

**Grub Street, Inc.**

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**Financial Statements**

**Years Ended December 31, 2015 and 2014**

# Grub Street, Inc.

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# RUANE & COMPANY, LLP

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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 statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

July 8, 2016



# Grub Street, Inc.

## Statements of Financial Position

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 525 464	\$ 434 247
Accounts receivable	5 993	2 613
Unconditional promises to give	119 979	62 727
Prepaid expenses	2 194	2 180
Total current assets	<b>653 630</b>	501 767
<b>Property and equipment:</b>		
Furniture & equipment	146 124	140 246
Leasehold improvements	52 513	52 513
	<b>198 637</b>	192 759
Less accumulated depreciation	( 100 242 )	( 71 113 )
Net property and equipment	<b>98 395</b>	121 646
<b>Other assets:</b>		
Long-term unconditional promises to give	47 420	-
Security deposit	13 417	13 417
Total other assets	<b>60 837</b>	13 417
Total assets	<b>\$ 812 862</b>	\$ 636 830
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 34 525	\$ 9 411
Credit card liability	7 155	10 205
Prepaid tuition and gift certificates	83 862	79 950
Deferred revenue - tuition	100 306	101 340
Deferred revenue - consulting and sponsors	17 305	-
Deferred revenue - memberships	33 293	40 833
Total current liabilities	<b>276 446</b>	241 739
<b>Net assets:</b>		
Unrestricted	393 640	320 937
Temporarily restricted	142 776	74 154
Total net assets	<b>536 416</b>	395 091
Total liabilities and net assets	<b>\$ 812 862</b>	\$ 636 830

See accompanying notes to financial statements.

## Grub Street, Inc.

### Statements of Activities

<i>Years ended December 31,</i>	2015			2014		
	Temporarily			Temporarily		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<b>Revenues and other support:</b>						
Tuition and fees	\$ 1 366 380	\$ -	\$ 1 366 380	\$ 1 241 933	\$ -	\$ 1 241 933
Contributions	450 995	8 556	459 551	415 693	53 503	469 196
Grants	126 719	134 220	260 939	107 955	20 651	128 606
Membership fees	84 670	-	84 670	84 523	-	84 523
Contributions in-kind	52 051	-	52 051	-	-	-
Other income	650	-	650	7 187	-	7 187
Book sales	1 816	-	1 816	1 755	-	1 755
Gain (loss) on investments securities	( 173 )	-	( 173 )	305	-	305
Interest income	1 248	-	1 248	257	-	257
Net assets released from restrictions	-	( 74 154 )	( 74 154 )	-	( 50 655 )	( 50 655 )
Total revenue and other support	2 084 356	68 622	2 152 978	1 859 608	23 499	1 883 107
<b>Expenses:</b>						
Program services	1 449 151	-	1 449 151	1 385 905	-	1 385 905
Management and general	386 944	-	386 944	256 332	-	256 332
Fundraising	175 558	-	175 558	210 160	-	210 160
Total expenses	2 011 653	-	2 011 653	1 852 397	-	1 852 397
<b>Change in net assets</b>	<b>72 703</b>	<b>68 622</b>	<b>141 325</b>	7 211	23 499	30 710
<b>Net assets, beginning of year</b>	<b>320 937</b>	<b>\$ 74 154</b>	<b>\$ 395 091</b>	313 726	<b>\$ 50 655</b>	<b>\$ 364 381</b>
<b>Net assets, end of year</b>	<b>\$ 393 640</b>	<b>\$ 142 776</b>	<b>\$ 536 416</b>	<b>\$ 320 937</b>	<b>\$ 74 154</b>	<b>\$ 395 091</b>

*See accompanying notes to financial statements.*

## Grub Street, Inc.

### Statements of Functional Expenses

<i>Years ended December 31,</i>	<b>2015</b>				<b>2014</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Payroll	\$ 603 378	\$ 152 580	\$ 95 959	\$ 851 917	\$ 514 582	\$ 118 750	\$ 158 332	\$ 791 664
Muse and the Marketplace	231 216	-	-	231 216	245 566	-	-	245 566
Workshops	190 474	-	-	190 474	189 524	-	-	189 524
Payroll taxes and benefits	87 417	20 173	26 897	134 487	62 286	14 374	19 165	95 825
Professional fees	-	117 555	-	117 555	-	42 492	-	42 492
Consulting	105 843	-	-	105 843	86 729	-	-	86 729
Rent	63 129	25 785	-	88 914	57 272	23 393	-	80 665
Direct fundraising costs	-	-	48 253	48 253	-	-	25 732	25 732
Credit card processing	41 500	2 420	2 617	46 537	39 772	-	-	39 772
Materials and supplies	26 636	10 879	-	37 515	29 669	12 119	-	41 788
Scholarships	34 935	-	-	34 935	36 748	-	-	36 748
Depreciation	20 682	8 447	-	29 129	19 546	7 984	-	27 530
Miscellaneous	-	17 450	-	17 450	-	10 299	-	10 299
Payroll processing fees	11 826	2 998	1 832	16 656	7 914	1 826	2 435	12 175
Advertising	16 358	-	-	16 358	30 027	-	-	30 027
Other program expenses	11 244	2 610	-	13 854	52 785	-	-	52 785
Conferences and meetings	-	8 572	-	8 572	-	9 405	-	9 405
IT and website costs	-	8 509	-	8 509	7 709	3 149	-	10 858
Utilities	4 513	1 844	-	6 357	5 776	2 359	-	8 135
Insurance	-	3 977	-	3 977	-	6 555	-	6 555
Interest expense	-	2 360	-	2 360	-	-	-	-
Printing and postage	-	785	-	785	-	3 627	4 496	8 123
<b>Total expenses</b>	<b>\$ 1 449 151</b>	<b>\$ 386 944</b>	<b>\$ 175 558</b>	<b>\$ 2 011 653</b>	<b>\$ 1 385 905</b>	<b>\$ 256 332</b>	<b>\$ 210 160</b>	<b>\$ 1 852 397</b>

*See accompanying notes to financial statements.*

# Grub Street, Inc.

## Statements of Cash Flows

<i>Years ended December 31,</i>	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 141 325	\$ 30 710
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29 129	27 530
Donated securities included in contributions	( 10 648 )	( 10 412 )
Gain (loss) on investment securities	( 173 )	( 305 )
Changes in operating assets and liabilities:		
Accounts receivable	( 3 380 )	1 227
Unconditional promises to give	( 57 252 )	23 442
Prepaid expenses	( 14 )	402
Long-term unconditional promises to give	( 47 420 )	9 908
Accounts payable	25 115	1 232
Credit card liability	( 3 050 )	( 948 )
Prepaid tuition and gift certificates	3 912	3 641
Deferred revenue-tuition	( 1 034 )	37 370
Deferred revenue-grants	-	( 16 000 )
Deferred revenue-consulting and sponsors	17 305	-
Deferred revenue-memberships	( 7 540 )	272
Net cash provided by operating activities	86 275	108 069
<b>Cash flows from investing activities:</b>		
Capital expenditures	( 5 878 )	( 25 187 )
Proceeds from sale of investment securities	10 820	15 974
Net cash provided (used) by investing activities	4 942	( 9 213 )
<b>Net increase in cash and cash equivalents</b>	<b>91 217</b>	<b>98 856</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>434 247</b>	<b>335 391</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 525 464</b>	<b>\$ 434 247</b>
<b>Supplemental disclosure:</b>		
Interest paid during the year	\$ -	\$ -

See accompanying notes to financial statements.

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Organization and Purpose*

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.

#### *Accounts Receivable and Grants Receivable*

Accounts receivables are recognized when students register for courses or workshops. Grants receivables are recognized according to the terms of the grant. The Organization extends credit to some of its students in the ordinary course of business.

Accounts and grants receivable are stated at cost, net of any allowance for doubtful accounts. The Organization uses the reserve for bad debt method of valuing doubtful accounts and grants receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Based on management’s evaluation of each customer, the balance of the reserve for doubtful accounts, deducted against accounts receivable to properly reflect the realizable value, is \$0 at both December 31, 2015 and 2014. The Organization considers all grants receivable to be fully collectible, and therefore, did not provide an allowance for doubtful accounts for the years ended December 31, 2015 and 2014.

#### *Cash and Cash Equivalents*

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.

#### *Support, Revenue and Membership*

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.



## Notes to Financial Statements

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### *Promises to give*

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.

### *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, accrued expenses, credit card liability, prepaid tuition and gift cards, scholarship liability, 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 .6% and 1% for the years ended December 31, 2015, and 2014, respectively.

### *Reclassifications*

Certain reclassifications were made to the 2014 financial statements to conform to 2015 presentation.

**Notes to Financial Statements**

**2. Concentration of Credit Risk** The Organization maintains its cash accounts at two commercial banks. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015 and 2014, the Organization had \$166,315 and \$111,669 in uninsured cash balances.

**3. Unconditional Promises to Give** Unconditional promises to give at December 31, 2015 and 2014 are as follows:

	2015	2014
Receivable in less than one year	\$119,979	\$ 62,727
Receivable in one to five years	48,000	-
Total unconditional promises to give	167,979	62,727
Less: Discounts to net present value	(580)	-
Net unconditional promises to give	\$167,399	\$ 62,727

Unconditional promises to give due in more than one year are recognized at fair value when the donor makes an unconditional promise to give to the Organization, using present value techniques and a discount rate of .6% and 1% for the years ended December 31, 2015 and 2014, respectively. No provision for estimated uncollectible promises to give has been made, as management considers all unconditional promises to give fully collectible.

**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 eleven 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** Contributed services are recognized at fair value at the date of receipt if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donations. During the years ended December 31, 2015 and 2014, the organization received contributed legal fees from two firms for assistance with lease negotiations and with research of intellectual property rights. The value of contributed legal services recognized in the financial statements for the years ended December 31, 2015 and 2014 was \$52,051 and \$0, respectively.

**Notes to Financial Statements**

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- 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. 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. Generally, the Organization’s information returns remain open for federal and state examination for three years from the date of filing.
- 8. 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. Consulting revenue and sponsorships are collected in advance and recognized when the event occurs. Deferred membership dues as of December 31, 2015 and 2014 were \$33,293 and 40,833, respectively. Deferred tuition as of December 31, 2015 and 2014 was \$100,306 and \$101,340, respectively. Deferred consulting revenue and sponsorships as of December 31, 2015 and 2014 were \$17,305 and \$0, respectively.
- Deferred grant revenue is recorded when a fee for services grant has been received and the specific conditions of the grant have not been met. There was no deferred grant revenue recorded at the year end of December 31, 2015 and 2014.
- 9. 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, 2015 and 2014, the Organization had no permanently restricted net assets and \$142,776 and \$74,154 of temporarily restricted net assets to be used in specified future periods, respectively.

**Notes to Financial Statements**

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**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 two of its directors as independent contractors. Total payments to the directors for teaching and consulting fees for the years ended December 31, 2015 and 2014 were \$14,076 and \$11,022, respectively. The amount due and included in accounts payable at December 31, 2015 and 2014 was \$263 and \$0, respectively.

*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 at December 31, 2015 and 2014 was \$0 and \$3,750, respectively.

Three of the Organization's directors made promises to give in 2015 and 2014. The total amount of related party contributions included in the statement of activities for the years ended December 31, 2015 and 2014 was \$12,000 and \$5,000, respectively. The amount due and included in unconditional promises to give at December 31, 2015 and 2014 was \$12,000 and \$5,000, respectively.

*Catering*

The Organization paid a company owned by one of its directors to cater an event. Total payments made for catering for the years ended December 31, 2015 and 2014 were \$2,000 and \$451, respectively.

**12. Advertising**

The Organization expenses advertising costs as incurred. Total advertising costs charged to expense for the year ended December 31, 2015 and 2014 were \$16,358, and 30,027, respectively.

**13. Retirement  
Plan**

The Organization maintains a qualified deferred compensation plan for all eligible employees. The Organization provides matching contributions equal to 30% of the employee's elective deferral, limited to 6% of the

# Grub Street, Inc.

## Notes to Financial Statements

**13. Retirement Plan (Continued)** employee's compensation. The Organization provided \$12,193 and \$7,703 of matching contributions for the years ended December 31, 2015 and 2014, respectively.

**14. Commitments** The Organization rents office space under a lease that expires on December 31, 2019. Total office rent for the years ended December 31, 2015 and 2014 was \$88,914 and 80,655, respectively. 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 Commitment</u>
2016	80,500
2017	80,500
2018	80,500
2019	80,500
2020	-
Total	\$ 322,500

**15. Line of Credit** The Organization has a \$62,000 line of credit with a financial institution which it may draw upon to provide necessary working capital. Interest at a rate of 1.5% over prime, with a minimum of 4.25%, accrues on the outstanding balance. The line is secured by all of the Organization's assets. There was no outstanding balance at both December 31, 2015 and 2014.

**16. Subsequent Events Review** Subsequent events have been evaluated through July 8, 2016, the date the financial statements were available to be issued.