial support on JFYNetWorks during FY 2009 and the following years. To adjust to the loss of funding, JFYNetWorks reduced its future obligations by transferring its adult basic education programs and staff to another organization, negotiating a reduction in its office space and rent expense with its landlord, relocating to new offices and discontinuing its job training program. This process had to be executed in such a way that JFYNetWorks fulfilled its contractual obligations to the state, the federal government and other funders, and avoided disrupting the education and training of its students. The transfer of the adult basic education program was completed in mid-2011. In December 2011 JFYNetWorks moved to smaller and less costly quarters, reducing annual expenses by more than \$400,000. The final cycle of job training was completed in May, 2012.

Concurrently, the board of directors decided to make the provision of online educational curriculum and support services, the JFYNet program, which had grown over a 10-year period into the largest of the agency's program divisions, the total focus of JFYNetWorks. This concentration brought JFYNetWorks into alignment with the new policy priority of the US Departments of Education and Labor and most foundations: College and Career Readiness.

Over the past three years JFYNetWorks has reversed the decline in revenue precipitated by the state and federal cuts and sharply reduced its operating deficit. The full annualized impact of the cost reductions realized in FY 2013 combined with continued revenue growth set a trend line toward fiscal balance that resulted in approximately \$52,000 operating surplus in FY 13. JFYNetWorks has overcome the loss of over \$1.5M in annual state and federal funding through a combination of strategic program re-focusing, cost reductions, drawing from reserves, and revenue diversification.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2013 with Comparative Totals for 2012

9. *Contingencies - Continued*

The expansion of the JFYNet blended online learning program is being aggressively pursued to position JFYNetWorks to become a large and successful organization with the capacity to make a significant positive impact on students, schools, the workforce and society. Recent developments involving community colleges and national organizations concerned with raising student achievement and college readiness point the way to the realization of that organizational goal.

JFYNetWorks is also pursuing other fundraising options to increase support in the future. Management anticipates that these actions and plans will position JFYNetWorks to continue its operations on a sound and sustainable financial basis going forward. These financial statements do not include any adjustments that might result from these events.

10. *Subsequent Events*

JFYNetWorks has evaluated subsequent events through February 11, 2014, which is the date the financial statements were available to be issued.