

# WriteBoston

*Building a Community of Writers*

Re: Note on FY2016 Audit

Prior to July 1, 2017, WriteBoston, Inc. ("WriteBoston") operated as a program within the Economic Development and Industrial Corporation (EDIC) of Boston. EDIC performs many roles related to the economic development efforts of the City of Boston including development of its own property, planning and permitting activities and management of many federal and state grants for workforce development activities. EDIC's revenues exceed \$35 million annually. EDIC served as the fiscal agent for WriteBoston however WriteBoston remained programmatically independent. EDIC handled all financial transactions as well as benefits and payroll services for WriteBoston. Furthermore, WriteBoston did not employ dedicated finance professionals prior to July 1, 2017.

Given the nature of the relationship with EDIC, WriteBoston has been required to rely upon the EDIC auditor, Daniel Dennis & Co., to create an audit report specifically for the organization. The attached FY16 audit for WriteBoston was performed simultaneously with the EDIC audit. It was delivered only recently and WriteBoston leadership has not yet been able to obtain answers to obvious questions that arise from this report. Most notably, the audit reflects a substantial expense in FY16 for professional development -- a 336% increase from FY15. This figure is also significantly greater than the FY17 and FY18 budgets for this line item. This discrepancy is the dominant contributor to the FY16 audit's reported deficit. WriteBoston leadership is working to produce a new audit report that we believe is accurate in this and other regards.

Further, we believe that the remainder of the reported deficit is attributable to allocations that exceed the actual expenses incurred by WriteBoston as reported in the comments of the FY16 audit. EDIC allocated certain administrative costs to WriteBoston on a per-employee basis even though that formula bore little relation to the actual cost of services utilized by WriteBoston. Going forward, we anticipate substantial savings in administrative overhead when operating as an independent entity.

EDIC served as an effective incubator for WriteBoston's early growth and its stewardship has positioned WriteBoston for even more success in the future. At this time, however, WriteBoston is excited to begin FY18 as a truly independent non-profit entity with no continued financial relationship with EDIC.

The staff and members of the board of directors of WriteBoston are most willing to answer any questions about the FY16 audit and WriteBoston's responsible fiscal management both past and future. In addition, we will gladly supplement this FY16 audit report if and when it is amended. Thank you for your time and consideration.

Sincerely,



Sarah Poulter  
Executive Director



James M. Tierney  
Chairman, Board of Directors

**WriteBoston, Inc.**  
Financial Statements  
and  
Independent Auditors' Report  
June 30, 2016 and 2015



**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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and functional expenses 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 audits. 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 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, 2016 and 2015, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Daniel Dennis + Company LLP*

*May 2, 2017*

**WriteBoston, Inc.**  
 Statements of Financial Position  
 June 30, 2016 and 2015

<i>Assets</i>		
	<i>2016</i>	<i>2015</i>
<i>Current Assets</i>		
Grants receivable	\$ 100,000	\$163,584
Total current assets	<u>100,000</u>	<u>163,584</u>
Total assets	<u>\$ 100,000</u>	<u>\$163,584</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 511	\$ 4,256
Accrued expenses	3,580	896
Due to related party	<u>144,367</u>	<u>158,432</u>
Total current liabilities	148,458	163,584
<i>Net Assets</i>		
Unrestricted	<u>(48,458)</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 100,000</u>	<u>\$163,584</u>

*See accompanying notes to financial statements.*

**WriteBoston, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2016 and 2015**

	<i>2016</i>	<i>2015</i>
	<i>Unrestricted</i>	<i>Unrestricted</i>
<i>Revenue and Other Support</i>		
Grants	\$ 303,350	\$ 234,308
Contributions	351,895	498,745
Special event (net of direct costs of \$2,242 and \$8,529, respectively)	65,626	56,912
In-kind contributions	<u>18,400</u>	<u>7,667</u>
Total revenue and other support	<u>739,271</u>	<u>797,632</u>
<i>Expenses</i>		
Program services	490,201	487,763
Administration	181,422	166,962
Fundraising	<u>116,106</u>	<u>142,907</u>
Total expenses	<u>787,729</u>	<u>797,632</u>
Change in net assets	(48,458)	-
Net assets, beginning of the year	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ (48,458)</u>	<u>\$ -</u>

*See accompanying notes to financial statements.*

**WriteBoston, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2016 and 2015**

	2016			2015				
	Program Services	Admin- istration	Fund- Raising	Total Expenses	Program Services	Admin- istration	Fund- Raising	Total Expenses
Salaries and wages	\$ 327,791	\$ 124,725	\$ 87,481	\$ 539,997	\$ 335,898	\$ 116,210	\$ 94,766	\$ 546,874
Payroll taxes and fringe benefits	88,801	34,082	23,636	146,519	97,175	32,914	26,645	156,734
Occupancy	11,152	4,280	2,968	18,400	23,161	7,845	6,351	37,357
Office expenses	5,628	2,160	1,498	9,286	19,150	6,486	5,251	30,887
Professional development	48,864	-	-	48,864	5,043	1,341	8,140	14,524
Professional services	-	15,420	-	15,420	5,826	1,973	1,597	9,396
Travel	94	-	-	94	940	-	-	-
Grant expense	5,905	-	-	5,905	-	-	-	-
Miscellaneous expense	1,966	755	523	3,244	570	193	157	920
<b>Total</b>	<b>\$ 490,201</b>	<b>\$ 181,422</b>	<b>\$ 116,106</b>	<b>\$ 787,729</b>	<b>\$ 487,763</b>	<b>\$ 166,962</b>	<b>\$ 142,907</b>	<b>\$ 797,632</b>

*See accompanying notes to financial statements.*

**WriteBoston, Inc.**  
Notes to Financial Statements  
June 30, 2016 and 2015

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, 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. The Corporation's financial statements do not include a statement of cash flows since all cash activity flows through EDIC, the Corporation's fiscal agent (Note 3).

*Revenue and Expense Recognition*

The majority of the Corporation's revenue is from grants with the City of Boston and 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.

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. As of June 30, 2016 and 2015, the Corporation did not have any temporary restricted net assets.

*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.

**WriteBoston, Inc.**  
Notes to Financial Statements - *Continued*  
June 30, 2016 and 2015

2. *Summary of Significant Accounting Policies - Continued*

*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, and receivables are charged off when deemed uncollectible. Management has determined that all grants receivable are fully collectible at June 30, 2016 and 2015; therefore, no related allowance has been recorded.

*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 years ended June 30, 2016 and 2015, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Corporation evaluates the tax positions taken or expected to be taken in their 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 2016 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. The Corporation's fiscal year 2015 tax year remains subject to examination by Federal and state tax authorities.

*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.

*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.

*Reclassifications*

Certain reclassifications have been made to the fiscal year 2015 amounts to conform with the fiscal year 2016 presentation.



**WriteBoston, Inc.**  
Notes to Financial Statements - *Continued*  
June 30, 2016 and 2015

3. ***Related Party Transactions and Economic Dependency***

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, 2016 and 2015, there was no administrative fee due to EDIC as no fee was earned for the years then ended.

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, totaling \$771,571 and \$798,494, for the years ended June 30, 2016 and 2015, respectively. Amounts payable to EDIC at June 30, 2016 and 2015 totaling \$144,367 and \$158,432, respectively, represent 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. In addition, EDIC provided grant funding to the Corporation totaling \$0 and \$60,844 during the years ended June 30, 2016 and 2015, respectively.

The Corporation is economically dependent on EDIC.

EDIC is a tenant at a building located at 7 Palmer Street, Boston, MA. The Corporation reimbursed EDIC for their use of space in this building for a portion of fiscal year 2015, totaling \$29,690.

4. ***Donated Facilities***

The Corporation recorded in-kind contribution revenue and related occupancy expense totaling \$18,400 and \$7,667 for the years ended June 30, 2016 and 2015, respectively, representing the estimated fair-value of office space provided by the Boston Public School District for fiscal years 2016 and 2015.

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 and \$1,299 for the years ended June 30, 2016 and 2015, respectively. Future minimum payments under this long-term equipment lease agreement as of June 30, 2016 totaled \$3,117 for fiscal year 2017 and \$1,818 for fiscal year 2018.

**WriteBoston, Inc.**  
Notes to Financial Statements - *Continued*  
June 30, 2016 and 2015

6. ***Concentrations of Risk***

The Corporation contracts with governmental agencies, the contracts of which 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. ***Subsequent Events***

The Corporation has performed an evaluation of subsequent events through May 2, 2017, which is the date the Corporation's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in the financial statements.