

THE WRITING REVOLUTION, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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 judgment 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
April 22, 2024

**THE WRITING REVOLUTION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,657,008	\$ 4,814,393
Certificates of deposit	4,024,688	-
Investments	38,456	-
Program revenue and other receivables	1,314,552	1,717,891
Prepaid expenses	28,882	-
Right-of-use asset - operating lease	189,094	364,469
Security deposits	18,439	14,939
	\$ 7,271,119	\$ 6,911,692
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 231,440	\$ 369,755
Deferred revenue	73,948	-
Lease liability - operating lease	236,423	364,469
Total liabilities	541,811	734,224
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	6,699,308	6,177,468
With donor restrictions	30,000	-
Total net assets	6,729,308	6,177,468
Total liabilities and net assets	\$ 7,271,119	\$ 6,911,692

See accompanying notes to the financial statements.

**THE WRITING REVOLUTION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Program service revenue	\$ 4,890,039	\$ -	\$4,890,039	\$ 5,308,340	\$ -	\$5,308,340
Contributions	615,251	30,000	645,251	983,872	-	983,872
Royalty income	135,271	-	135,271	129,686	-	129,686
Investment return and other interest income	60,113	-	60,113	2,793	-	2,793
Other income	30	-	30	4,400	-	4,400
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	5,700,704	30,000	5,730,704	6,429,091	-	6,429,091
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:						
Program services	3,712,827	-	3,712,827	2,625,623	-	2,625,623
Supporting services:						
Management and general	1,244,733	-	1,244,733	956,882	-	956,882
Fundraising	221,304	-	221,304	175,470	-	175,470
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	5,178,864	-	5,178,864	3,757,975	-	3,757,975
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Increase/(Decrease) in net assets	521,840	30,000	551,840	2,671,116	-	2,671,116
Net assets, beginning of year	6,177,468	-	6,177,468	3,506,352	-	3,506,352
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 6,699,308	\$ 30,000	\$6,729,308	\$ 6,177,468	\$ -	\$6,177,468
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See accompanying notes to the financial statements.

THE WRITING REVOLUTION, INC.
STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>Supporting Services</u>			Total Expenses
	Program Services	Management and General	Fundraising	
Personnel costs:				
Salaries	\$ 2,244,028	\$ 598,407	\$ 149,602	\$ 2,992,037
Payroll taxes	161,859	43,161	10,791	215,811
Employee benefits	164,773	43,941	10,984	219,698
Total personnel costs	<u>2,570,660</u>	<u>685,509</u>	<u>171,377</u>	<u>3,427,546</u>
Direct expenses:				
Bad debt	-	93,220	-	93,220
Bank charges & processing fees	-	26,618	-	26,618
Consultants and outside contractors	416,615	150,136	27,500	594,251
Equipment purchases	23,544	17,548	80	41,172
Insurance	-	4,469	-	4,469
Marketing and promotion	96,688	-	-	96,688
Office expenses	1,058	5,226	345	6,629
Printing and graphic design	5,028	159	-	5,187
Professional employer organization fees	-	112,375	-	112,375
Professional fees	-	19,067	-	19,067
Rent and utilities	164,445	64,021	10,963	239,429
Software subscriptions	101,617	3,745	4,700	110,062
Stipends	10,000	-	-	10,000
Supplies and training materials	211,185	15,215	429	226,829
Travel and meetings	111,987	47,425	5,910	165,322
Total direct expenses	<u>1,142,167</u>	<u>559,224</u>	<u>49,927</u>	<u>1,751,318</u>
Total expenses	<u>\$ 3,712,827</u>	<u>\$ 1,244,733</u>	<u>\$ 221,304</u>	<u>\$ 5,178,864</u>

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
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 551,840	\$ 2,671,116
Adjustments for non-cash items included in operating activities:		
Bad debt	93,220	25,287
Amortization of right-of-use asset	175,375	165,448
Accretion of lease liability	58,422	(6,882)
Donated investments	(26,739)	-
(Gains)/losses on investments	(11,717)	-
Changes in assets and liabilities:		
Program revenue and other receivables	310,119	(720,919)
Prepaid expenses	(28,882)	2,507
Security deposits	(3,500)	-
Accounts payable and accrued expenses	(138,315)	237,350
Deferred revenue	73,948	-
Refundable advance	-	(325,415)
Payment of operating lease	(186,468)	(158,566)
Net cash provided/(used) by operating activities	867,303	1,889,926
Cash flows from investing activities:		
Purchase of certificates of deposit	(4,024,688)	-
Net cash provided/(used) by investing activities	(4,024,688)	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(3,157,385)	1,889,926
Cash and cash equivalents at beginning of year	4,814,393	2,924,467
Cash and cash equivalents at end of year	\$ 1,657,008	\$ 4,814,393
Supplemental information:		
Recognition of right-of-use asset and related lease liability	\$ -	\$ 529,917

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.

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.

Investments

The Organization initially records purchased investments at cost and investments it receives as donations at the fair value as of the dates the investments are donated to the Organization. Subsequently, investments are measured at fair value on a recurring basis and are reported at their fair values as of June 30, 2023 and 2022 in the statements of financial position.

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. Receivables are written-off as they become uncollectible. As of June 30, 2023 and 2022 there were no receivables that were expected to be received in more than one year and as such they have been stated at their net realizable value.

**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 and other financial assets, nonfinancial assets/services, or an unconditional promises to give are 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, 2023 and 2022, 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.

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.

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.

Leases

During the year ended June 30, 2023, the Organization adopted FASB *Accounting Standards Codification 842 - Leases* using the modified retrospective method. In accordance with the adoption method, the Organization recognized a right-of-use asset and lease liability at the beginning of fiscal year 2022. (Further discussed in Note 5.)

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

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2023 and 2022:

	2023	2022
Bank deposits and cash	\$ 1,291,744	\$ 1,472,737
Money market funds	365,264	3,341,656
	\$ 1,657,008	\$ 4,814,393

Note 3 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange-traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2023, all of the Organization's investments fall within Level 1 of the fair value hierarchy. The Organization did not have any investments as of June 30, 2022.

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

Note 4 - Investments

Investments consisted of the following at June 30, 2023:

	Cost/ Donated Value	Fair Value	Unrealized Gain/(Loss)
Equities	\$ 26,739	\$ 38,456	\$ 11,717

The Organization did not have any investments at June 30, 2022.

Note 5 - Lease Commitment

The Organization incurred a lease liability by entering into a noncancellable operating lease agreement to obtain a right-of-use asset (ROU asset). The lease is set to expire on June 30, 2024. The lease liability and ROU asset represent the present value of the Organization's lease obligations and the value of its right to use the leased office space over the remaining term of the lease. Since the lease does not contain a stated interest rate, the lease payments are discounted using the Organization's incremental borrowing rate on the lease commencement date.

As of June 30, 2023, the minimum aggregate annual lease commitments are as follows:

Year ended June 30, 2024	\$ 243,510
Less: imputed interest (6.5%)	<u>(7,087)</u>
Total operating lease liabilities	<u>\$ 236,423</u>

The following summarizes the line items in the statements of activities which include the components of lease expenses for the years ended June 30, 2023 and 2022:

	2023	2022
Operating lease expenses included in:		
Program expenses	\$ 187,037	\$ 126,852
Management and general expenses	35,069	23,785
Fundraising expenses	<u>11,691</u>	<u>7,929</u>
	<u>\$ 233,797</u>	<u>\$ 158,566</u>

The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

Note 6 - Concentrations

The Organization maintains its checking, money market accounts, certificates of deposit, and investments with a financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities up to \$500,000 per financial institution. At times, the balances of the accounts exceeded the insured limits during the years ended June 30, 2023 and 2022.

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

Note 7 - Revenue from Contracts with Customers

Detail of revenue from contracts with customers during the years ended June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Educators training workshops and courses	\$ 4,890,039	\$ 5,308,340
Royalty revenue	135,271	129,686

As of June 30, 2023, \$73,948 of workshop and course fees was unearned and deferred.

Note 8 - Net Assets With Donor Restrictions

As of June 30, 2023 and 2022, net assets with donor restrictions are available as follows:

	<u>2023</u>	<u>2022</u>
Programming in Mississippi	\$ 10,000	\$ -
FY24 activities	20,000	-
	<u>\$ 30,000</u>	<u>\$ -</u>

Note 9 - 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, 2023 and 2022, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,657,008	\$ 4,814,393
Certificates of deposit	4,024,688	-
Investments	38,456	-
Receivables	<u>1,314,552</u>	<u>1,717,891</u>
Total financial assets	7,034,704	6,532,284
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>\$ 7,034,704</u>	<u>\$ 6,532,284</u>

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

Note 10 - Related Party Transactions

During the years ended June 30, 2023 and 2022, members of the Organization's Board of Directors and their family members were paid salary for their services to the Organization as employees. The total amount paid to the related parties during the years then ended was \$638,084 and \$374,535, respectively.

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through April 22, 2024, which is the date the financial statements were available to be issued.