



Financial Statements  
and  
Independent Auditors' Report

June 30, 2015 with Comparative Totals for 2014

# **JFYNetWorks, a Non-profit Corporation**

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## **JFYNetWorks, a Non-profit Corporation**

### Management Discussion and Analysis

June 30, 2015

(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, 2015 with comparative information for 2014. This discussion has been prepared by management to be read in conjunction with the financial statements and accompanying notes which follow this section.

The story of FY 2015 can be told in three numbers: \$73,000; \$500,000; \$1,000,000.

\$73,000 is the amount of our FY 2015 operating surplus. It confirms our recovery from the financial crisis of 2009-10. Our recovery was not a short one or an easy one; it required sustained heroic efforts on the part of our board, staff and funders. But it was a steady climb back to fiscal health. We thank all our valued supporters whose faith in JFYNetWorks never wavered through those trying years.

\$500,000 is the amount of our line item in the state budget. It was negotiated in FY 2015 and appeared in the FY 2016 budget, culminating many years of collective advocacy. This is the first line item JFYNetWorks has ever had, and the first time the term "College and Career Readiness" has appeared in a state budget. This is a major milestone for us and for the state. The creation of a new budget line item signifies that an issue has risen to the level of formal recognition by the legislature. Supplemental funding bills can be one-time appropriations for special needs or purposes that are not necessarily expected to be permanent. A line item signifies that the issue is considered both important and long-term. College and Career Readiness has become sufficiently important to warrant line item status.

The fact that JFYNetWorks is named in the line item as the implementor of the statewide college and career readiness program confirms that the organization has established itself as a reliable, consistent, trusted producer of student achievement gains. Our fifteen-year record of documented success in raising student achievement benchmarks has been recognized by the legislature and granted the resources to continue and expand.

Both the legislature and the business community were involved in the elevation of college and career readiness to policy status. The issue is highly important to the legislature as the core of both education and workforce development policy. It is of critical economic importance to the business community because college and career readiness is the foundation of a skilled workforce. The chronic and growing shortage of skilled workers in Massachusetts has emerged as a top-tier economic issue. Governor Baker has said that skilled workforce development is the number one economic development issue in the state. Commissioner Mitchell Chester has declared college readiness to be the "next frontier" for K-12 education. Two leading business organizations, the Massachusetts Competitive Partnership and the Boston Municipal Research Bureau, have weighed in on the critical importance of college and career readiness and the demonstrated effectiveness of JFYNetWorks in supporting this foundation of workforce development.

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

\$1,000,000 is the total of tuition and fees we have saved students by helping them improve their skills and test out of remedial college courses while still in high school. The exact number is \$1,099,423. It represents the cost of 2039 remedial courses that students in our programs have eliminated since we started the College Readiness program in FY 2012. This number is the hard evidence of our effectiveness. It is \$1,000,000 that students did not have to waste on non-credit remedial courses, but were able to invest instead in credit-earning courses that lead to a degree.



The Massachusetts economy floats on a skilled workforce the way North Dakota's floats on oil. A college degree is becoming the minimum credential required for meaningful workforce participation. Within this decade, 72% of jobs in Massachusetts will require college training. A two-year degree is already worth \$328,000 more than a high school diploma in average lifetime earnings. A four-year degree is worth \$840,000. The unemployment rate for workers without a college degree is double the rate of those with a degree. Yet only 41% of Massachusetts high school students earn any kind of post-secondary degree. This is not enough to fuel our high tech- high skill economy.

Though Massachusetts has the best public education system in the country, it is not producing enough college graduates to meet the need for skilled workers. The shortfall is exacerbated by increasing industry demand and declining numbers of high school graduates to feed colleges; but the principal cause is student attrition at the beginning of college due to remedial courses.

The most accessible and affordable level of higher education is community college. The fifteen community colleges account for one-third of the state's total undergraduate enrollment. But over 60% of entering community college students are placed in remedial courses that consume their time and exhaust their financial resources without granting any degree credit. Less than 10% of these students graduate. The loss of these potential workers to remedial attrition is a waste of human resources we cannot afford, on economic or social grounds.

The Department of Higher Education has quantified the college graduate shortfall at 6000 per year. That is exactly the number of remedial students who drop out of the community colleges each year. Stopping this waste of human resources would close the skilled worker gap. The way to stop it is to raise the skills of high school students to college level *before* they enter college. Successful college enrollment and eventual earning power depend on the skills of students when they graduate from high school.

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

The business community and the legislature recognize that the skilled worker gap can be closed by reducing the number of high school graduates lost to remedial college courses. The number lost at the community colleges alone would fill the gap. This is why they have empowered JFYNetWorks to establish a statewide college and career readiness program.

In FY 2015, JFYNetWorks operated programs in eleven schools in Massachusetts and one outside the state. Our total enrollment was 3192. Halfway through FY 2016, we had programs underway in twelve Massachusetts schools with two more about to start, plus two outside the state. Enrollment was projected to exceed 4000. Our three-year growth plan will reach an annual capacity in excess of 7500 students, the total annual number of high school graduates in remedial college courses statewide. The scale of the college readiness issue is manageable. JFYNetWorks will reach that scale.

Workforce needs will increasingly drive education policy as economic growth and changing 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 our documented ability to raise student/worker skill levels provide a powerful platform for future growth-- in Massachusetts and nationally.

On December 10, 2015, the Every Student Succeeds Act was signed into law. This new federal education law reaffirms the goal of College and Career Readiness, identifies blended learning and digital learning as approved methodologies, and specifically authorizes funding for the programmatic components of JFYNet. This federal action completes the spectrum of local, state and federal support for the mission and methods of JFYNetWorks.

The three cardinal numbers of FY 2015-- \$73,000; \$500,000; \$1,000,000—demonstrate that JFYNetWorks has established itself as an integral component of education and workforce policy

### **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.

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

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.

A summarized comparison of the JFYNetWorks assets, liabilities and net assets as of June 30, 2015 and 2014 is as follows:

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 171,096	\$ 170,513
Other assets	<u>52,186</u>	<u>11,576</u>
Total assets	<u>\$ 223,282</u>	<u>\$ 182,089</u>
 <b><i>Liabilities and Net Assets</i></b>		
Current and total liabilities	<u>\$ 115,380</u>	<u>\$ 146,778</u>
Net assets	<u>\$ 107,902</u>	<u>\$ 35,311</u>

Current assets consist primarily of cash, grants and contributions receivable and accounts receivable. Total current assets increased slightly by \$583 from \$170,513 at June 30, 2014 to \$171,096 at June 30, 2015. The excess of current assets over current and total liabilities increased by \$31,981 from \$23,735 at June 30, 2014 to \$55,716 at June 30, 2015 reflects JFYNetWorks continuously improving financial position.

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

*Statement of Financial Position - Continued*

Other assets consist primarily of intangible assets, such as website and course development costs, and a security deposit. The total other assets increased by \$40,610 from \$11,756 at June 30, 2014 to \$52,186 at June 30, 2015, due to capitalized donated services valued at \$49,000 to rebuild our website.

Current and total liabilities consisting of accounts payable and accrued expenses decreased by \$31,398 primarily due to improved cash flow that resulted in timely payment of accounts payable.

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, 2015 and 2014, 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, are segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

JFYNetWorks net assets at June 30, 2015 and 2014 are summarized as follows:

<i>Net Assets</i>	<i>2015</i>	<i>2014</i>
Unrestricted	\$ 87,902	\$ 25,311
Temporarily restricted	<u>20,000</u>	<u>10,000</u>
Total net assets	<u>\$ 107,902</u>	<u>\$ 35,311</u>

Total unrestricted net assets increased by \$62,591 from its June 30, 2014 balance to total \$87,902 at June 30, 2015 primarily due to donated services for our new website.

On June 30, 2015 and 2014, temporarily restricted net assets were restricted for program services. The \$10,000 that was restricted at June 30, 2014 was used for programs in accordance with the donor's restrictions in FY 2015. Promises made by donors in FY 2015 to give \$20,000 to support JFYNet, for which payments will be received in FY 2015, make up the temporarily restricted net assets at June 30, 2015.

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

*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 the 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 determine whether JFYNetWorks had sufficient revenues and support to cover expenses during the year, and its 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, 2015 and 2014 is as follows:

	<i><b>2015</b></i>	<i><b>2014</b></i>
<i><b>Revenue and Support</b></i>		
Grants and contributions	\$ 442,416	\$ 377,606
Contracts	448,339	200,000
Fees	203,699	292,116
Interest income	1	-
Total revenue and support	1,094,455	869,722
<i><b>Expenses and Loss</b></i>		
Program services	737,994	701,438
Management and general	177,086	177,254
Fundraising	105,331	112,317
Total expenses	1,020,411	991,009
Loss on website write off	1,453	-
Total expenses and loss	1,021,864	991,009
Change in net assets	72,591	(121,287)
Net assets, beginning of year	35,311	156,598
Net assets, end of year	\$ 107,902	\$ 35,311

Grants and contributions increased by 17% from FY 2014 due to donated website services valued at \$70,000. Contract revenue in FY 2015 increased by 124% from FY 2014 due to increased state funding, while fees decreased by 30% from FY 2014 due to budget cuts in several school districts.

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

*Statement of Activities - Continued*

Program services increased by 5% from FY 2014 due to increased activity. JFYNetWorks maintained its focus on programs, spending 72% of its total expenses on program services in FY 2015, level with FY 14 spending. Management and general expenses stayed consistent with FY 2014 and fundraising costs decreased by 6%.

JFYNetWorks' bottom line surplus of \$72,591 for FY 2015 was due to 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, 2015 with summarized comparative totals for 2014 is as follows:

<i>Expenses</i>	<i>JFY Net Education</i>	<i>Management and General</i>	<i>Fund- Raising</i>	<i>2015 Total</i>	<i>2014 Total</i>
Personnel	\$ 486,243	\$ 108,718	\$ 45,016	\$ 639,977	\$ 634,209
Occupancy	75,794	13,084	6,788	95,666	74,585
Program expense	48,005	-	-	48,005	39,667
Contracted services	30,406	3,099	484	33,989	35,067
Administrative expenses	51,195	37,866	47,324	136,385	108,823
Other operating expenses	40,721	13,589	5,142	59,452	93,618
Depreciation and amortization	5,630	730	577	6,937	5,040
Total expenses	<u>\$ 737,994</u>	<u>\$ 177,086</u>	<u>\$ 105,331</u>	<u>\$ 1,020,411</u>	<u>\$ 991,009</u>

JFYNetWorks' program spending for the years ended June 30, 2015 and 2014 is as follows:

	<i>2015</i>	<i>2014</i>
JFY Net Education	<u>\$ 737,994</u>	<u>\$ 701,438</u>

Spending on JFYNet Education increased by 5% from FY 2014 due to program growth.

*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?"

**JFYNetWorks, a Non-profit Corporation**  
Management Discussion and Analysis - Continued  
June 30, 2015

*Statement of Cash Flows - Continued*

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, 2015 and 2014 is as follows:

	<i>2015</i>	<i>2014</i>
Net cash provided by (used in) operating activities	\$ 59,614	\$ (21,846)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net increase (decrease) in cash and cash equivalents	59,614	(21,846)
Cash and cash equivalents, beginning of year	21,703	43,549
Cash and cash equivalents, end of year	\$ 81,317	\$ 21,703

Cash flows from operations increased by \$81,460 from FY 2014 primarily due to increased state funding.

No significant investing activities were anticipated for FY 2015 and none were made.

No significant financing activities were anticipated for FY 2015 and none were made.

Overall for FY 2015, cash increased from FY 2014 by \$59,614 to \$81,317 at June 30, 2015.



## **Randall S. Davis & Company LLP**

*Certified Public Accountants*

Creating Value From Numbers

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### *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, 2015, 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, 2015, 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 2014 financial statements, and our report dated February 11, 2015, 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, 2014, 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 C. Jarvis & Company LLC". The signature is written in a cursive, flowing style.

*January 10, 2016*

**JFYNetWorks, a Non-profit Corporation**  
Statement of Financial Position  
June 30, 2015 with Comparative Totals for 2014

	<i>2015</i>	<i>2014</i>
<b><i>Assets</i></b>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 81,317	\$ 21,703
Grants and contributions receivable, net	35,750	84,000
Accounts receivable	43,750	59,355
Prepaid expenses	<u>10,279</u>	<u>5,455</u>
Total current assets	<u>171,096</u>	<u>170,513</u>
<i>Fixed Assets:</i>		
Leasehold improvements	5,543	5,543
Furniture and equipment	208,977	208,977
Less: accumulated depreciation	<u>(214,520)</u>	<u>(214,520)</u>
Net fixed assets	<u>-</u>	<u>-</u>
<i>Other Assets:</i>		
Intangible assets, net	44,100	3,490
Security deposit	<u>8,086</u>	<u>8,086</u>
Total other assets	<u>52,186</u>	<u>11,576</u>
Total assets	<u>\$ 223,282</u>	<u>\$ 182,089</u>
<b><i>Liabilities and Net Assets</i></b>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 47,037	\$ 87,205
Accrued expenses	<u>68,343</u>	<u>59,573</u>
Total current liabilities and total liabilities	<u>115,380</u>	<u>146,778</u>
<i>Net Assets:</i>		
Unrestricted	87,902	25,311
Temporarily restricted	<u>20,000</u>	<u>10,000</u>
Total net assets	<u>107,902</u>	<u>35,311</u>
Total liabilities and net assets	<u>\$ 223,282</u>	<u>\$ 182,089</u>

*See accompanying notes to financial statements.*

**JFYNetWorks, a Non-profit Corporation**  
Statement of Activities  
For the Year Ended June 30, 2015 with Summarized Comparative Totals for 2014

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2015 Total</i>	<i>2014 Total</i>
<b><i>Revenue and Support</i></b>				
Grants and contributions	\$ 422,416	\$ 20,000	\$ 442,416	\$ 377,606
Contracts	448,339	-	448,339	200,000
Fees	203,699	-	203,699	292,116
Interest income	1	-	1	-
Net assets released from restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>1,084,455</u>	 <u>10,000</u>	 <u>1,094,455</u>	 <u>869,722</u>
<b><i>Expenses and Loss</i></b>				
Education and Training	737,994	-	737,994	701,438
Management and general	177,086	-	177,086	177,254
Fundraising	<u>105,331</u>	<u>-</u>	<u>105,331</u>	<u>112,317</u>
 Total expenses	 <u>1,020,411</u>	 <u>-</u>	 <u>1,020,411</u>	 <u>991,009</u>
 Loss on website write off	 <u>1,453</u>	 <u>-</u>	 <u>1,453</u>	 <u>-</u>
 Total expenses and loss	 <u>1,021,864</u>	 <u>-</u>	 <u>1,021,864</u>	 <u>991,009</u>
 Change in net assets	 62,591	 10,000	 72,591	 (121,287)
 Net assets, beginning of year	 <u>25,311</u>	 <u>10,000</u>	 <u>35,311</u>	 <u>156,598</u>
 <b>Net assets, end of year</b>	 <u><u>\$ 87,902</u></u>	 <u><u>\$ 20,000</u></u>	 <u><u>\$ 107,902</u></u>	 <u><u>\$ 35,311</u></u>

*See accompanying notes to financial statements.*

**JFYNetWorks, a Non-profit Corporation**  
Statement of Functional Expenses  
For the Year Ended June 30, 2015 with Summarized Comparative Totals for 2014

<i>Description</i>	<i>JFYNet Education</i>		<i>Total JFYNet Education</i>	<i>Management and General</i>	<i>Fund-Raising</i>	<i>2015 Total</i>	<i>2014 Total</i>
	<i>Accuplacer</i>	<i>MCAS</i>					
Personnel	\$ 323,620	\$ 162,623	\$ 486,243	\$ 108,718	\$ 45,016	\$ 639,977	\$ 634,209
Occupancy	44,104	31,690	75,794	13,084	6,788	95,666	74,585
Program expense	37,357	10,648	48,005	-	-	48,005	39,667
Contracted services	24,559	5,847	30,406	3,099	484	33,989	35,067
Administrative expenses	31,719	19,476	51,195	37,866	47,324	136,385	108,823
Other operating expenses	30,762	9,959	40,721	13,589	5,142	59,452	93,618
Depreciation and amortization	<u>3,475</u>	<u>2,155</u>	<u>5,630</u>	<u>730</u>	<u>577</u>	<u>6,937</u>	<u>5,040</u>
Total expenses	<u>\$ 495,596</u>	<u>\$ 242,398</u>	<u>\$ 737,994</u>	<u>\$ 177,086</u>	<u>\$ 105,331</u>	<u>\$ 1,020,411</u>	<u>\$ 991,009</u>

*See accompanying notes to financial statements.*

**JFYNetWorks, a Non-profit Corporation**  
Statement of Cash Flows  
For the Year Ended June 30, 2015 with Comparative Totals for 2014

	<b>2015</b>	<b>2014</b>
<b><i>Cash Flows from Operating Activities:</i></b>		
Change in net assets	\$ 72,591	\$ (121,287)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss on website write off	1,453	-
Depreciation and amortization	6,937	5,040
Donated website development	(49,000)	-
Grants and contributions receivable	48,250	131,000
Accounts receivable	15,605	45,645
Prepaid expenses	(4,824)	(1,218)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(31,398)	(69,026)
Deferred revenue	-	(12,000)
	59,614	(21,846)
Net cash provided by (used in) operating activities	59,614	(21,846)
Cash and cash equivalents, beginning of year	21,703	43,549
<b>Cash and cash equivalents, end of year</b>	<b>\$ 81,317</b>	<b>\$ 21,703</b>
<b>Supplemental data</b>		
Donated intangible assets	\$ 49,000	\$ -

*See accompanying notes to financial statements.*

**JFYNetWorks, a Non-profit Corporation**  
Notes to Financial Statements  
June 30, 2015 with Comparative Totals for 2014

**1. Organization and Activities**

JFYNetWorks, a Non-profit Corporation, is an education and workforce development organization 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 instructional 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 2015, JFYNetWorks’ program activity consisted of the JFYNet blended learning program which included two components: MCAS Preparation and College and Career Readiness.

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 10<sup>th</sup> 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 blended learning 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, 2015 with Comparative Totals for 2014

**1. *Organization and Activities - Continued***

The universal accessibility and low cost of online resources make JFYNet scalable. This means that the program 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 both scalable and 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 the Agency's efforts, expertise and resources on this point of maximum leverage in the education- workforce continuum.

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 provide a powerful platform for future growth in Massachusetts and nationally.

**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, 2015 and 2014, JFYNetWorks had no permanently restricted net assets.

**JFYNetWorks, a Non-profit Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2015 with Comparative Totals for 2014

**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, 2015 and 2014, the outstanding grants and contributions were deemed fully collectible and due within one year.

*In-Kind Donations*

Donated materials and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements. Donated services such as fundraising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

*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 do 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

**JFYNetWorks, a Non-profit Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2015 with Comparative Totals for 2014

**2. *Summary of Significant Accounting Policies - Continued***

*Fixed Assets - Continued*

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.

At June 30, 2015 and 2014, the fixed assets were fully depreciated. Accordingly, there was no depreciation expense for the years ended June 30, 2015 and 2014.

*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, 2015 and 2014, all outstanding accounts were deemed fully collectible.

*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, 2015, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provisions from income taxes.

*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, 2015 and 2014 was \$17,625 and \$10,567, 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 distribution.

**JFYNetWorks, a Non-profit Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2015 with Comparative Totals for 2014

**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, 2014, from which the summarized information was derived.

**3. Temporarily Restricted Net Assets**

At June 30, 2015 and 2014, temporarily restricted net assets were restricted for program services.

**4. Concentrations**

During 2015 and 2014, JFYNetWorks received 44% and 17%, respectively, of its total revenue and support from the Commonwealth of Massachusetts. Grants and contributions receivable from one donor represented 66% and 58%, respectively, of total grants and contributions receivable at June 30, 2015 and 2014. Accounts receivable from one client at June 30, 2015 and 2014 represented 35% and 67%, respectively, of total accounts receivable.

**5. Intangible Assets**

Intangible assets consist of the following:

<i>Descriptions</i>	<i>Life</i>	<i>2015</i>	<i>2014</i>
Logo costs	5	\$ 5,000	\$ 5,000
Trademark costs	5	4,147	4,147
Website development costs	5	49,000	9,839
Course development costs	5	<u>32,800</u>	<u>32,800</u>
Total		90,947	51,786
Accumulated amortization		<u>(46,847)</u>	<u>(48,296)</u>
Net intangible assets		<u>\$ 44,100</u>	<u>\$ 3,490</u>

Amortization expense for the years ended June 30, 2015 and 2014 was \$6,937 and \$5,040, respectively.

**JFYNetWorks, a Non-profit Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2015 with Comparative Totals for 2014

**5. *Intangible Assets - Continued***

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

<i>Fiscal Year</i>	<i>Amount</i>
2016	\$ 9,800
2017	\$ 9,800
2018	\$ 9,800
2019	\$ 9,800
2020	\$ 4,900

**6. *Lease Commitment***

JFYNetWorks leases office space under a one-year noncancelable lease at 44 School Street that expires on January 31, 2017. In addition to monthly rent payments, JFYNetWorks is liable for modest real estate taxes and operating costs.

Rent expense for the years ended June 30, 2015 and 2014 was \$69,625 and \$57,077, respectively.

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

<i>Fiscal Year</i>	<i>Amount</i>
2016	\$ 73,888
2017	<u>44,016</u>
Total	<u><u>\$ 117,904</u></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, 2015 or 2014.

**JFYNetWorks, a Non-profit Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2015 with Comparative Totals for 2014

**8. *In-Kind Donations***

During 2015, JFYNetWorks received donated website design services totaling \$70,000, in support of its programmatic and administrative functions, which was recognized in the financial statements.

**9. *Subsequent Events***

JFYNetWorks has evaluated subsequent events through January 10, 2016, which is the date the financial statements were available to be issued.