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Grub Street, Inc.



Financial Statements

Year Ended December 31, 2012

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2012

Grub Street, Inc.

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2012

RUANE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Directors
Grub Street, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Grub Street, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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.

Auditors' 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 statement, 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 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 Grub Street, Inc. as of December 31, 2012, 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.

August 14, 2013

Ruane & Company, LLP

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Grub Street, Inc.

Statement of Financial Position

<i>December 31,</i>	2012
Assets	
Current:	
Cash and cash equivalents	\$ 383 959
Accounts receivable	34 638
Unconditional promises to give	72 334
Prepaid expenses	3 128
Total current assets	494 059
Property and equipment:	
Furniture & equipment	61 246
Leasehold improvements	46 494
	107 740
Less accumulated depreciation	(25 391)
Net property and equipment	82 349
Other assets:	
Security deposit	13 417
Total assets	\$ 589 825
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	\$ 41 875
Prepaid tuition and gift cards	53 499
Deferred revenue - tuition	46 266
Deferred revenue - memberships	41 718
Total current liabilities	183 358
Net assets:	
Unrestricted	347 153
Temporarily restricted	59 314
Total net assets	406 467
Total liabilities and net assets	\$ 589 825

See accompanying notes to financial statements.

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Grub Street, Inc.

Statement of Activities

<i>Year ended December 31,</i>	2012		
	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Tuition and fees	\$ 843 996	\$ -	\$ 843 996
Contributions	248 991	19 900	268 891
Grants	72 540	-	72 540
Muse and the Marketplace	251 650	-	251 650
Membership fees	90 358	-	90 358
Book sales	2 680	-	2 680
Interest income	74	-	74
Realized and unrealized gain on investments	185	-	185
Net assets released from restrictions	13 666	(13 666)	-
Total revenue and other support	1 524 140	6 234	1 530 374
Expenses:			
Program services	1 102 987	-	1 102 987
Management and general	265 022	-	265 022
Fundraising expenses	104 690	-	104 690
Total expenses	1 472 699	-	1 472 699
Change in net assets	51 441	6 234	57 675
Net assets, beginning of year	295 712	53 080	348 792
Net assets, end of year	\$ 347 153	\$ 59 314	\$ 406 467

See accompanying notes to financial statements.

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Grub Street, Inc.

Statement of Functional Expenses

	<i>Year ended December 31,</i>			2012
	Program Services	Management and General	Fundraising	Total Expenses
Workshops	\$ 453 136	\$ -	\$ -	\$ 453 136
Payroll	219 508	90 831	68 123	378 462
Muse and the Marketplace	173 269	-	-	173 269
Rent	66 068	25 709	-	91 777
Office expense	34 245	13 987	-	48 232
Professional fees	-	44 222	-	44 222
Credit card fees	-	32 972	-	32 972
Payroll taxes	16 211	6 708	5 031	27 950
Advertising	27 482	-	-	27 482
Direct fundraising costs	-	-	26 505	26 505
Moving expenses	-	26 268	-	26 268
Launch labs	24 845	-	-	24 845
Book prize	23 111	-	-	23 111
YAWP	22 914	-	-	22 914
Travel and entertainment	4 712	5 121	1 263	11 096
Depreciation	7 600	3 104	-	10 704
Utilities	6 004	2 453	-	8 457
Event expense	7 854	-	-	7 854
Employee benefits	5 406	1 828	381	7 615
Insurance	-	6 497	-	6 497
Scholarships	6 300	-	-	6 300
Printing and postage	823	201	3 387	4 411
Memoir project	3 499	-	-	3 499
Parking	-	2 608	-	2 608
Professional development	-	1 938	-	1 938
Filing fees	-	575	-	575
Total expenses	\$ 1 102 987	\$ 265 022	\$ 104 690	\$ 1 472 699

See accompanying notes to financial statements.

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Grub Street, Inc.

Statement of Cash Flows

<i>Year ended December 31,</i>	2012
Cash flows from operating activities:	
Change in net assets	\$ 57 675
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10 704
Donated securities included in contributions	(2 964)
Realized and unrealized gain on investment securities	(185)
Changes in operating assets and liabilities:	
Accounts receivable	(33 187)
Unconditional promises to give	(19 254)
Grants receivable	7 500
Prepaid expenses	2 140
Accounts payable and accrued expenses	30 275
Prepaid tuition and gift cards	21 131
Deferred revenue-memberships	(683)
Deferred revenue-tuition	23 922
Net cash provided by operating activities	97 074
Cash flows from investing activities:	
Capital expenditures	(62 511)
Proceeds from sale of investment securities	8 594
Net cash used by investing activities	(53 917)
Net increase in cash and cash equivalents	43 157
Cash and cash equivalents, beginning of year	340 802
Cash and cash equivalents, end of year	\$ 383 959

See accompanying notes to financial statements.

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Grub Street, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

<i>Organization and Purpose</i>	Grub Street, Inc. (the "Organization") was incorporated in Massachusetts on January 15, 2002. The Organization operates as a writing center and provides writing and publishing education in New England and throughout the country. The Organization provides writing workshops, seminars, and editorial and consulting services, hosts a yearly literary conference, administers a national book prize, runs advanced year long programs for serious writers, and hosts teenage writing workshops. Workshop tuition represents the Organization's major source of revenue.
<i>Accounts Receivable and Grants Receivable</i>	The Organization uses the reserve for bad debt method of valuing doubtful accounts receivable and grants receivable which is based on historical experience, coupled with a review of the current status of existing receivables. No provision for estimated uncollectible accounts has been made, as management considers all receivables fully collectible.
<i>Cash and Cash Equivalents</i>	For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.
<i>Support, Revenue and Membership</i>	The Organization's primary sources of income are tuition and registration fees, contributions, grants, programs and membership dues. Revenue from membership dues and Incubator Project tuition are recorded as earned over the term of the membership or course, generally one year. Costs in connection with the memberships and Incubator Projects are charged to expenses as incurred.
<i>Promises to give</i>	Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 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. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

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Grub Street, Inc.

Notes to Financial Statements

*Fair Value of
Financial
Instruments*

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. This guidance defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and cash equivalents, accounts receivable, unconditional promises to give expected to be collected in less than one year, grants receivable, prepaid expenses, accounts payable and accrued expenses, prepaid tuition and gift cards, and deferred revenue approximate fair value because of the short-term nature of these items.

The fair value of unconditional promises to give expected to be collected in more than one year was estimated by the present value of future cash flows method. This fair value measurement is based on significant inputs that are not observable in the market. Key assumptions include a discount rate of 1%.

**2. Unconditional
Promises to Give**

Unconditional promises to give consist of the following:

Promises to give restricted to future periods	\$72,750
Less: unamortized discount	(416)
<hr/>	
Net unconditional promises to give	\$72,334

Amounts due in:

Less than one year	\$37,750
One to five years	35,000
<hr/>	
Total	\$72,750

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 1%, when the donor makes an unconditional promise to give to the Organization. No provision for estimated uncollectible promises to give has been made, as management considers all unconditional promises to give fully collectible.

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Grub Street, Inc.

Notes to Financial Statements

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- 3. Concentration of Credit Risk** The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. It is the Organization's policy to place its cash and cash equivalents with high quality financial institutions. The Organization does not believe significant credit risk exists with respect to these institutions.
- 4. Property and Equipment** Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations. Repairs and maintenance charges that do not increase the useful life of the assets are charged to operations as incurred.
- 5. Contributed Services** During the year ended December 31, 2012, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.
- 6. Functional Allocation of Expenses** The cost of providing the program and management activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited, based either on an analysis of personnel time on the related activities, or the amount of office space exclusively designated for programs.
- 7. Net Assets** The Organization's financial statement presentation is in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Organization has reported information regarding its financial position and activities according to three classes of net assets based on the absence or existence of donor-imposed restrictions: unrestricted net assets which are not subject to donor-imposed restriction or stipulations as to purpose or use, temporarily restricted net assets which are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time, and permanently restricted net assets. At December 31, 2012, the Organization had no permanently restricted net assets and \$59,314 of temporarily restricted net assets to be used in specified future periods.
- 8. Income Taxes** The Organization is exempt from federal and state income taxes under the provision of Section 501(c) (3) of the Internal Revenue Code. The Organization is subject to income tax on unrelated business income.

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Grub Street, Inc.

Notes to Financial Statements

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- 8. Income Taxes (Continued)** Generally, the Organization's information returns remain open for federal and state examination for three years from the date of filing.
- 9. Deferred Revenue** Membership dues and Incubator Project tuition are collected in advance and recognized over the term of the membership or course, generally one year. Deferred membership dues and tuition as of December 31, 2012 were \$41,718 and \$46,266, respectively.
- 10. Use of Estimates** The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 11. Related Party Transactions**
- Teacher Fees* The Organization pays teaching and consulting fees to one of its directors as an independent contractor. Total payments to the director for teaching and consulting fees for the year ended December 31, 2012 were \$19,916.
- Contributions* One of the Organization's directors made a \$20,000 contribution during 2010 which is payable over four years. The amount due and included in unconditional promises to give, net of a \$31 discount, at December 31, 2012 was \$9,969.
- Two of the Organization's directors made short term promises to give in 2012. The amount due and included in unconditional promises to give at December 31, 2012 was \$9,000.
- 12. Advertising** The Organization expenses advertising costs as incurred. Total advertising costs charged to expense for the year ended December 31, 2012 were \$27,482.
- 13. Retirement Plan** The Organization maintains a qualified deferred compensation plan for all eligible employees. The Organization did not provide matching contributions.

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Grub Street, Inc.

Notes to Financial Statements

14. Commitments The Organization rents office space and equipment under leases that expire on various dates through December 31, 2016. Total office rent for the year ended December 31, 2012 was \$88,652. Future minimum rentals for operating leases with non-cancelable terms of one year or more are as follows:

<u>Year ending December 31,</u>	<u>Total</u>
	<u>Commitment</u>
2013	\$ 80,500
2014	80,500
2015	80,500
2016	80,500
2017	-
Total	\$ 322,000

15. Subsequent Events Review Subsequent events have been evaluated through August 14, 2013, the date the financial statements were available to be issued.