

*Write***Boston**

Building a Community of Writers

**WriteBoston, Inc.
Financial Statements
For the Year Ended
June 30, 2018**

WriteBoston, Inc.

Index

Independent Auditor's Report

Financial Statements:

Statement of Financial Position	Page 4
Statement of Activity	Page 5
Statement of Functional Expenses	Page 6
Statement of Cash Flow	Page 7
Notes to Financial Statements	Pages 8 - 13



Melissa Gilroy, CPA

mg@mgilroycpa.com
(p) 781.696.4019

Independent Auditor's Report

To the Board of Directors
WriteBoston, Inc.
Roxbury, MA

I have audited the accompanying financial statements of WriteBoston, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activity, functional expenses, and cash flow 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WriteBoston, Inc. as of June 30, 2018, 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.

A handwritten signature in black ink that reads 'Melissa Gilroy'.

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
October 15, 2018

WriteBoston, Inc.
Statement of Financial Position

As of June 30,

2018

Assets

Current Assets

Cash and cash equivalents	\$	540,942
Pledges receivable, current portion		363,000
Accounts receivable, net		40,892
Prepaid expenses		4,851
Other asset		1,265
Total Current Assets		950,950

Noncurrent Assets

Pledge receivable, net		294,256
------------------------	--	---------

Total Assets	\$	1,245,206
---------------------	----	------------------

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$	75,067
Total Liabilities		75,067

Net Assets

Without donor restrictions		478,383
With donor restrictions		691,756
Total Net Assets		1,170,139

Total Liabilities and Net Assets	\$	1,245,206
---	----	------------------

WriteBoston, Inc.
Statement of Activity

For the year ended June 30,

2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 339,159	659,026	998,185
Program services	175,870	-	175,870
In-kind contributions	135,000	-	135,000
Special events, net of direct costs of \$5,201	86,376	-	86,376
Other income	92	-	92
Net assets released from restriction	250,000	(250,000)	-
	<hr/>	<hr/>	<hr/>
Total revenue and support	986,497	409,026	1,395,523
	<hr/>	<hr/>	<hr/>
Expenses			
Program services	533,183	-	533,183
Management and administrative	97,297	-	97,297
Fundraising	139,998	-	139,998
	<hr/>	<hr/>	<hr/>
Total expenses	770,478	-	770,478
	<hr/>	<hr/>	<hr/>
Change in Net Assets	216,019	409,026	625,045
	<hr/>	<hr/>	<hr/>
Net Assets at Beginning of Year	262,364	282,730	545,094
	<hr/>	<hr/>	<hr/>
Net Assets at End of Year	\$ 478,383	691,756	1,170,139
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WriteBoston, Inc.
Statement of Functional Expenses
For the year ended June 30, 2018

		Management and			
		Program	Administrative	Fundraising	2018 Total
Salaries	\$	329,546	43,863	93,821	\$ 467,230
Payroll taxes		27,831	3,704	7,924	39,459
Benefits		11,498	1,528	3,300	16,326
Professional fees		30,512	32,732	2,774	66,018
Occupancy		94,500	13,500	27,000	135,000
Office supplies and expense		2,185	178	1,895	4,258
Information technology		6,062	807	1,726	8,595
Program supplies		25,848	-	-	25,848
Insurance		5,006	666	1,425	7,097
Professional development		195	319	133	647
Total Functional Expenses	\$	533,183	97,297	139,998	\$ 770,478

WriteBoston, Inc.
Statement of Cash Flow

For the year ended June 30,

2018

Cash Flows from Operating Activities

Change in Net Assets	\$ 625,045
Adjustments to reconcile change in net assets to cash provided by operations	
Donated stock	(1,265)
Pledges receivables, net	(351,526)
Accounts receivable, net	71,744
Prepaid expenses	(4,851)
Due from related party	66,799
Accounts payable and accrued expenses	75,067
Net Cash Provided by Operating Activities	481,013
Net (Decrease) Increase in Cash and Cash Equivalents	481,013
Cash and Cash Equivalents - Beginning	59,929
Cash and Cash Equivalents - Ending	\$ 540,942

<u>Liquity and availability</u>	2375.15
<u>Financial Assets at Year-end:</u>	
Cash and Cash Equivalents	\$ 540,942
Pledges Receivable	657,256
Accounts Receivable	40,892
Other Assets	1,265
Total Financial Assets	<u>\$ 1,240,355</u>
<u>Less amounts not available to be used within one year:</u>	
Board Designated Net Assets	(276,000)
Net Assets Subject to the Satisfaction of Donor-Imposed Restrictions as to use or time	(443,756)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 520,599</u></u>
Pledge discount	4200.15
In one year or less	\$ 363,000
Between one year and five years	300,000
Subtotal	<u>663,000</u>
Discount to present value (rate of 1.5%)	(5,744)
Pledge receivable	<u><u>\$ 657,256</u></u>

WriteBoston, Inc.

Notes to Financial Statements

1. Nature of the Business

WriteBoston, Inc. (the Organization) 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, a division of the Economic Development and Industrial Corporation of Boston (EDIC). WriteBoston is a nonprofit literacy organization that serves students, schools, districts, and educational organizations across Massachusetts. Through a combination of professional development, one-on-one tutoring, and youth programming, WriteBoston elevates the core writing skills of students and provide authentic audience and opportunity for the youth of the Commonwealth.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements is in conformity with generally accepted accounting principles in the United States of America ("GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted. Included in net assets without donor restrictions is \$276,000 of Board designated funds to be used for the long-term stability of the Organization.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents, reported at fair value; include cash and all highly liquid investments with a maturity of three months or less when purchased.

WriteBoston, Inc.
Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Pledge Receivable and Contribution Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until donor stipulations are met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, with payments due to the Organization beyond one year, are recorded as net assets with donor restrictions at the estimated present value of the expected future cash flows, using credit risk adjusted rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is recorded as contribution revenue in the appropriate net asset class. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and other relevant factors. As of June 30, 2018, management has determined that pledge receivables are fully collectible, therefore, no related allowance has been recorded. Pledge receivables due from two donors represented 72% of total pledge receivables as of June 30, 2018.

Contributions from two donors represented 57% of total contribution revenue for the year ended June 30, 2018.

Accounts Receivable and Program Revenue

Accounts receivable represents uncollected billed, and earned unbilled, amounts from funding sources and are presented net of allowance for doubtful accounts. Program revenue is earned as services are delivered. Management's periodic evaluation of the adequacy of the allowance is based on management's judgment of such factors as prior collection history, type of contribution and other relevant factors. Receivables are charged off when deemed uncollectible. Management has determined that all accounts receivable are fully collectible at June 30, 2018; therefore, no related allowance has been recorded. Program revenue from the City of Boston Public Schools represented 57% of all program revenue for the year ended June 30, 2018.

Property and Equipment

Property and equipment is stated at cost at the time of acquisition or fair market value at the time of donation. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain and loss is credited or charged to operations. Depreciation is recorded on a straight-line basis based on the related assets estimated useful lives.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activity. The statement of functional expenses present the natural classification detail of expenses by function. Occupancy expenses are allocated based on square footage by functional area. Other expenditures, such as salaries and related costs, information technology and insurance have been allocated based on the related time and effort by functional area.

WriteBoston, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Donated Facilities, Services and Assets

Donated facilities, services and assets are recorded at the estimated fair value provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. During the year ended June 30, 2018, donated facility expenses amounting to \$135,000 were received and are recorded in the accompanying statement of activity as in-kind contribution income.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Union has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly, including inputs in markets that are considered active.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

Income Taxes

The Organization is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code and is not considered to be a private foundation. The Organization is also exempt from state income tax. Accordingly, no provision for income taxes is included in the financial statements.

The Organization complies with the provisions of GAAP related to the accounting for the uncertainty in income taxes. As required, the Organization has evaluated its tax positions, applying a "more likely than not" threshold and believes that there would be no material changes to the results of its operation or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Organization has filed all of its known and required tax returns in a timely manner, including as permitted, allowed extensions.

WriteBoston, Inc.
Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Recent Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (ASU) *2016-14 Presentation of Financial Statements for Not-For-Profit Entities* Effective for fiscal years beginning after December 15, 2017. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. It also revises the definitions of certain terms in the Master Glossary. As early adoption is permitted, on a retrospective basis, the Organization has elected to early adopt this guidance as of June 30, 2018.

3. Other Assets

Other assets consist of donated securities held by the Organization as of June 30, 2018. The Organization’s policy is to convert donated securities into a cash equivalent as soon as possible after receipt of such donation. The securities donated are all publicly traded common stock and are considered to be Level one investments in accordance with the fair value hierarchy.

4. Special Events

During 2018, the Organization had special event revenue and related expenses consisting of the following:

Special event income	\$ 91,577
Special event expenses	<u>(5,201)</u>
	<u>\$ 86,376</u>

5. Related Party Transactions

The Organization separated from its fiscal sponsor in fiscal 2017. During the 2018 fiscal year, the former fiscal sponsor of this Organization donated \$23,577 to the Organization.

6. Lease

The Organization has an equipment lease that expires in April 2021. Lease expense amounted to \$770 for the year ended June 30, 2018. Monthly lease payments amount to \$257 per month.

Payments on the lease are due as follows:

2019	\$ 3,079
2020	\$ 3,079
2021	\$ 2,309

WriteBoston, Inc.
Notes to the Financial Statements

7. Liquidity and Availability

The following reflects the Organization's financial assets as of June 30, 2018, reduced by amounts that are not available for general use because of Board designations or donor-imposed restrictions as to purpose or time within one year of the balance sheet date:

<u>Financial Assets at Year-end:</u>	
Cash and Cash Equivalents	\$ 540,942
Pledges Receivable	657,256
Accounts Receivable	40,892
Other Assets	<u>1,265</u>
Total Financial Assets	\$ <u>1,240,355</u>

<u>Less amounts not available to be used within one year:</u>	
Board Designated Net Assets	(276,000)
Net Assets Subject to the Satisfaction of Donor-Imposed Restrictions as to use or time	(443,756)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 520,599</u>

As part of its liquidity management plan, the Organization operates its programs within a balanced budget and relies on restricted grants and contributions to fund its operations and program activities. The Board of Directors has also designated \$276,000 as an operating reserve, which represents approximately four months of operating expenses. The Board may, as needed, appropriate funds from these funds should the need arise.

8. Pledge Receivable

At June 30, 2018 pledges are expected to be realized in the following time frame:

In one year or less	\$ 363,000
Between one year and five years	<u>300,000</u>
Subtotal	663,000
Discount to present value (rate of 1.5%)	<u>(5,744)</u>
Pledge receivable	\$ <u>657,256</u>

9. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following at June 30, 2018:

	As of
	<u>06/30/2018</u>
<u>Time:</u>	\$ 342,256
<u>Specific Purpose:</u>	
Teens in print	\$ 270,000
Summer journalism	39,500
Writing center	<u>40,000</u>
	\$ <u>691,756</u>

WriteBoston, Inc.
Notes to the Financial Statements

10. Retirement Plan

The Organization maintains a retirement plan under the provision of Internal Revenue Code section 401 (k) deferred tax annuity plan. This plan covers substantially all employees who meet minimum age and service requirements and requires enrolled participants to defer a portion of their annual compensation on a pre-tax basis. The plan contains an elective matching provision; however, no match was declared for the year ended June 30, 2018.

11. Subsequent Events

Management has evaluated subsequent events through October 15, 2018, which is the date financial statements were available to be issued.