

**THE WRITING REVOLUTION, INC.**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2022 AND 2021**

# THE WRITING REVOLUTION, INC.

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## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
The Writing Revolution, Inc.

### ***Opinion***

We have audited the financial statements of The Writing Revolution, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Writing Revolution, Inc. as of June 30, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Writing Revolution, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Writing Revolution, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they could reasonably be expected to influence the judgement made by a reasonable user based on these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Writing Revolution, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Writing Revolution, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Skody Scot & Company, CPAs, P.C.*

New York, NY  
May 11, 2023

**THE WRITING REVOLUTION, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,814,393	\$ 2,924,467
Program revenue and other receivables	1,717,891	1,022,259
Prepaid expenses	-	2,507
Security deposits	14,939	14,939
	\$ 6,547,223	\$ 3,964,172

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 369,755	\$ 132,405
Refundable advance	-	325,415
Total liabilities	369,755	457,820
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	6,177,468	3,506,352
With donor restrictions	-	-
Total net assets	6,177,468	3,506,352
Total liabilities and net assets	\$ 6,547,223	\$ 3,964,172

**See accompanying notes to the financial statements.**

**THE WRITING REVOLUTION, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Program service revenue	\$ 5,308,340	\$ -	\$5,308,340	\$ 2,953,535	\$ -	\$2,953,535
Contributions	983,872	-	983,872	994,979	-	994,979
Royalty income	129,686	-	129,686	71,809	-	71,809
Interest income	2,793	-	2,793	-	-	-
Other income	4,400	-	4,400	-	-	-
Net assets released from restriction:						
Satisfaction of purpose restrictions	-	-	-	25,000	(25,000)	-
Expiration of time restrictions	-	-	-	50,000	(50,000)	-
Total support and revenues	6,429,091	-	6,429,091	4,095,323	(75,000)	4,020,323
<b>Expenses:</b>						
Program services	2,625,623	-	2,625,623	1,767,315	-	1,767,315
Supporting services:						
Management and general	956,882	-	956,882	546,170	-	546,170
Fundraising	175,470	-	175,470	158,631	-	158,631
Total expenses	3,757,975	-	3,757,975	2,472,116	-	2,472,116
Increase/(Decrease) in net assets	2,671,116	-	2,671,116	1,623,207	(75,000)	1,548,207
Net assets, beginning of year	3,506,352	-	3,506,352	1,883,145	75,000	1,958,145
Net assets, end of year	\$ 6,177,468	\$ -	\$6,177,468	\$ 3,506,352	\$ -	\$3,506,352

See accompanying notes to the financial statements.

**THE WRITING REVOLUTION, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	<u>Supporting Services</u>			Total Expenses
	Program Services	Management and General	Fundraising	
Personnel costs:				
Salaries	\$ 1,746,603	\$ 441,325	\$ 120,654	\$ 2,308,582
Payroll taxes	161,192	13,677	5,050	179,919
Employee benefits	45,250	101,860	525	147,635
Total personnel costs	<u>1,953,045</u>	<u>556,862</u>	<u>126,229</u>	<u>2,636,136</u>
Direct expenses:				
Bad debt	-	25,287	-	25,287
Consultants and outside contractors	355,196	146,422	30,100	531,718
Equipment purchases	25,698	6,847	1,712	34,257
Insurance	-	7,037	-	7,037
Marketing and promotion	1,459	3,287	96	4,842
Office expenses	63,543	74,618	4,135	142,296
Professional employer organization fees	6,662	77,183	444	84,289
Professional fees	1,553	414	104	2,071
Rent and utilities	147,897	39,439	9,860	197,196
Supplies and training materials	26,195	4,543	547	31,285
Travel and meetings	37,609	14,943	2,243	54,795
Website	6,766	-	-	6,766
Total direct expenses	<u>672,578</u>	<u>400,020</u>	<u>49,241</u>	<u>1,121,839</u>
Total expenses	<u>\$ 2,625,623</u>	<u>\$ 956,882</u>	<u>\$ 175,470</u>	<u>\$ 3,757,975</u>

**See accompanying notes to the financial statements.**

**THE WRITING REVOLUTION, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	<u>Supporting Services</u>			Total Expenses
	Program Services	Management and General	Fundraising	
Personnel costs:				
Salaries	\$ 1,398,204	\$ 219,056	\$ 126,407	\$ 1,743,667
Payroll taxes	105,407	16,514	9,529	131,450
Employee benefits	88,985	26,604	5,347	120,936
Total personnel costs	<u>1,592,596</u>	<u>262,174</u>	<u>141,283</u>	<u>1,996,053</u>
Direct expenses:				
Consultants and outside contractors	89,955	87,669	6,250	183,874
Equipment purchases	2,844	20,597	-	23,441
Insurance	-	1,830	-	1,830
Marketing and promotion	335	2,000	121	2,456
Office expenses	4,102	45,826	2,354	52,282
Professional employer organization fees	-	56,814	-	56,814
Professional fees	-	13,050	-	13,050
Rent and utilities	63,096	6,708	7,459	77,263
Supplies and training materials	12,209	2,312	854	15,375
Travel and meetings	2,178	3,682	310	6,170
Website	-	43,508	-	43,508
Total direct expenses	<u>174,719</u>	<u>283,996</u>	<u>17,348</u>	<u>476,063</u>
Total expenses	<u>\$ 1,767,315</u>	<u>\$ 546,170</u>	<u>\$ 158,631</u>	<u>\$ 2,472,116</u>

**See accompanying notes to the financial statements.**



**THE WRITING REVOLUTION, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 2,671,116	\$ 1,548,207
Adjustments for non-cash items included in operating activities:		
Bad debt	25,287	-
Changes in assets and liabilities:		
Program revenue and other receivables	(720,919)	(429,150)
Prepaid expenses	2,507	(2,507)
Security deposits	-	20,688
Accounts payable and accrued expenses	237,350	(88,470)
Deferred revenue	-	(43,370)
Refundable advance	(325,415)	-
Net cash provided/(used) by operating activities	<u>1,889,926</u>	<u>1,005,398</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	1,889,926	1,005,398
Cash and cash equivalents at beginning of year	<u>2,924,467</u>	<u>1,919,069</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,814,393</u></u>	<u><u>\$ 2,924,467</u></u>

**See accompanying notes to the financial statements.**

**THE WRITING REVOLUTION, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

The Writing Revolution, Inc. (Organization), a not-for-profit organization, was incorporated in the State of Delaware on January 15, 2014. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions and program service revenue.

The Organization's mission is to train teachers in a method of teaching expository writing to their students that will improve their critical thinking and clarity of expression that improves their reading, listening and speaking skills as well as their writing skills, with a focus on students in underserved school districts. The Organization seeks to accomplish its mission by bringing the Hochman Method, a proven, cost-effective and evidence-based instructional methodology, to educational institutions. The Hochman Method is an explicit set of strategies that classroom teachers can integrate into every content area.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity, to the Organization, of three months or less.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

**THE WRITING REVOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

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 (endowment), where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

The Organization recognizes contributions when cash, noncash assets, or an unconditional promise to give is received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to the meeting of these conditions are reported as refundable advances in the statements of financial position. At June 30, 2022 and 2021, the Organization did not have any conditional pledges that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for a purpose by the donor are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program service revenue relates to fees received in exchange for program services and consists primarily of educator training workshops and instructional courses. The Organization's program service revenue generally contains a single delivery/service element and revenue is recognized at a single point in time when ownership, risk and rewards transfer, and all performance obligations are considered to be satisfied. Any revenue received which has not been earned is recorded as deferred revenue.

The Organization receives royalty revenue relating to book sales which the Organization holds the rights to. Revenue is recognized when the sale takes place. Any revenue received which has not been earned is recorded as deferred revenue.

**THE WRITING REVOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

During the year ended June 30, 2021, the Organization received \$325,415 of Paycheck Protection Program funds from the U.S. Small Business Administration. Management has determined that the correct model to follow is the grant model and that the purpose-related conditions imposed on the grant were not met by year-end. Therefore, recognition has been deferred. The amount is reported as a refundable advance in the statement of financial position as of June 30, 2021. During the year ended June 30, 2022, the Organization received confirmation that it has met the grant conditions and has recognized the amount as a contribution.

During the year ended June 30, 2020, the Organization received \$325,415 of Paycheck Protection Program funds from the U.S. Small Business Administration. Management has determined that the correct model to follow is the grant model and that the purpose-related conditions imposed on the grant were not met by year-end. Therefore, recognition has been deferred. The amount is reported as a refundable advance in the statement of financial position as of June 30, 2020. During the year ended June 30, 2021, the Organization received confirmation that it has met the grant conditions and has recognized the amount as a contribution.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries and related expenses based on estimated time and effort and other expenses, such as rent and office expenses, based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Bank deposits and cash	\$ 1,472,737	\$ 2,924,467
Money market funds	3,341,656	-
	<u>\$ 4,814,393</u>	<u>\$ 2,924,467</u>

**THE WRITING REVOLUTION, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Commitments

The Organization signed a lease for office space in May 2021, which commenced on July 1, 2021 and is set to expire on June 30, 2024. As of June 30, 2022, minimum aggregate annuals rentals are as follows:

Year ended June 30, 2023	\$	171,517
2024		187,110

Total rent expense and related expense charged to operations for the years ended June 30, 2022 and 2021, was \$197,196 and \$77,263, respectively.

Note 4 - Concentrations

The Organization maintains its checking and money market accounts with a financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts exceeded the insured limits during the years ended June 30, 2022 and 2021.

Note 5 - Revenue from Contracts with Customers

All of the revenue derived from contracts with customers during fiscal years 2022 and 2021 was fully earned in the same annual reporting period. Detail of revenue from contracts with customers during the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Educators training workshops and courses	\$ 5,308,340	\$ 2,953,535
Royalty revenue	129,686	71,809

**THE WRITING REVOLUTION, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 4,814,393	\$ 2,924,467
Receivables	<u>1,717,891</u>	<u>1,022,259</u>
Total financial assets	6,532,284	3,946,726
Less those unavailable for general expenditures within one year	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,532,284</u>	<u>\$ 3,946,726</u>

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through May 11, 2023, which is the date the financial statements were available to be issued.