

WriteBoston, Inc.
Financial Statements
and
Independent Auditors' Report
June 30, 2017



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
WriteBoston, Inc.

We have audited the accompanying financial statements of WriteBoston, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses 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 from 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 auditors' 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 WriteBoston, Inc. as of June 30, 2017, and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Daniel Dennis & Company LLP

May 9, 2018

WriteBoston, Inc.
Statement of Financial Position
June 30, 2017

Assets

Current Assets

Cash	\$ 59,929
Grants receivable	112,637
Due from related party	66,799
Current portion of pledges receivable	<u>267,257</u>
Total current assets	<u>506,622</u>

Long-term Assets

Pledges receivable, net	<u>38,473</u>
Total assets	<u>\$ 545,095</u>

Liabilities and Net Assets

<i>Liabilities</i>	\$ <u>-</u>
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Net Assets

Unrestricted	262,365
Temporarily restricted	<u>282,730</u>
Total net assets	<u>545,095</u>
Total liabilities and net assets	<u>\$ 545,095</u>

See accompanying notes to financial statements.

WriteBoston, Inc.
Statement of Activities
For the Year Ended June 30, 2017

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<i>Revenue and Other Support</i>			
Grants	\$ 541,623	\$ -	\$ 541,623
Contributions	202,656	58,473	261,129
Special event (net of direct costs of \$2,352)	89,476	-	89,476
In-kind contributions	18,400	-	18,400
Net assets released from restrictions	<u>265,730</u>	<u>(265,730)</u>	<u>-</u>
Total revenue and other support	<u>1,117,885</u>	<u>(207,257)</u>	<u>910,628</u>
<i>Expenses</i>			
Program services	600,024	-	600,024
Administration	154,313	-	154,313
Fundraising	<u>120,225</u>	<u>-</u>	<u>120,225</u>
Total expenses	<u>874,562</u>	<u>-</u>	<u>874,562</u>
Change in net assets	243,323	(207,257)	36,066
Net assets at the beginning of the year, as previously stated	(48,458)	-	(48,458)
Prior period adjustment	<u>67,500</u>	<u>489,987</u>	<u>557,487</u>
Net assets at the beginning of the year, as restated	<u>19,042</u>	<u>489,987</u>	<u>509,029</u>
Net assets, end of year	<u>\$ 262,365</u>	<u>\$ 282,730</u>	<u>\$ 545,095</u>

See accompanying notes to financial statements.

WriteBoston, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2017

<i>Cash Flows From Operating Activities</i>	
Change in net assets	\$ 36,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Discount on pledges receivable	(4,270)
Changes in operating assets and liabilities	
Increase in grants receivable	(5,137)
Decrease in pledge receivable	248,527
Decrease in accounts payable	(511)
Decrease in accrued expense	(3,580)
Increase in due to/from related party	<u>(211,166)</u>
Net cash provided by operating activities	<u>59,929</u>
Net change in cash	59,929
Cash at beginning of year	<u>-</u>
Cash at end of year	<u><u>\$ 59,929</u></u>

See accompanying notes to financial statements.

WriteBoston, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<i>Program Services</i>	<i>Admin- istration</i>	<i>Fund- Raising</i>	<i>Total Expenses</i>
Salaries and wages	\$ 421,154	\$ 105,476	\$ 89,959	\$ 616,589
Payroll taxes and fringe benefits	120,956	30,301	25,838	177,095
Occupancy	12,567	3,148	2,685	18,400
Office expenses	8,164	2,045	1,743	11,952
Professional development	30,544	-	-	30,544
Professional services	-	13,343	-	13,343
Travel	649	-	-	649
Grant expense	5,990	-	-	5,990
	<u>600,024</u>	<u>154,313</u>	<u>120,225</u>	<u>874,562</u>
Total	<u>\$ 600,024</u>	<u>\$ 154,313</u>	<u>\$ 120,225</u>	<u>\$ 874,562</u>

See accompanying notes to financial statements.

WriteBoston, Inc.
Notes to Financial Statements
June 30, 2017

1. *Nature of Operations*

WriteBoston, Inc. (the Corporation) was incorporated in October 2012 as a nonprofit organization, created to administer the activities of WriteBoston, a former program of the City of Boston administered by the Office of Workforce Development (OWD) division of Economic Development and Industrial Corporation of Boston (EDIC). The purposes of the Corporation are (i) to improve the proficiency of Massachusetts students' writing skills; (ii) to work with individual teachers, content area teams and administrators to help schools design curricula and assessments which effectively integrate writing to enhance student achievement and self-expression; and (iii) to transform schools from within and develop a culture of writing across academic disciplines by offering one-on-one coaching of teachers, writing centers, professional development for faculty, and opportunities for students to publish through a city-wide teen newspaper. The Corporation focuses on teacher coaching and professional development, in-school writing and out-of-school activities for youth.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

The Corporation prepares its financial statement on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue and Expense Recognition

The majority of the Corporation's revenue is from grants with the City of Boston, EDIC and contributions from corporations and foundations. Revenue from cost reimbursement grants is recognized on the statement of activities when program expenses are incurred. Expenses are recognized when goods or services are received.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time.

Contributions are recorded when received or pledged as unrestricted or temporarily restricted revenue, depending on the existence and nature of any donor imposed restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue. All other restricted contributions are classified as temporarily restricted revenue in the year received. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

WriteBoston, Inc.

Notes to Financial Statements - *Continued*

June 30, 2017

2. *Summary of Significant Accounting Policies - Continued*

Cash and Cash Equivalents

For the purpose of the statement of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. At June 30, 2017, the Corporation did not have any cash equivalents.

Grants Receivable

Grants receivable represent uncollected billed, and earned unbilled, amounts from grant funding sources and are presented net of allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on the past experience of the City of Boston's program as described in Note 1. Receivables are charged off when deemed uncollectible. Management has determined that all grants receivable are fully collectible at June 30, 2017; therefore, no related allowance has been recorded.

Contributed Services

The Corporation recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Corporation receives services from a large number of volunteers who give significant amounts of their time to the Corporation's programs and fund-raising activities, which do not meet the criteria for financial statement recognition.

Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Corporation 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, 2017, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

WriteBoston, Inc.

Notes to Financial Statements - *Continued*

June 30, 2017

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

Income Taxes – continued

The Corporation evaluates the tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Corporation has evaluated the tax positions expected to be taken in its fiscal year 2017 returns and believes they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. The Corporation's fiscal years 2015 through 2016 tax years remains subject to examination by Federal and state tax authorities.

3. ***Related Party Transactions***

On August 27, 2015, the Corporation entered into a memorandum of agreement with EDIC regarding fiscal agent services provided to the Corporation for programmatic and administrative purposes as directed by the Corporation. The agreement is effective for fiscal year 2015 and shall continue from year to year so long as grant funding is available. The agreement stipulates that EDIC will receive an administrative fee based on 15% of all revenue after all program costs are satisfied. As of June 30, 2017 there was no administrative fee due to EDIC as no fee was earned for the year then ended. The Corporation terminated its agreement with EDIC as of June 30, 2017.

The Corporation's contracted employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit policies. These costs, together with program, administrative and fundraising expenses paid by EDIC on the Corporation's behalf, are billed to the Corporation and totaled \$858,215, for the year ended June 30, 2017. EDIC provided grant funding to the Corporation totaling \$200,000 during the year ended June 30, 2017. Amounts receivable from EDIC at June 30, 2017 totaled \$66,799, comprised of a \$200,000 grant receivable, accrued payroll cost of \$8,274 and \$124,927 payable. The payable balance represents the difference between the excess of Corporation expenses disbursed by EDIC over amounts deposited into EDIC bank accounts from the Corporation's grant and contribution receipts.

4. ***Donated Facilities***

The Corporation recorded in-kind contribution revenue and related occupancy expense totaling \$18,400 for the year ended June 30, 2017, representing the estimated fair-value of office space provided by the Boston Public School District for fiscal year 2017.

WriteBoston, Inc.

Notes to Financial Statements - *Continued*

June 30, 2017

5. ***Leasing Commitments***

The Corporation has an equipment lease, which is classified as an operating lease. The terms of the long-term equipment lease extend through fiscal year 2018. Rent expense relating to this lease was \$3,117 for the year ended June 30, 2017. Future minimum payments under this long-term equipment lease agreement as of June 30, 2017 totaled \$1,818.

6. ***Concentrations of Risk***

The Corporation contracts with governmental agencies. Those contracts are subject to audit by the respective funding source and could result in the recapture of revenue previously reported by the Corporation. Management does not believe that any such disallowance, if found would be material to the Corporation's financial statements. Accordingly, no provision for any liability that may result has been made in the financial statements.

7. ***Pledges Receivable***

Unconditional promises to give are recorded as receivables and revenue when received. The Corporation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Pledges receivable consist of the following at June 30, 2017:

Unconditional promises to be collected in:	
One year or less	\$ 273,000
One to five years	<u>40,000</u>
Total	313,000
Less discounts to net present value (rates ranging from 1.1% to 1.6%)	<u>(7,270)</u>
Pledges receivable, net	<u>\$ 305,730</u>

8. ***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30, 2017 are available for the following uses:

Purpose and time restrictions:	
Pledge receivable for boston international writing center	\$ 58,473
Pledge receivable for teens in print	<u>77,486</u>
Total purpose and time restrictions	135,959
Time restrictions - pledge receivable for operations	<u>146,771</u>
Total temporarily restricted net assets	<u>\$ 282,730</u>

WriteBoston, Inc.

Notes to Financial Statements - *Continued*

June 30, 2017

9. ***Prior Period Adjustment***

Net assets of the Corporation at July 1, 2016 have been restated for unrecorded contribution and grant revenue relating to prior years. The correction has no effect on the result of the current year's activities; however, the cumulative effect increased unrestricted and temporarily restricted net assets by \$67,500 and \$489,987, respectively. Previously issued financial statements have not been reissued. Net assets at the beginning of the fiscal year ended June 30, 2017, reported on the statement of activities have been restated.

10. ***Subsequent Events***

The Corporation has performed an evaluation of subsequent events through May 9, 2018, which is the date the Corporation's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017, that required recognition or disclosure in the financial statements.