



Financial Statements
and
Independent Auditors' Report

June 30, 2014 with Comparative Totals for 2013

JFYNetWorks, a Non-profit Corporation

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JFYNetWorks, a Non-profit Corporation

Management Discussion and Analysis

June 30, 2014

(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, 2014 with comparative information for 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

School House to State House to White House

In his first joint address to Congress on February 24, 2009, President Obama set a goal that the US should have the highest proportion of college graduates in the world by 2020. Since 1995, the US has slipped from first in the world to nineteenth. To regain first place, the proportion of college graduates in the US will need to increase by 50 percent. The President's declaration of that ambitious goal inaugurated a continuing sequence of policy, legislative and regulatory actions that are moving American public education toward national standards, bringing K12 and higher education together into a single coordinated system of standards under the rubric "College and Career Readiness," and making technology the integral tool in education that it has long been in every other sector. These trends laid the groundwork for the transformation of JFYNetWorks into a creator and implementor of school-based blended learning programs, and led to its invitation to the 2014 White House Summit on College Opportunity.

An important local step toward the President's goal was taken on July 31, 2014, the last day of the legislative session, when the Massachusetts legislature passed the long-awaited economic development act "promoting economic growth across the commonwealth." Recognizing the critical need to reduce college remediation in order to raise graduation rates, the bill contained a \$1 million appropriation for JFYNetWorks "for a statewide college and career readiness program... to reduce the number of remedial developmental courses students are required to take at community colleges." The bill had been in committee for several months. Had it been passed earlier in the session, it would have had a decisive positive impact on JFYNetWorks' FY14 financial results. Instead, after two rounds of budget cuts, the final appropriation of \$360,399 became the first new capital infusion of FY 2015.

The inclusion of JFYNetWorks in the economic development bill was due to the support of the Massachusetts Competitive Partnership, an influential policy and advocacy organization of the 16 largest companies in the state. In addition to its work on the economic development bill, MACP was the driving force behind Boston's Olympic bid. Their support of JFYNetWorks was based on their concern about the future workforce of Massachusetts, as expressed in their brief to the Legislature:

Ensuring that the Commonwealth has a STEM-ready workforce is critical to our economic future. For our community colleges – a critical source of future STEM workers – retaining students who need to take developmental, or remedial, courses is a major challenge. Unfortunately, while community colleges enroll 53% of the total Massachusetts public higher education undergrad population, they graduate less than 20% of their students. A major reason for the low graduation rate is the high rate of assignment to remedial "developmental" courses due to low scores on the required Accuplacer placement test. In fact, 65% of students entering our community colleges are not ready for the course work and require remedial classes.... Once assigned to remedial courses however, nine out of ten students drop out without finishing a degree.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

JFYNet, run by JFY NetWorks, is a school-based Accuplacer Preparation program available to all high schools, community colleges and adult education programs in the Commonwealth. In four years of Accuplacer Prep programming, JFYNet has helped students eliminate 1,600 developmental courses and save \$857,000 in wasted non-credit tuition. The expansion of JFYNet Accuplacer Readiness would provide a statewide college readiness/ Accuplacer preparation program that would drastically reduce the number of students in remedial courses, especially math courses, at community colleges-- a major contribution to the training of a skilled STEM workforce for Massachusetts which is vital to our economic future.

Similar workforce concerns are expressed by the Boston Municipal Research Bureau, which has been advocating for JFYNetWorks with its members, City Hall and the Boston Public Schools. This public policy organization of 41 Boston companies has an agenda similar to that of the MACP, but with a Boston focus. They expressed their support for JFYNetWorks as follows:

More than one-third of Boston Public School graduates who enroll in Massachusetts public colleges – and 60% in community college - are not fully ready for the course work and require at least one remedial class even though they have met the standards for high school graduation. ... This college readiness gap is a troubling workforce issue for Massachusetts where it is estimated that 70% of the jobs will require college education by 2020. The state depends on public higher education to be the workforce pipeline for a growing economy.... In a partnership with the nonprofit JFYNetWorks, the Boston Public Schools has used the Accuplacer Diagnostic... as an early intervention tool to assist juniors and seniors to improve their algebra, arithmetic, reading comprehension, and writing skills.... The results at individual schools have been impressive....How to expand the program is the next challenge.

The active support of leading business organizations is a new element in JFYNetWorks' sustainability strategy. Business is a powerful influence bloc with a permanent interest in a skilled workforce. Their support will help JFYNetWorks build for the long term.

The support of the business community is based on economic and demographic trends that create a favorable long-term environment for JFYNetWorks. These trends are described in two recent reports, the latest among many over the past several years, from MassINC and the Massachusetts Department of Higher Education. They sound an urgent warning that Massachusetts is not producing enough college graduates to support the economy's need for skilled workers. Not only is the rate of increase flattening almost to zero; the actual number of working-age college graduates is about to start declining just when the resurgent economy's need for them is growing. DHE projects a shortfall of 6000 graduates per year from 2015 to 2025. Skilled workers are the fuel of economic growth, and the Massachusetts pipeline is drying up.

Though Massachusetts has the best public education system in the country by every category of measurable student achievement, it is not producing enough college graduates to meet the demand for skilled workers. The studies give two reasons for this surprising shortfall: increasing industry demand for college graduates, and declining numbers of high school graduates to feed colleges. One trend line goes up; the other goes down. Those numbers cannot be changed. But the business community, and the legislature, recognize that the gap can be filled by reducing the number of high school graduates lost to remedial college courses.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

That number is surprisingly large: 7500 recent high school graduates, one-third of the graduates entering all levels of public higher education. At the community college level, it is over 60%--6000 students. These are students who want to go to college and prepare for careers, but who cannot meet the academic standards of the institutions. Falling short on the required Accuplacer college placement tests, they are assigned to non-credit remedial (“developmental”) courses. Once in remediation, only 10% finish a community college degree.

The Massachusetts economy cannot afford this waste of human resources. The number of students lost to remediation at the community colleges alone would fill the projected shortfall of skilled workers. This is the reason why *JFYNet* has earned the support of the business community, the legislature, and foundations who are concerned about the confluence of education and economic development that is embodied in the rubric “College and Career Ready.” *JFYNet*’s integration of Accuplacer preparation into the high school curriculum helps students pass the college placement tests and gain exemption from remedial courses while still in high school. The business community recognizes that *JFYNetWorks* is the only organization with the expertise and capacity to provide this service statewide at the scale needed.

The college readiness/remedial education question is integral to the issue of college graduation rate, which is in turn a proxy for skilled workforce development. Recent events have increased public awareness of and political engagement with this issue, none more than the President’s proposal to make community college free. This proposal was the most recent development of the White House College Opportunity Initiative that began with his announcement of the college graduation goal in 2009.

JFYNetWorks was invited to the latest convocation of this Initiative, the White House College Opportunity Day of Action on December 4, 2014. The meeting was addressed by President and Mrs. Obama, Vice President Biden and Secretaries Duncan and Castro. *JFYNetWorks*’ commitment as a member of the Initiative was to expand our network of college readiness programs statewide, using our state grant to seed the effort.



President Obama speaks at the College Opportunity Day of Action.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014



*Secretary of Education Arne Duncan and Executive Director Gary Kaplan
at the College Opportunity Day of Action.*

In addition to state government, the business community and the White House, JFYNetWorks has earned the support of the Massachusetts Departments of Elementary and Secondary Education and Higher Education, the Massachusetts Association of Secondary School Administrators, the Massachusetts Association of School Superintendents, the Massachusetts Association of Vocational Administrators, and the College Board.

As the economy continues to grow, and employers encounter more and more critical shortages of skilled workers, economic needs will increasingly drive educational strategies. JFYNetWorks occupies a unique position at the nexus of education and workforce development. College readiness and career readiness require the same foundation of academic skills. JFYNetWorks' unique ability to deploy technology efficiently to raise students to college skill levels has gained substantial new support in the past year. The documented record of success provides a powerful platform for future growth in Massachusetts and nationally.

JFYNetWorks 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 JFYNet can attain 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.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

Getting a college degree is the most important single step a young person can take toward economic viability. JFYNet's demonstrated 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 the JFYNet program's unique success in reaching that goal, offer maximum opportunity for future growth, and maximum return on the investment of public and private funders.

Comments on JFYNet:

"Taking the Accuplacer here was much better than going to the college and taking the test. It was less stressful. It was nice to study before taking it, and nice to know that you could try it again. The program helps you find out where you are and where you need to study more." (Student)

"Every student showed improvement and authentic achievement. The self-paced individualized tutorials assured that every student could succeed. Their success was not just a passing grade or credit toward a high school diploma, but the elimination of remedial courses at the college level. One girl who seemed to lag behind in the tutorials ended up eliminating three remedial classes at the community college! I wish every course I teach could have the remarkable 'real-world' outcomes of this program." (Teacher)

"JFYNet helps us design our use of classroom technology and stay focused and on track to measurable results all the way through the year. Our teachers value the resources they bring us and the support they give in utilizing those resources." (Superintendent)

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.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

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.

A summarized comparison of the JFYNetWorks assets, liabilities and net assets as of June 30, 2014 and 2013 is as follows:

<i>Assets</i>	<i>2014</i>	<i>2013</i>
Current assets	\$ 170,513	\$ 367,786
Other assets	<u>11,576</u>	<u>16,616</u>
Total assets	<u>\$ 182,089</u>	<u>\$ 384,402</u>
 <i>Liabilities and Net Assets</i>		
Current liabilities and total liabilities	<u>\$ 146,778</u>	<u>\$ 227,804</u>
Net assets	<u>\$ 35,311</u>	<u>\$ 156,598</u>

The excess of current assets over current and total liabilities of \$35,311 in 2014 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 \$197,273 from \$367,786 at June 30, 2013 to \$170,513 at June 30, 2014, primarily due to the decrease in accounts and grants and contributions receivable of \$176,645 to collections.

Other assets consist primarily of intangible assets, such as website and course development costs, and a security deposit. The total other assets decreased by \$5,040 from \$16,616 at June 30, 2013 to \$11,756 at June 30, 2014, due to normal amortization of the intangible assets.

Current and total liabilities consisting of accounts payable and accrued expenses decreased by \$81,026 primarily due to reduced operating expenses and timely payment of accounts payable.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

Statement of Financial Position - Continued

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, 2014 and 2013, JFYNetWorks had no permanently restricted net assets.

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, 2014 and 2013 are summarized as follows:

<u><i>Net Assets</i></u>	<u><i>2014</i></u>	<u><i>2013</i></u>
Unrestricted	\$ 25,311	\$ 146,598
Temporarily restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>\$ 35,311</u>	<u>\$ 156,598</u>

Total unrestricted net assets decreased by \$121,287 from its June 30, 2013 balance to total \$25,311 at June 30, 2014 due to total reduction in grants and contributions and fees of \$376,564 from 2013.

On June 30, 2014 and 2013, temporarily restricted net assets were restricted for program services. The \$10,000 that was restricted at June 30, 2013 was used for programs in accordance with the donor's restrictions in FY 2014. Promises made by donors in FY 2014 to give \$10,000 to support JFYNet, for which payments will be received in FY 2015, make up the temporarily restricted net assets at June 30, 2014.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

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.

A summarized comparison of JFYNetWorks' statement of activities for the years ended June 30, 2014 and 2013 is as follows:

	<i>2014</i>	<i>2013</i>
<i>Revenue and Support</i>		
Grants and contributions	\$ 377,606	\$ 654,621
Contracts	200,000	200,000
Fees	292,116	391,665
Interest income	-	168
Total revenue and support	<u>869,722</u>	<u>1,246,454</u>
<i>Expenses</i>		
Program services	701,438	839,099
Management and general	177,254	232,626
Fundraising	112,317	122,767
Total expenses	<u>991,009</u>	<u>1,194,492</u>
Change in net assets	(121,287)	51,962
Net assets, beginning of year	<u>156,598</u>	<u>104,636</u>
Net assets, end of year	<u>\$ 35,311</u>	<u>\$ 156,598</u>

Grants and contributions decreased by 42% from FY 2013 due to the completion of the capitalization campaign of 2012-13 and the timing of subsequent fundraising efforts which JFYNetWorks is pursuing. The \$360,000 increase in contract revenue which was realized in the first month of FY 2015 was the first step in this strategy. Contract revenue in FY 2014 remained constant to FY 2013, while fees decreased by 25% from FY 2013 due to budget cuts in several school districts. Despite this temporary market contraction, the expansion of the JFYNet blended online learning program is being aggressively pursued to capitalize on the President's College Opportunity initiative, the state's continuing emphasis on student performance, in high school *and* community college, and the business community's growing concerns about the skills of our future workforce.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

Statement of Activities - Continued

All expense categories were reduced in FY 2014 to adjust to revenues. Program services decreased by 16% from FY 2013 due to staff reductions. Despite the reduction, JFYNetWorks maintained its focus on programs, spending 71% of its total expenses on program services in FY 2014, level with FY 13. Management and general expenses decreased by 24% from FY 2013. Fundraising costs decreased by 8.5%.

JFYNetWorks' bottom line deficit of \$121,287 for FY 2014 was due to the market and timing factors enumerated above.

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, 2014 with summarized comparative totals for 2013 is as follows:

<i>Expenses</i>	<i>JFY Net Education</i>	<i>Management and General</i>	<i>Fund- Raising</i>	<i>2014 Total</i>	<i>2013 Total</i>
Personnel	\$ 476,624	\$ 108,647	\$ 48,938	\$ 634,209	\$ 757,548
Occupancy	55,874	12,902	5,809	74,585	66,508
Program expense	39,667	-	-	39,667	38,776
Contracted services	14,795	17,907	2,365	35,067	39,562
Administrative expenses	35,340	27,841	45,642	108,823	205,943
Other operating expenses	75,450	8,977	9,191	93,618	72,993
Depreciation and amortization	<u>3,688</u>	<u>980</u>	<u>372</u>	<u>5,040</u>	<u>13,162</u>
 Total expenses	 <u>\$ 701,438</u>	 <u>\$ 177,254</u>	 <u>\$ 112,317</u>	 <u>\$ 991,009</u>	 <u>\$ 1,194,492</u>

All expenses except for occupancy were level or decreased from FY 2013 due to the expiration of the job training program and the school district budget cuts and grant timing discussed above. "Other operating expenses" would have decreased if not for a \$25,000 allowance for an uncollectible service fee pledge.

JFYNetWorks' program spending for the years ended June 30, 2014 and 2013 is as follows:

	<i>2014</i>	<i>2013</i>
JFY Net Education	\$ 701,438	\$ 824,994
Environmental Technology Training	<u>-</u>	<u>14,182</u>
Total Education and Training	<u>\$ 701,438</u>	<u>\$ 839,176</u>

The Environmental Technology Training program ended at the end of FY 2013. Spending on JFYNet Education decreased by 15% from FY 2013 due to reduced funding FY 2014.

JFYNetWorks, a Non-profit Corporation
Management Discussion and Analysis - Continued
June 30, 2014

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 of cash flows provides information about JFYNetWorks' cash receipts and cash payments during the reporting 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, 2014 and 2013 is as follows:

	<i>2014</i>	<i>2013</i>
Net cash (used in) operating activities	\$ (21,846)	\$ (176,796)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(21,846)	(176,796)
Cash and cash equivalents, beginning of year	43,549	220,345
Cash and cash equivalents, end of year	\$ 21,703	\$ 43,549

Cash flows from operations increased by \$154,950 from FY 2013 primarily due to collections of grants and contributions of \$131,000 that were outstanding at the end of FY 2013.

No significant investing activities were anticipated for FY 2014 and none were made.

No significant financing activities were anticipated for FY 2014 and none were made.

Overall for FY 2014, cash decreased from FY 2013 by \$21,846 to \$21,703 at June 30, 2014. The decrease was anticipated and was offset by unrestricted cash.



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, 2014, 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JFYNetWorks, a Non-profit Corporation as of June 30, 2014, 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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The management's discussion and analysis on pages 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of JFYNetWorks's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

We have previously audited the JFYNetWorks's 2013 financial statements, and our report dated February 11, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

March 24, 2015

JFYNetWorks, a Non-profit Corporation
Statement of Financial Position
June 30, 2014 with Comparative Totals for 2013

	2014	2013
<i>Assets</i>		
<hr/>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 21,703	\$ 43,549
Grants and contributions receivable, net	84,000	215,000
Accounts receivable	59,355	105,000
Prepaid expenses	<u>5,455</u>	<u>4,237</u>
Total current assets	<u>170,513</u>	<u>367,786</u>
<i>Fixed Assets:</i>		
Leasehold improvements	5,543	5,543
Furniture and equipment	208,977	242,156
Less: accumulated depreciation	<u>(214,520)</u>	<u>(247,699)</u>
Net fixed assets	<u>-</u>	<u>-</u>
<i>Other Assets:</i>		
Intangible assets, net	3,490	8,530
Security deposit	<u>8,086</u>	<u>8,086</u>
Total other assets	<u>11,576</u>	<u>16,616</u>
Total assets	<u>\$ 182,089</u>	<u>\$ 384,402</u>
<i>Liabilities and Net Assets</i>		
<hr/>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 87,205	\$ 125,942
Accrued expenses	59,573	89,862
Deferred revenue	<u>-</u>	<u>12,000</u>
Total current liabilities and total liabilities	<u>146,778</u>	<u>227,804</u>
<i>Net Assets:</i>		
Unrestricted	25,311	146,598
Temporarily restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>35,311</u>	<u>156,598</u>
Total liabilities and net assets	<u>\$ 182,089</u>	<u>\$ 384,402</u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Statement of Activities
For the Year Ended June 30, 2014 with Summarized Comparative Totals for 2013

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2014 Total</i>	<i>2013 Total</i>
<i>Revenue and Support</i>				
Grants and contributions	\$ 367,606	\$ 10,000	\$ 377,606	\$ 654,621
Contracts	200,000	-	200,000	200,000
Fees	292,116	-	292,116	391,665
Interest income	-	-	-	168
Net assets released from restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>869,722</u>	 <u>-</u>	 <u>869,722</u>	 <u>1,246,454</u>
<i>Expenses</i>				
Education and Training	701,438	-	701,438	839,099
Management and general	177,254	-	177,254	232,626
Fundraising	<u>112,317</u>	<u>-</u>	<u>112,317</u>	<u>122,767</u>
 Total expenses	 <u>991,009</u>	 <u>-</u>	 <u>991,009</u>	 <u>1,194,492</u>
 Change in net assets	 (121,287)	 -	 (121,287)	 51,962
Net assets, beginning of year	<u>146,598</u>	<u>10,000</u>	<u>156,598</u>	<u>104,636</u>
 Net assets, end of year	 <u><u>\$ 25,311</u></u>	 <u><u>\$ 10,000</u></u>	 <u><u>\$ 35,311</u></u>	 <u><u>\$ 156,598</u></u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2014 with Summarized Comparative Totals for 2013

<i>Description</i>	<i>JFYNet Education</i>		<i>Total JFYNet Education</i>	<i>Management and General</i>	<i>Fund- Raising</i>	<i>2014 Total</i>	<i>2013 Total</i>
	<i>Accuplacer</i>	<i>MCAS</i>					
Personnel	\$ 155,735	\$ 320,889	\$ 476,624	\$ 108,647	\$ 48,938	\$ 634,209	\$ 757,548
Occupancy	10,223	45,651	55,874	12,902	5,809	74,585	66,508
Program expense	20,717	18,950	39,667	-	-	39,667	38,776
Contracted services	5,516	9,279	14,795	17,907	2,365	35,067	39,562
Administrative expenses	6,552	28,788	35,340	27,841	45,642	108,823	205,943
Other operating expenses	22,245	53,205	75,450	8,977	9,191	93,618	72,993
Depreciation and amortization	<u>211</u>	<u>3,477</u>	<u>3,688</u>	<u>980</u>	<u>372</u>	<u>5,040</u>	<u>13,162</u>
Total expenses	<u>\$ 221,199</u>	<u>\$ 480,239</u>	<u>\$ 701,438</u>	<u>\$ 177,254</u>	<u>\$ 112,317</u>	<u>\$ 991,009</u>	<u>\$ 1,194,492</u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Statement of Cash Flows
For the Year Ended June 30, 2014 with Comparative Totals for 2013

	<i>2014</i>	<i>2013</i>
<i>Cash Flows from Operating Activities:</i>		
Change in net assets	\$ (121,287)	\$ 51,962
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	5,040	13,162
(Increase)/decrease in operating assets:		
Grants and contributions receivable	131,000	(170,500)
Accounts receivable	45,645	48,240
Prepaid expenses	(1,218)	2,219
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(69,026)	(116,179)
Deferred revenue	<u>(12,000)</u>	<u>(5,700)</u>
Net cash used in operating activities	<u>(21,846)</u>	<u>(176,796)</u>
Cash and cash equivalents, beginning of year	<u>43,549</u>	<u>220,345</u>
Cash and cash equivalents, end of year	<u><u>\$ 21,703</u></u>	<u><u>\$ 43,549</u></u>

See accompanying notes to financial statements.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements
June 30, 2014 with Comparative Totals for 2013

1. Organization and Activities

JFYNetWorks, a Non-profit Corporation, is an education and workforce development agency founded in 1976 under the name Jobs for Youth to help low-income, disadvantaged youth and adults overcome barriers to achieving a self-sustaining income. JFYNetWorks' target population has historically included high school students, school dropouts, unemployed and underemployed youth and adults from all parts of the Commonwealth of Massachusetts. The agency also conducts programs in other states. Headquartered in Boston, JFYNetWorks has historically provided job training and placement, advanced skills training in selected occupations, GED preparation and ESOL classes, and school-based online academic support classes, characterized as "blended learning." 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 official definition of "College and Career Readiness."

This functional streamlining 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 streamlining and concentration dramatically improved JFYNetWorks' financial sustainability by reducing staff, occupancy and program expenses, while increasing programmatic impact through the unlimited reach of online service delivery.

In FY 2014, JFYNetWorks' program activity consisted of the JFYNet blended learning program which included two components: MCAS Preparation and Accuplacer Preparation.

JFYNet is 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 methodologies to align instruction to state and national standards with the double goal of improving instruction and raising student achievement. The program works at two levels: high school graduation standards and college entry standards. In Massachusetts, this means MCAS and Accuplacer. JFYNet works with high school freshmen and sophomores to prepare them for the 10th grade MCAS; and with juniors and seniors to prepare them for the state-mandated Accuplacer college placement tests that determine placement into credit-earning or non-credit remedial college courses.

Raising the academic skills of high school students to college entry standards through online intervention in high school is, in the agency's judgment, the highest value-added contribution it can make to the development of a globally-competitive American workforce. The JFYNet methodology—bringing digital resources into schools and systematically building the capacity of teachers to use them effectively—has shown over fifteen years of documented operation that it can produce measurable gains in student learning by focusing on standards and gradually transforming the practice of teaching through the consistent use of student performance data.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2014 with Comparative Totals for 2013

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 program JFYNetWorks has ever developed or encountered that has the potential for population-scale outcomes. This is why the board and executive leadership of JFYNetWorks decided to concentrate its efforts, expertise and resources here.

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, 2014 and 2013, JFYNetWorks had no permanently restricted net assets.

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.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2014 with Comparative Totals for 2013

2. *Summary of Significant Accounting Policies - Continued*

Grants and Contributions - Continued

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, 2014 there was allowance of \$25,000 for a potentially uncollectible pledge. The outstanding grants and contributions were due within one year. At June 30, 2013, 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, 2014 and 2013 was \$0 and \$4,634, respectively.

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, 2014 and 2013, there was no allowance for potentially uncollectible accounts.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2014 with Comparative Totals for 2013

2. *Summary of Significant Accounting Policies - Continued*

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, 2014, 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 2014 returns and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. JFYNetWorks' fiscal year 2011 through fiscal year 2013 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, 2014 and 2013 was \$10,567 and \$12,227, 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.

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.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2014 with Comparative Totals for 2013

2. Summary of Significant Accounting Policies - Continued

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, 2013, from which the summarized information was derived.

3. Temporarily Restricted Net Assets

At June 30, 2014 and 2013, temporarily restricted net assets were restricted for program services.

4. Concentrations

During 2014 and 2013, JFYNetWorks received 23% and 17%, respectively, of its total revenue and support from the Commonwealth of Massachusetts. Grants and contributions receivable from one donor totaled 46% and 58%, respectively, of total grants and contributions receivable at June 30, 2014 and 2013. Accounts receivable from one clients at June 30, 2014 and three clients at June 30, 2013, totaled 67% and 95%, respectively, of total accounts receivable.

5. Intangible Assets

Intangible assets consist of the following:

<i>Descriptions</i>	<i>Life</i>	<i>2014</i>	<i>2013</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>(48,296)</u>	<u>(43,256)</u>
Net intangible assets		<u>\$ 3,490</u>	<u>\$ 8,530</u>

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2014 with Comparative Totals for 2013

5. Intangible Assets - Continued

Amortization expense for the years ended June 30, 2014 and 2013 was \$5,040 and \$8,528, respectively.

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

<i>Fiscal Year</i>	<i>Amount</i>
2015	\$ 1,968
2016	<u>1,522</u>
Total	<u>\$ 3,490</u>

6. Lease Commitment

JFYNetWorks leases office space under a one-year noncancelable lease at 44 School Street that expires on January 31, 2015. In addition to rent payments of \$5,043 per month, JFYNetWorks is liable for modest real estate taxes and operating costs. JFYNetWorks has two 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, 2014 and 2013 was \$57,077 and \$48,516, respectively.

Subsequent to year end, JFYNetWorks exercised its first renewal option extending its lease to January 31, 2016.

The future minimum payments due under the lease are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2015	\$ 69,625
2016	<u>42,488</u>
Total	<u>\$ 112,113</u>

7. 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, 2014 or 2013.

JFYNetWorks, a Non-profit Corporation
Notes to Financial Statements - *Continued*
June 30, 2014 with Comparative Totals for 2013

8. 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 board of directors and executive staff had been considering a re-focusing of JFY's programs for several years. The provision of online educational curriculum and support services, the JFYNet blended learning program, had grown over a 10-year period into the largest of the agency's program divisions. When the economic downturn and related state budget cuts of FY 09 and 10 suddenly changed the fiscal environment, the decision was made to consolidate JFY's programs into the JFYNet blended learning suite. This streamlining made it possible to reduce JFY's expense base, move to smaller and less costly quarters, and lower core operating costs while maintaining service capacity. The programmatic focus brought JFYNetWorks into alignment with the new policy priority of the U.S. Departments of Education and Labor and most foundations: College and Career Readiness. The legislative and regulatory events that followed from the President's 2009 college graduation goal and subsequent College Opportunity Initiative made JFY's programmatic decision a major strategic advantage.

Economic needs will increasingly drive educational strategies as growth and demographics produce more and more critical shortages of skilled workers. JFYNetWorks' unique position at the nexus of education and workforce development—College and Career Readiness—and its documented ability to deploy technology efficiently to raise student/worker skill levels will provide a powerful platform for future growth in Massachusetts and nationally.

9. Subsequent Events

In July 2014, JFYNetWorks was included in the Commonwealth of Massachusetts Bill No. H 4377, *An Act Promoting Economic Growth Across the Commonwealth*, to implement a statewide college and career readiness program to reduce the number of remedial developmental courses students are required to take at community colleges. The bill authorized \$1,000,000 for JFYNetWorks to implement the program. Due to budget cuts, the appropriation was subsequently reduced to \$360,399.

JFYNetWorks has evaluated subsequent events through March 24, 2015, which is the date the financial statements were available to be issued.