Financial Statements
and
Independent Auditors' Report

June 30, 2016 with Comparative Totals for 2015

JFYNet*Works*, a Non-profit Corporation

Contents

JFYNet*Works*, a Non-profit Corporation
Management Discussion and Analysis
June 30, 2016
(Unaudited)

The following discussion and analysis provides an overview of JFYNet*Works*, a Non-profit Corporation's financial activities for the fiscal year (FY) ended June 30, 2016 with comparative information for 2015. This discussion has been prepared by management to be read in conjunction with the financial statements and accompanying notes which follow this section.

Reducing Inequality: The College and Career Readiness Challenge

Word of the Year

If any word deserves to be anointed "word of the year" for 2016 it is *Inequality.* Hardly a news cycle swirled by without a reference to the widening gap between high and low earners, the 1% and the 99%. All other economic high notes— declining manufacturing jobs, trade and federal deficits, unemployment, the education/income correlation, the minimum wage, immigration and the labor market, stagnant middle class incomes, corporate taxes, the tax code in general, the federal funds rate —resolved into the tonic chord of *Inequality.* According to many economists, the gap between top and bottom earners was the widest in our history. The presidential campaigns and their commentariat turned the spin room, the video screen and social media into Piketty's echo chamber.

JFYNetWorks did not solve this problem in 2016. But its emergence painted a bold backdrop against which our mission stood out in sharp relief.

The Opportunity Gap

JFY's 40-year history of developing programs to enhance the economic opportunity and social mobility of low-income urban youth and young adults places us in the forefront of the battle against inequality. Our programs have utilized various education and training tools as the labor market has evolved, from competency-based instruction to biotechnology lab training to online college preparation. Our strategy throughout has been to recognize changes in the economy and adjust our programs to the new labor market demands. In making these adjustments, we always seek a point of leverage where our intervention can make a decisive difference and provide a scalable and sustainable model for expansion to large-scale impact. Our consistent mission and goal has been to increase the economic opportunity and social mobility of disadvantaged, primarily urban, youth through education and training programs that meet the demands of the labor market. Today, college-level skills – preferably certified by a degree – are the threshold of employability.

More than two-thirds of jobs in Massachusetts require post-secondary training, and that proportion is growing. Workers with college degrees earn 70% more than those without degrees, a gap that was only 20% in 1980. The unemployment rate of college graduates is half the overall rate. A two-year degree is worth a quarter-million dollars more in lifetime earnings than a high school diploma, and a four-year degree brings almost a million more.

Yet even as the opportunity gap between college graduates and non-graduates widens, college enrollment is going down. Massachusetts enrollment has declined every year for the past five, as has national enrollment. Some of the decline is due to an improving job market which draws all ages into the workforce instead of education. Some is due to a demographic dip in the high school population. And some is due to the exploding cost of higher education and the specter of student loans. But even low-cost community colleges are losing enrollment, and despite the drumbeat of data on higher earnings, fewer than half of Massachusetts high school graduates go on to earn any form of post-secondary credential. In our economy, these young people are handicapped in the competition for better jobs, higher incomes, stable and secure lives.

The gaps between demographic groups present another view of inequality, through the lens of diversity. African American and Hispanic people are underrepresented in the college graduate pool, *especially* in Massachusetts. 32% of African American adults in the Bay State have post-secondary degrees, compared to 53% of whites. This 21-point gap, the fifth highest in the country, has *grown* since 2007. Among Latino adults, 22% have post-secondary degrees. This 31 point gap, which has also grown, places Massachusetts third in the country in educational disparity. And since the total numbers of African Americans and Latinos are smaller than the total white population, the education disparities cut even deeper into employment opportunity and aggravate inequality.

Why is there such a gap? It's not because African American and Latino students don't enroll in college. African Americans enroll in college at *higher* rates (71%) than whites (67%), with Latinos a close third at 65%. The gap opens when they get to college. The dividing wedge is remediation.

Remedial college courses are required for students whose math and language skills do not meet minimum college thresholds. These courses cost full tuition and fees but award no credits toward a degree. They inflate the cost and time of a college degree. Each year, 7,000 students entering our public higher education system are placed in remediation. More than three-quarters will drop out of college without a degree. Their ability to contribute to the Massachusetts economy will be limited, with consequences for themselves, their families, and for employers who need skilled workers.

Almost twice as many African American (51%) and Latino (53%) freshmen are required to take remedial courses in public higher education as white (28%) students. This is where demographic inequalities become baked in.

Closing the Gap

This higher education gap has to be closed-- and it can be closed. Whatever the shortcomings of previous schooling, the last two years of high school can focus on the skills necessary for college admission at the credit-earning level without remediation. (This is the official definition of "College and Career Readiness.") Using college placement tests as a guide, schools can deliver focused and individualized instruction, most efficiently online, to fill gaps in language and math skills. After instruction, the placement tests can be administered and passed before students leave high school. The obstacle of remedial courses, and the skill gaps that occasion them, can be eliminated in high school, and students can start college in credit-earning courses that lead to a degree.

This college readiness strategy, supported by MCAS preparation in 9^{th} and 10^{th} grades, is JFY's response to the problem of inequality. Post-secondary education is the most powerful and attainable antidote to low earnings. In five years of college readiness programming in high schools around the state, we have helped students eliminate 3500 remedial courses and save $2 million in wasted tuition and fees.

FY 2016 Results: The College and Career Readiness Pipeline

FY 2016 was a good year financially. JFY logged a surplus of $217,044. We retained our state funding in a consolidated line item that incorporated both college readiness and MCAS preparation, previously housed in separate appropriations. All revenue streams—public funding, service fees and philanthropy (foundation, corporate and individual) remained strong.

Programmatically, we maintained our college and career readiness pipeline, providing MCAS preparation to 9^{th} and 10^{th} graders and college readiness instruction to 11^{th} and 12^{th} graders. This pipeline is the result of our work in high schools since 2000, in the early days of education reform.

When MCAS was first administered in 1998, scores were very low. They remained low in 1999 and 2000. The year 2003 was slated to be the first year that the 10^{th} grade MCAS would be a high school graduation requirement, meaning that students who did not pass both the math and English Language Arts tests would not receive a high school diploma. JFY was asked to develop a computer-based instructional program to prepare students for the MCAS and raise passing rates. We combined our longstanding expertise in competency-based curriculum design with the delivery system of computer-based instruction to create the JFYNet MCAS Prep program. Incorporated into high school math and English classes as a curriculum supplement, it was immediately successful in raising student achievement and grew with state funding over the following years into a statewide network that contributed to steady improvement in MCAS results. The approaching adoption of the new MCAS 2.0 in the spring of 2019 will present new challenges for JFY's curriculum designers as schools work to adapt to a new set of skill standards.

In 2010-2011, the problem of college remediation began to emerge as an impediment to economic growth. As the workforce demanded steadily higher levels of skill, the education pipeline was unable to produce enough college graduates to fill labor market needs. Remedial college courses were identified as a key contributor to the shortage of skilled workers because the number of students assigned to these courses was equivalent to the degree shortfall, and 90% of remedial students were known to drop out of college without a degree. College course assignment was determined by a sequence of placement tests in reading and math, not unlike the MCAS though at a higher skill level. Students who did not pass the placement tests were required to take remedial courses, with the predictable consequences of attrition. Though the tests had been used throughout the public higher education system for more than a decade, high school curricula had not been adjusted to align with those college readiness standards. As we had done with MCAS, JFY developed an online curriculum that taught the skills required to meet the higher college standards and began offering its college readiness program to high schools in the 2011-12 school year. JFYNet College Readiness proved successful in reducing required remedial courses. With dedicated state funding, it has expanded statewide in tandem with the MCAS Prep program.

The two programs now form an integrated instructional sequence that builds from 9th grade to college entry by following the scaffolding of skills embedded in the two established sets of assessments, MCAS and college placement. Reducing remedial courses will increase the number of college graduates, the ultimate goal. In addition, we are assessing the feasibility of a further step toward college integration by bringing early college courses into the high school. This strategy has been endorsed by the state and will gain traction in the coming years.

In 2016 we increased the number of students served and the productivity of both programs. In MCAS preparation, we improved performance at all our schools and achieved outstanding results at Madison Park, Haverhill, East Boston and West Roxbury Academy. In College Readiness, we helped students improve their skills and raise their placement test scores enough to eliminate 1544 remedial courses and save $893,000 in remedial tuition and fees, bringing our five-year total to 3500 courses eliminated and $2 million saved. We served a total of 4000 students at 13 high schools statewide. Though that is a significant number, our goal is to double it to reach a scale at which college remediation will be reduced to an insignificant factor in our state.

The College and Career Readiness Challenge

In the waning days of this Year of Inequality, Federal Reserve Chairwoman Janet Yellen made our case in a commencement speech at the University of Baltimore. “Economists are not certain about many things,” the Chairwoman said, “but we are quite certain that a college diploma… is a key to economic success.”

She went on to confirm that workers with degrees earn 70% more than those without degrees and that the 2.3% unemployment rate of college graduates is half the overall rate of 4.6%. And she added the observation that a college degree leads to a happier, healthier and longer life.

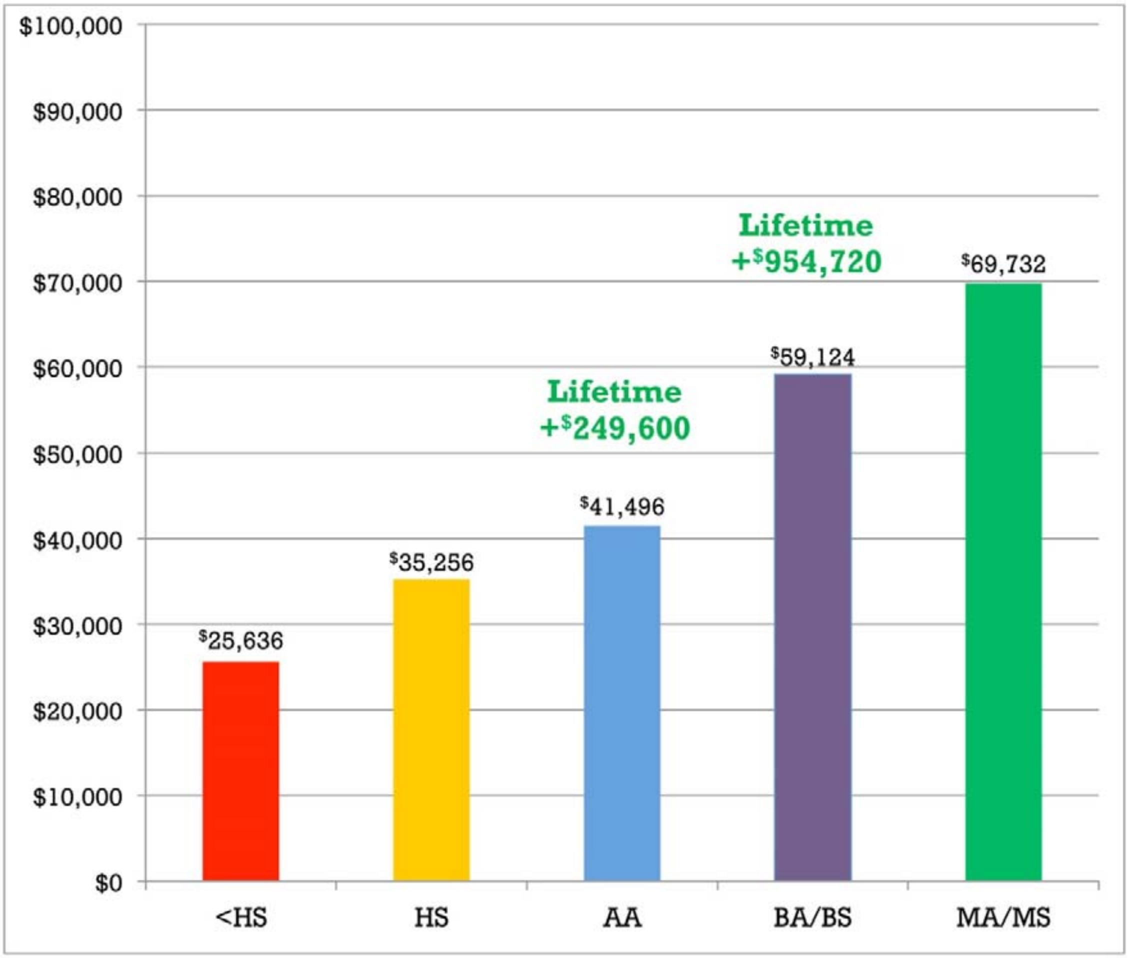
These are trends we have been following and writing about for many years. Chairwoman Yellen’s witness added gravity and urgency, pointing out that social equity and economic growth are not competing values but rather mutually supportive. It’s encouraging to have the Fed chair in our corner. Many other business leaders have joined us over the years, as have many foundation supporters, government officials and individual donors. We’re grateful for all our friends and supporters, and we’re glad to see our message blazoned across the business page as a challenge.

We have taken on the challenge of college readiness for all because we believe it is the fulcrum of economic and social inequality. The difference between having a college degree and not having one is life-determining. The earnings discrepancy is only the barest quantitative measure of value. The corrective to inequality will not be a return to the labor-intensive industry of the past. We cannot reverse technological change. Nor can we equalize income or assets, but we can reduce inequalities in employability and earning power. We can make the skills represented by a college degree or technical certificate available to everyone. We can equalize educational opportunity and help young people prepare for a productive life, not just as workers but also as citizens and as individuals. We can give them the chance to gain the education and the careers they need for a secure, stable and self-sufficient future. We can meet the challenge of college and career readiness for all.

E = $

The Education-Income Correlation

Median annual earnings by level of education



Source: US Bureau of Labor Statistics, Current Population Survey, Earnings and unemployment rates by educational attainment, persons age 25 and over, 2015.

Lifetime savings are calculated on the basis of 40 working years (25 – 65).

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) JFYNet*Works* 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 JFYNet*Works*. 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 JFYNet*Works*' 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 JFYNet*Works*. This statement is also a good source for readers to determine how much JFYNet*Works* owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

A summarized comparison of the JFYNet*Works* assets, liabilities and net assets as of June 30, 2016 and 2015 is as follows:

Assets	***2016***	***2015***
Current assets	$ 407,888	$ 171,096
Other assets	42,401	52,186
Total assets	$ 450,289	$ 223,282
Liabilities and Net Assets		
Current and total liabilities	$ 125,343	$ 115,380
Net assets	$ 324,946	$ 107,902

Current assets consist primarily of cash, grants and contributions receivable and accounts receivable. Total current assets increased by $236,792 from $171,096 at June 30, 2015 to $407,788 at June 30, 2016. The excess of current assets over current and total liabilities increased by $226,829 from $55,716 at June 30, 2015 to $282,545 at June 30, 2016 reflects JFYNet*Works* continuously improving financial position.

Other assets consist primarily of intangible assets, such as website and course development costs, and a security deposit. The total other assets decreased by $9,785 from $52,186 at June 30, 2015 to $42,401 at June 30, 2016, due to amortization of the intangible assets (website).

Current and total liabilities consisting of accounts payable and accrued expenses increased by $9,963 from $115,380 at June 30, 2015 to $125,343 at June 30, 2016 due to year end salary accruals.

Net Assets is the difference between total assets and total liabilities. JFYNet*Works'* 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 JFYNet*Works* and/or the passage of time.
- *Permanently Restricted Net Assets* - Net assets subject to donor imposed stipulations that require JFYNet*Works* to permanently maintain certain contributed assets. Permanent restrictions do not pass with the expiration of time, nor can they be removed through JFYNet*Works'* actions. Generally, donors of such assets permit JFYNet*Works* to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. At June 30, 2016 and 2015, JFYNet*Works* had no permanently restricted net assets.

Statement of Financial Position - Continued

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.

JFYNet*Works* net assets at June 30, 2016 and 2015 are summarized as follows:

Net Assets	***2016***	***2015***
Undesignated	$ 304,946	$ 87,902
Temporarily restricted	20,000	20,000
Total net assets	$ 324,946	$ 107,902

Total unrestricted net assets increased by $217,044 from its June 30, 2015 balance to total $304,946 at June 30, 2016 because there were no mid-year §9C cuts to the state budget in FY 2016.

On June 30, 2016 and 2015, temporarily restricted net assets were restricted for program services. The $20,000 that was restricted at June 30, 2015 was used for programs in accordance with the donor's restrictions in FY 2016. Promises made by donors in FY 2016 to give $20,000 to support JFY*Net* in FY 2017 make up the temporarily restricted net assets at June 30, 2016.

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 JFYNet*Works* 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 JFYNet*Works*' statement of activities for the years ended June 30, 2016 and 2015 is as follows:

	2016	***2015***
Revenue and Support		
Grants and contributions	$ 344,186	$ 442,416
Contracts	700,000	448,339
Fees	210,284	203,699
Interest income	262	1
Total revenue and support	1,254,732	1,094,455
Expenses and Loss		
Program services	738,247	737,994
Management and general	188,047	177,086
Fundraising	111,394	105,331
Total expenses	1,037,688	1,020,411
Loss on website write off	-	1,453
Total expenses and loss	1,037,688	1,021,864
Change in net assets	217,044	72,591
Net assets, beginning of year	107,902	35,311
Net assets, end of year	$ 324,946	$ 107,902

Contract revenue in FY 2016 increased by 56% from FY 2015 due to increased state funding, while grants and contributions decreased by 22% from FY 2015 due to donated website services in FY 2015. Fees increased by 3% from FY 2015.

Program services remained consistent FY 2016. JFYNet*Works* maintained its focus on programs, spending 71% of its total expenses on program services in FY 2016, level with FY 15 spending. Management and general expenses and fundraising costs increased by 6% each from FY 2015 due to salary increases.

JFYNet*Works'* bottom line surplus of $217,044 for FY 2016 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. JFYNet*Works*' statement of functional expenses for the year ended June 30, 2016 with summarized comparative totals for 2015 is as follows:

Expenses	*JFY Net Education*	*Management and General*	*Fund-Raising*	***2016 Total***	***2015 Total***
Personnel	$ 502,941	$ 111,385	$ 37,030	$ 651,356	$ 639,977
Occupancy	82,986	11,858	6,157	101,001	95,666
Program expense	31,885	-	-	31,885	48,005
Contracted services	38,964	516	1,224	40,704	33,989
Administrative expenses	25,319	53,458	52,234	131,011	136,385
Other operating expenses	48,103	9,675	14,168	71,946	59,452
Depreciation and amortization	8,049	1,155	581	9,785	6,937
Total expenses	$ 738,247	$ 188,047	$ 111,394	$ 1,037,688	$ 1,020,411

JFYNet*Works*' program spending for the years ended June 30, 2016 and 2015 is as follows:

	2016	***2015***
JFY Net Education	$ 738,247	$ 737,994

Spending on JFY*Net* Education in FY 2016 remained consistent with FY 2015.

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 JFYNet*Works'* 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?"

Statement of Cash Flows - Continued

This statement also is an important tool in helping users assess JFYNet*Works'* 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 JFYNet*Works*' statement of cash flows for the years ended June 30, 2016 and 2015 is as follows:

	2016	***2015***
Net cash provided by operating activities	$ 207,902	$ 59,614
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	207,902	59,614
Cash and cash equivalents, beginning of year	81,317	21,703
Cash and cash equivalents, end of year	$ 289,219	$ 81,317

Cash flows from operations increased by $148,288 from FY 2015 primarily due to increased state funding.

No significant investing activities were anticipated for FY 2016 and none were made

No significant financing activities were anticipated for FY 2016 and none were made.

Overall for FY 2016, cash increased from FY 2015 by $207,902 to $289,134 at June 30, 2016.

Independent Auditors' Report

To the Board of Directors of
JFYNet*Works,* a Non-profit Corporation

We have audited the accompanying financial statements of JFYNet*Works,* a Non-profit Corporation (JFYNet*Works*) (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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.

A Certified MBE and DBE Massachusetts Statewide Contractor
4238 Washington Street Suite 307 Boston Massachusetts 02131 Tel (978) 764-8966 Fax (978) 988-0780
How Diverse is Your Supplier Network?

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JFYNet*Works*, a Non-profit Corporation as of June 30, 2016, 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 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of JFYNet*Works*'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 JFYNet*Works*'s 2015 financial statements, and our report dated January 10, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 8, 2017

JFYNet*Works*, a Non-profit Corporation
Statement of Financial Position
June 30, 2016 with Comparative Totals for 2015

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 289,219	$ 81,317
Grants and contributions receivable, net	40,000	35,750
Accounts receivable	69,420	43,750
Prepaid expenses	9,249	10,279
Total current assets	407,888	171,096
Fixed Assets:		
Leasehold improvements	5,543	5,543
Furniture and equipment	208,977	208,977
Less: accumulated depreciation	(214,520)	(214,520)
Net fixed assets	-	-
Other Assets:		
Intangible assets, net	34,315	44,100
Security deposit	8,086	8,086
Total other assets	42,401	52,186
Total assets	$ 450,289	$ 223,282
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 45,309	$ 47,037
Accrued expenses	80,034	68,343
Total current liabilities and total liabilities	125,343	115,380
Net Assets:		
Unrestricted	304,946	87,902
Temporarily restricted	20,000	20,000
Total net assets	324,946	107,902
Total liabilities and net assets	$ 450,289	$ 223,282

See accompanying notes to financial statements.

JFYNet*Works*, a Non-profit Corporation

Statement of Activities

For the Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	Unrestricted	***Temporarily Restricted***	***2016 Total***	***2015 Total***
Revenue and Support				
Grants and contributions	$ 324,186	$ 20,000	$ 344,186	$ 442,416
Contracts	700,000	-	700,000	448,339
Fees	210,284	-	210,284	203,699
Interest income	262	-	262	1
Net assets released from restrictions	20,000	(20,000)	-	-
Total revenue and support	1,254,732	-	1,254,732	1,094,455
Expenses and Loss				
Education and Training	738,247	-	738,247	737,994
Management and general	188,047	-	188,047	177,086
Fundraising	111,394	-	111,394	105,331
Total expenses	1,037,688	-	1,037,688	1,020,411
Loss on website write off	-	-	-	1,453
Total expenses and loss	1,037,688	-	1,037,688	1,021,864
Change in net assets	217,044	-	217,044	72,591
Net assets, beginning of year	87,902	20,000	107,902	35,311
Net assets, end of year	$ 304,946	$ 20,000	$ 324,946	$ 107,902

See accompanying notes to financial statements.

JFYNet*Works*, a Non-profit Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	JFYNet Education		*Total JFYNet*	*Management and*	*Fund-*	***2016***	***2015***
Description	*Accuplacer*	*MCAS*	*Education*	*General*	*Raising*	***Total***	***Total***
Personnel	$ 354,143	$ 148,798	$ 502,941	$ 111,385	$ 37,030	$ 651,356	$ 639,977
Occupancy	64,258	18,728	82,986	11,858	6,157	101,001	95,666
Program expense	26,663	5,222	31,885	-	-	31,885	48,005
Contracted services	24,979	13,985	38,964	516	1,224	40,704	33,989
Administrative expenses	18,252	7,067	25,319	53,458	52,234	131,011	136,385
Other operating expenses	39,596	8,507	48,103	9,675	14,168	71,946	59,452
Depreciation and amortization	6,097	1,952	8,049	1,155	581	9,785	6,937
Total expenses	$ 533,988	$ 204,259	$ 738,247	$ 188,047	$ 111,394	$1,037,688	$1,020,411

See accompanying notes to financial statements.

JFYNet*Works*, a Non-profit Corporation
Statement of Cash Flows
For the Year Ended June 30, 2016 with Comparative Totals for 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	$ 217,044	$ 72,591
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on website write off	-	1,453
Depreciation and amortization	9,785	6,937
Donated website development	-	(49,000)
(Increase)/decrease in operating assets:		
Grants and contributions receivable	(4,250)	48,250
Accounts receivable	(25,670)	15,605
Prepaid expenses	1,030	(4,824)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	9,963	(31,398)
Net cash provided by operating activities	207,902	59,614
Net increase in cash and cash equivalents	207,902	59,614
Cash and cash equivalents, beginning of year	81,317	21,703
Cash and cash equivalents, end of year	$ 289,219	$ 81,317
Supplemental data		
Donated intangible assets	$ -	$ 49,000

See accompanying notes to financial statements.

JFYNet*Works*, a Non-profit Corporation
Notes to Financial Statements
June 30, 2016 with Comparative Totals for 2015

1. Organization and Activities

JFYNet*Works*, 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 young adults overcome barriers to achieving a self-sustaining income through goals-based education and training programs. JFYNet*Works'* 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, JFYNet*Works* has historically provided job training and placement, advanced skills training in selected occupations, GED and ESOL classes, and school-based online academic support courses, characterized as "blended learning." In recent years the organization has focused 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 standard of the U.S. Departments of Education and Labor and all states. The streamlining and concentration dramatically improved JFYNetWorks' financial sustainability by reducing staff, occupancy and program expenses, while increasing enrollment and programmatic impact through the unlimited reach of online service delivery.

In FY 2016, JFYNet*Works*' program activity consisted of the JFY*Net* blended learning program which included two components: MCAS Preparation and College and Career Readiness.

JFY*Net* 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, national and college 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. JFY*Net* 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 blended learning interventions 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 JFY*Net* methodology—bringing digital resources into schools and systematically building the capacity of teachers to use them effectively—has shown over sixteen years of documented operation that it can produce measurable gains in student learning by focusing on the skills embedded in curriculum standards and gradually transforming the practice of teaching through the systematic use of student performance data to guide instruction.

1. *Organization and Activities* - *Continued*

The universal accessibility and low cost of online resources make JFY*Net* 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. Unlike strategies that require new capital expenditures or staff, JFYNet has the potential for expansion to population-scale impact. This is why the board and executive leadership of JFYNet*Works* decided to concentrate the Agency's efforts, expertise and resources on this point of maximum leverage along the education- workforce continuum.

Economic needs will increasingly drive educational strategies as growth, technology 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 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

JFYNet*Works'* 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 JFYNet*Works* and/or the passage of time.

- *Permanently Restricted Net Assets* - Net assets subject to donor imposed stipulations that require JFYNet*Works* to permanently maintain certain contributed assets. Permanent restrictions do not pass with the expiration of time, nor can they be removed through JFYNet*Works'* actions. Generally, donors of such assets permit JFYNet*Works* to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. At June 30, 2016 and 2015, JFYNet*Works* had no permanently restricted net assets.

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

Grants and Contributions

Grants and contributions are recognized when a donor makes a promise to give to JFYNet*Works* 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.

JFYNet*Works* 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.

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, JFYNet*Works* reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. JFYNet*Works* reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased fixed assets are carried at cost. Repairs and

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, 2016 and 2015, the fixed assets were fully depreciated. Accordingly, there was no depreciation expense for the years ended June 30, 2016 and 2015.

Accounts Receivable

Accounts receivable, which represents outstanding payments for services rendered, are presented net of the allowance for doubtful accounts. JFYNet*Works*' 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, 2016 and 2015, all outstanding accounts were deemed fully collectible.

Income Taxes

JFYNet*Works* 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, 2016 and 2015 was $20,881 and $17,625, 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.

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 JFYNet*Works*' financial statements for the year ended June 30, 2015, from which the summarized information was derived.

3. *Temporarily Restricted Net Assets*

At June 30, 2016 and 2015, temporarily restricted net assets were restricted for program services.

4. *Concentrations*

Credit Risk

JFYNet*Works* maintains cash balances at two financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2016, amounts in excess of the insured limit totaled $34,595. At June 30, 2015, the accounts were fully insured. JFYNet*Works* has not experienced any loss in accounts and believes it is not exposed to any significant credit risk on its cash balances.

Revenue and Support

During 2016 and 2015, JFYNet*Works* received 56% and 41%, respectively, of its total revenue and support from the Commonwealth of Massachusetts. Grants and contributions receivable from two donors at June 30, 2016 and one donor at June 30, 2015 represented 100% and 58%, respectively, of total grants and contributions receivable. Accounts receivable from one client at June 30, 2016 and 2015 represented 44% and 35%, respectively, of total accounts receivable.

5. *Intangible Assets*

Intangible assets consist of the following:

Descriptions	*Life*	*2016*	*2015*
Logo costs	5	$ 5,000	$ 5,000
Trademark costs	5	4,147	4,147
Website development costs	5	49,000	49,000
Course development costs	5	32,800	32,800
Total		90,947	90,947
Accumulated amortization		(56,632)	(46,847)
Net intangible assets		$ 34,315	$ 44,100

Amortization expense for the years ended June 30, 2016 and 2015 was $9,785 and $6,937, respectively

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

Fiscal Year	*Amount*
2017	$ 9,800
2018	$ 9,800
2019	$ 9,800
2020	$ 4,900

6. *Lease Commitment*

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

Rent expense for the years ended June 30, 2016 and 2015 was $69,625 and $57,077, respectively.

In July 2016, the lease was extended to January 31, 2022.

6. Lease Commitment - *Continued*

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

Fiscal Year		***Amount***
2017	$	78,826
2018	$	85,789
2019	$	90,057
2020	$	92,752
2021	$	95,445
2022	$	56,595

7. Retirement Plan

JFYNet*Works* 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. JFYNet*Works'* contribution is discretionary and is determined annually. Employees cannot make additional voluntary contributions, since they can participate in JFYNet*Works'* non-contributory 403(b) pension plan. There were no pension plan contributions for the SEP IRA for the years ended June 30, 2016 or 2015.

8. Grants and Contributions Receivable

Unconditional

At June 30, 2016 and 2015, the outstanding unconditional grants and contributions were deemed fully collectible and due within one year.

Conditional

Conditional grants to support Bridge to College at June 30, 2016 totaled $20,000. Conditional grants are recognized in the financial statements when the conditions on which they depend are substantially met.

9. Loan Committments

In March 2016, JFYNet*Works* secured a $50,000 Revolving Line of Credit to bridge cash flow shortfalls and a $50,000 Revolving Term Flex Loan to finance technology upgrades from Citizens Bank.

The line of credit is due on demand and is collateralized by all of JFYNet*Works'* assets. Interest is payable monthly on outstanding balances at an interest rate of 1.50% over the bank's prime rate. At June 30, 2016, the line's effective rate of interest was 5%. No borrowings occurred during fiscal year 2016 and none have occurred in fiscal year 2017 through the date of the independent auditors' report.

The advance period to draw on flex loan is six months. The advance period interest rate is 1.50% over the bank's prime rate. The interest rate will change at the end of the advance period, September 30, 2016, the converstion date, to the permanent interest rate of 5.99%. Prior to the conversion date, interest on the outstanding balance shall be due and payable in arrears monthly commencing one month from the date of the first advance. The outstanding balance on the conversion date shall be repaid in 42 equal installments comprised of principal and interest commencing on the conversion date. The loan matures on March 30, 2020 and is collateralized by all of JFYNet*Works'* assets. No borrowings occurred during fiscal year 2016. Subsequent to June 30, 2016, through the date of the independent auditors' report, JFYNet*Works* had drawn down $44,682 of loan proceeds.

10. Subsequent Events

Lease Extension

In July 2016, JFYNet*Works* negotiated an extension of its office space lease to January 31, 2022

Budget Cuts

In December 2016, JFYNet*Works*' College and Career Readiness earmark of $700,000 that was written into the Massachusetts state budget was reduced by $466,666 when the governer made his mid-year §9C cuts to the state budget.

JFYNet*Works* has evaluated subsequent events through February 8, 2017, which is the date the financial statements were available to be issued.