



Financial Statements

MAY 31, 2016 AND 2015

**LAKE ERIE INK:
A WRITING SPACE FOR
YOUTH, INC.**

FINANCIAL STATEMENTS

MAY 31, 2016

(With Summarized Comparative Financial Information for
the Year Ended May 31, 2015)

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES.....	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO THE FINANCIAL STATEMENTS	6



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
LAKE ERIE INK: A WRITING SPACE FOR YOUTH, INC.

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Concord, OH 44077

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We have audited the accompanying financial statements of Lake Erie Ink: A Writing Space for Youth, Inc. ("Lake Erie Ink"), a nonprofit organization, which comprise the statement of financial position as of May 31, 2016, and the related statements of activities, functional expenses, and cash flows 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

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 of 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, 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 the Lake Erie Ink as of May 31, 2016 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.

Report on Summarized Comparative Information

We have previously audited Lake Erie Ink's 2015 financial statements, and our report dated September 29, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cleveland, Ohio
September 29, 2016

H•J
Certified Public Accountants



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**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

STATEMENTS OF FINANCIAL POSITION

MAY 31, 2016

(WITH COMPARABLE TOTALS FOR 2015)

	TEMPORARILY RESTRICTED	UNRESTRICTED	2016	2015
ASSETS				
Cash & Cash Equivalents	\$ 8,500	\$ 253,410	\$ 261,910	\$ 329,654
Contributions and Accounts Receivable	2,750	22,451	25,201	3,782
Grants Receivable		25,000	25,000	40,000
Prepaid Expenses		505	505	1,453
	<u>\$ 11,250</u>	<u>\$ 301,366</u>	<u>\$ 312,616</u>	<u>\$ 374,889</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 3,821	\$ 3,821	\$ 4,259
Deferred Revenue		1,214	1,214	1,835
Total Liabilities	<u>-</u>	<u>5,035</u>	<u>5,035</u>	<u>6,094</u>
NET ASSETS				
NET ASSETS				
Unrestricted		296,331	296,331	324,685
Temporarily Restricted	11,250		11,250	44,110
Total Net Assets	<u>11,250</u>	<u>296,331</u>	<u>307,581</u>	<u>368,795</u>
Total Net Assets & Liabilities	<u>\$ 11,250</u>	<u>\$ 301,366</u>	<u>\$ 312,616</u>	<u>\$ 374,889</u>

See accompanying notes.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

STATEMENTS OF ACTIVITIES

YEAR ENDED MAY 31, 2016
(WITH COMPARABLE TOTALS FOR 2015)

	TEMPORARILY RESTRICTED	UNRESTRICTED	2016	2015
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT				
Foundations	\$ 12,750	\$ 37,070	\$ 49,820	\$ 66,000
Individuals & Organizations	-	48,940	48,940	181,777
Governmental		24,510	24,510	4,291
Special Events		10,155	10,155	12,282
Donated Occupancy		3,600	3,600	3,600
Community Shares		1,386	1,386	8,743
	<u>12,750</u>	<u>125,661</u>	<u>138,411</u>	<u>276,693</u>
NET ASSETS RELEASED FROM TIME RESTRICTIONS	<u>(45,610)</u>	<u>45,610</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT	(32,860)	171,271	138,411	276,693
REVENUE				
Program Income		59,854	59,854	33,986
Investment Income		135	135	193
TOTAL REVENUE	<u>-</u>	<u>59,989</u>	<u>59,989</u>	<u>34,179</u>
TOTAL PUBLIC SUPPORT & REVENUE	(32,860)	231,260	198,400	310,872
EXPENSES				
Program Expenses		204,254	204,254	155,010
Management & General		29,772	29,772	22,065
Fundraising		25,588	25,588	13,605
	<u>-</u>	<u>259,614</u>	<u>259,614</u>	<u>190,680</u>
CHANGE IN NET ASSETS	(32,860)	(28,354)	(61,214)	120,192
NET ASSETS – Beginning	<u>44,110</u>	<u>324,685</u>	<u>368,795</u>	<u>248,603</u>
NET ASSETS – Ending	<u>\$ 11,250</u>	<u>\$ 296,331</u>	<u>\$ 307,581</u>	<u>\$ 368,795</u>

See accompanying notes.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2016
(WITH COMPARABLE TOTALS FOR 2015)

	PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING	2016	2015
PROGRAM SERVICES					
Salaries & Related Expenses	\$ 152,774	\$ 9,798	\$ 16,063	\$ 178,635	\$ 137,658
Professional Fees	15,034	18,253	5,942	39,229	14,197
Direct Program Expenses	10,573			10,573	14,807
Rent & Utilities	7,574	440	793	8,807	8,807
Marketing and Advertising	5,661			5,661	1,210
Repairs & Maintenance	3,786			3,786	3,161
Office Expenses	2,407	140	252	2,799	1,321
Small Equipment	2,027	230	46	2,303	1,641
Dues and Subscriptions			2,260	2,260	3,884
Printing & Copying	1,600	93	167	1,860	526
Insurance	1,006	782		1,788	2,550
Travel & Meetings	1,191			1,191	389
Postage & Shipping	621	36	65	722	529
Total Expenses	<u>\$ 204,254</u>	<u>\$ 29,772</u>	<u>\$ 25,588</u>	<u>\$ 259,614</u>	<u>\$ 190,680</u>

See accompanying notes.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

STATEMENTS OF CASH FLOWS

YEAR ENDED MAY 31, 2016
(WITH COMPARABLE TOTALS FOR 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (61,214)	\$ 120,192
Adjustments to Reconcile Changes in Net Assets to Cash Provided by(Used by) Operating Activities:		
Impact on Cash from Changes in:		
Contributions and Accounts Receivable	(21,419)	(2,612)
Grants Receivable	15,000	64,400
Prepaid Expenses	948	(1,020)
Accounts Payable	(438)	28
Accrued Compensation	(621)	260
Deferred Revenue		(750)
Cash Provided by(Used by) Operating Activities	(67,744)	180,498
NET INCREASE(DECREASE) IN CASH & CASH EQUIVALENTS	(67,744)	180,498
CASH & CASH EQUIVALENTS – Beginning	329,654	149,156
CASH & CASH EQUIVALENTS – Ending	\$ 261,910	\$ 329,654

See accompanying notes.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2016 AND 2015

NOTES:

1. MISSION AND VISION

Lake Erie Ink is a not for profit 501(c)(3) that provides creative expression opportunities and academic support to youth in the Greater Cleveland community.

At Lake Erie Ink, youth:

- Grow as students and citizens in an emotionally safe environment where they develop strong relationships with peers and adults in their community
- Become more confident participants in the community as they discover their voices, share their ideas, and listen to and gain inspiration from each other
- Develop life skills and critical thinking capacity through collaborative project-based learning
- Connect with and contribute to their community by writing and “publishing” their creative work for an audience of peers and community

In addition to creating a climate and structure in which youth can express their ideas and tell their stories, Lake Erie Ink supports students by offering after school homework assistance in one-on-one and small group formats. Lake Erie Ink also supports teachers in our public schools by collaborating with them to design writing projects that meet and exceed state standards in order to encourage true writing mastery—projects that will culminate in publication, with the help of volunteers as writing coaches/editors.

Lake Erie Ink’s website address is www.lakeerieink.org.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Lake Erie Ink have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

BASIS OF PRESENTATION

Lake Erie Ink is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with Lake Erie Ink’s financial statements for the year ended May 31, 2015, from which the summarized comparative total amounts were derived.

FUNCTIONAL ALLOCATION OF EXPENSES

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

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2016 AND 2015

NOTES (CONTINUED):

TEMPORARILY RESTRICTED FUNDS

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

RECOGNITION OF CONTRIBUTION REVENUE

Contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of time or purpose restrictions. Permanently restricted net assets, if any, represent endowment funds which are subject to donor restrictions that the contributed principal be invested in perpetuity and only the income be utilized.

Lake Erie Ink considers all contributions to be unrestricted unless specifically restricted by the donor.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable for the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions of cash or other assets restricted to the acquisition of long-lived assets are recorded as temporarily restricted contributions. If there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met once the long-lived assets are acquired and the temporarily restricted net assets are reclassified to the unrestricted net asset class.

RECOGNITION OF FEES FOR SERVICES

Revenue from fees for services is earned as services are provided and is reported at an estimated net realizable amount due from families, third-party payers, and others for services rendered.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables from its participants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. The allowance for doubtful accounts at May 31, 2016 and 2015 was \$-0-.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2016 AND 2015

NOTES (CONTINUED):

DEFERRED REVENUE

Deferred revenue consists of registration payments received in advance of the ensuing summer camp programs. Such amounts are recorded as revenue when the camp services are performed.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

CONCENTRATION OF CREDIT RISK

Substantially all receivables are from entities located in Northeastern Ohio.

Financial instruments that potentially subject Lake Erie Ink to credit risk consist principally of cash at financial institutions and investments. At times, the balances in cash accounts may be in excess of FDIC insurance limits. Management continuously monitors the Lake Erie Ink's balances at financial institutions and invests excess operating cash in short-term investments.

INCOME TAXES

Lake Erie Ink is exempt from the payment of federal and local income taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation. Lake Erie Ink currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

CONTRIBUTED GOODS AND SERVICES

Contributed goods and services are reflected as both contribution revenue and expenses if they meet the criteria defined in accordance with GAAP, "Accounting for Contributions," in the accompanying Statement of Activities at their estimated fair value at date of receipt. The contributions of services are recognized if (a) the services received create or enhance financial assets or (b) require specialized skills that are provided by individuals possessing those assets and would typically need to be purchased if not provided.

Lake Erie Ink has recognized \$3,600 in donated occupancy costs for 2016 and 2015.

In addition, Lake Erie Ink receives services from a large number of volunteers who give significant amounts of their time to Lake Erie Ink's programs, fund raising campaigns, and management. Contributed hours amounted to 1,522 (2016) and 1,979 (2015). No amounts of their time have been reflected for these types of donated services as they do not meet the criteria for recognition.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2016 AND 2015

NOTES (CONTINUED):

FIXED ASSETS

Lake Erie Ink capitalizes costs exceeding \$5,000 for personal property purchases and \$10,000 for real property additions and improvements that extend the useful life of assets. Expenditures for routine repairs and maintenance are charged to operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets that range from three to forty years. Depreciation expense amounted to \$-0- in 2016 and 2015.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts for specific groups of financial instruments are presented within the notes applicable to such items. Accounts receivable, prepaid expenses, and accounts payable are stated at cost, which approximates fair value, due to their short term maturity. The fair value of investments and long-term pledge receivables are disclosed in other notes and is based upon values calculated with either time-value discounts and values provided by external investment managers or quoted market values, respectively.

The fair value of investments and funds held in trust by others is disclosed in other notes and is based upon quoted market values or values provided by external investment managers which were reviewed by management and the board.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense was \$475 (2016) and \$325 (2015), respectively.

FAIR VALUE MEASUREMENTS

In accordance with GAAP, fair value measurement establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by GAAP. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For Lake Erie Ink, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that Lake Erie Ink has the ability to access (Level 1). As of and for the years ended May 31, 2016 and 2015, Lake Erie Ink's investments were measured at fair value on a recurring basis and are subject to the *Fair Value Measurements and Disclosures* Topic of FASB ASC.

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2016 AND 2015

NOTES (CONTINUED):

SUBSEQUENT EVENTS

In preparing these financial statements, Lake Erie Ink has evaluated events and transactions for potential recognition or disclosure through September 29, 2016, the date the financial statements were available to be issued.

3. OPERATING LEASE

Lake Erie Ink has an operating lease for its main facility with the Cleveland Heights-University Heights City School District. The lease, which includes utilities, extends to June 30, 2017. The minimum future rental commitment under this agreement is \$866 (2017). The lease is renewable on a month-to-month basis. Terms of the lease require Lake Erie Ink to serve up to 75 school district students each year and to provide up to 20 hours per month of in-school writing enrichment activities and/or support to teachers in the Cleveland Heights-University Heights School District schools.

Rent expense amounted to \$5,200 for 2016 and 2015.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at May 31 are as follows:

<u>RESTRICTION</u>	<u>2016</u>	<u>2015</u>
<i>Purpose:</i>		
Nord Foundation - Digital Express	\$ 8,500	\$ -
Starting Point	2,750	
Capacity Building	-	13,610
Cleveland Inkubator	-	5,500
<i>Time:</i>		
Fowler Family Foundation - 2016	-	25,000
	<u>\$ 11,250</u>	<u>\$ 44,110</u>

5. PROGRAM SERVICES

Program services provided by Lake Erie Ink include the following:

Evening Ink

Includes weekly writing workshops for teens in grades 6th-12, that focuses on a range of topics and in various genres including: fiction, journalism, poetry, and personal essays in preparation for college and after high school career opportunities.

Monthly Open Mic Nights where teen writers have the opportunity to share their work with a supportive audience of peers.

Weekend Ink

Monthly weekend workshops for all ages that explore creative writing in all genres, including: Poetry, Play writing, Comics and graphic stories, and a range of fiction, (realistic, science fiction and fantasy, adventure, and historical)

**LAKE ERIE INK: A WRITING
SPACE FOR YOUTH, INC.**

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2016 AND 2015

NOTES (CONTINUED):

The Ink Spot After School Program

Two locations: At our site in the Coventry School and at our satellite Ink Spot at Noble Elementary School.

We offer homework help and creative writing opportunities for 3rd-6th graders, Monday through Thursday, from 3:00 p.m. - 5:30 p.m.

Staff and volunteers are available for homework help in all subjects. Once homework is completed, a variety of fun and creative writing activities are offered.

For Schools and Teachers

Lake Erie Ink staff works closely with teachers and other youth serving professionals to design writing projects that meet the needs of the teacher and students both academically and developmentally and are aligned with State standards. Projects may be thematic (for example: bullying and empathy) or genre based (for example: tall tales, poetry, personal essays, or play writing).

School programs also include elementary school field trips to our center for on-site project-based creative writing experiences.

Lake Erie Ink offers an indelible experience in creative writing and bookmaking to public school primary grade students.

Projects typically culminate in a quality publication and/or presentation. This program has a fee but we work with schools and organization who cannot pay to find other sources of funding.

Summer Ink Creative Camps

Lake Erie Ink offers 8 weeks of creative expression camps to youth in grades 3-12. Topics might include, Comics and graphic storytelling, Community Connections, Playwriting or Creative nonfiction. All camps are designed to provide an engaging and enriching experience that connects youth to their peers and their community through writing.

Lake Erie Ink volunteers provide work directly with youth in all programs, encouraging, supporting and coaching students through the writing process.