

AUDITED FINANCIAL STATEMENTS

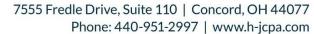
MAY 31, 2019 AND 2018

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MAY 31, 2019

(With Summarized Comparative Financial Information for the Year Ended May 31, 2018)

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2019 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 2018 financial statements, and our report dated January 25, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cleveland, Ohio November 25, 2019 Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

MAY 31, 2019 (WITH COMPARABLE TOTALS FOR 2018)

ASSETS	OUT DONOR TRICTIONS			 2019		2018	
Cash & Cash Equivalents Grants and Contributions Receivable Accounts Receivable Prepaid Expenses	\$ 191,679 11,022 20,684 3,985	\$	66,600 46,050 - -	\$ 258,279 57,072 20,684 3,985	\$	231,825 35,812 32,959 1,378	
Total Assets	\$ 227,370	\$	112,650	\$ 340,020	\$	301,974	
LIABILITIES							
Accounts Payable Deferred Revenue Total Liabilities	\$ 4,863 4,055 8,918	\$	- - -	\$ 4,863 4,055 8,918	\$	6,890 4,700 11,590	
NET ASSETS							
NET ASSETS Without Donor Restrictions With Donor Restrictions Total Net Assets	218,452 - 218,452		- 112,650 112,650	218,452 112,650 331,102		248,226 42,158 290,384	
Total Net Assets & Liabilities	\$ 227,370	\$	112,650	\$ 340,020	\$	301,974	

STATEMENTS OF ACTIVITIES

YEAR ENDED MAY 31, 2019 (WITH COMPARABLE TOTALS FOR 2018)

PUBLIC SUPPORT AND REVENUE	OUT DONOR RICTIONS	WITH DONOR RESTRICTIONS				2018	
PUBLIC SUPPORT							
Foundations	\$ 32,062	\$	109,925	\$	141,987	\$	88,937
Individuals & Organizations	57,903		-		57,903		55,395
Governmental	36,932		15,450		52,382		43,591
Special Events, Net	21,663		-		21,663		16,825
Community Shares	4,450		-		4,450		1,378
Donated Occupancy	-		-		_		3,000
Net Assets Released from Restrictions	54,883		(54,883)				
TOTAL PUBLIC SUPPORT	207,893		70,492		278,385		209,126
REVENUE							
Program Income	110,126		-		110,126		127,029
Investment Income	185		-		185		151
TOTAL REVENUE	 110,311				110,311		127,180
TOTAL PUBLIC SUPPORT & REVENUE	318,204		70,492		388,696		336,306
EXPENSES							
Program Expenses	283,841		-		283,841		254,105
Management & General	41,719		-		41,719		32,916
Fundraising	22,418		-		22,418		26,457
	347,978		-		347,978		313,478
CHANGE IN NET ASSETS	(29,774)		70,492		40,718		22,828
NET ASSETS - Beginning	 248,226		42,158		290,384	-	267,556
NET ASSETS - Ending	\$ 218,452	\$	112,650	\$	331,102	\$	290,384

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2019 (WITH COMPARABLE TOTALS FOR 2018)

MANAGEMENT

	P	ROGRAM	& 0	GENERAL	FUNDRAISING		2019		2018	
PROGRAM SERVICES										
Salaries & Related Expenses	\$	173,907	\$	22,887	\$	20,186	\$	216,980	\$	201,266
Professional Fees		61,787		14,660		-		76,447		60,651
Rent & Utilities		7,558		1,039		850		9,447		8,200
Direct Program Expenses		7,554		-		-		7,554		9,139
Office Expenses		6,622		911		745		8,278		9,989
Travel & Meetings		6,289		-		-		6,289		4,547
Printing & Copying		3,991		542		394		4,927		3,979
Small Equipment		3,841		436		88		4,365		1,142
Marketing and Advertising		4,053		-		-		4,053		4,461
Repairs & Maintenance		2,658		-		-		2,658		3,635
Insurance		1,222		1,030		-		2,252		3,656
Postage & Shipping		1,575		214		155		1,944		701
Dues and Subscriptions		1,936		-		-		1,936		2,112
Telephone		848				-		848		
Total Expenses	\$	283,841	\$	41,719	\$	22,418	\$	347,978	\$	313,478

STATEMENTS OF CASH FLOWS

YEAR ENDED MAY 31, 2019 (WITH COMPARABLE TOTALS FOR 2018)

	 2019	2018		
CASH FLOWS FROM OPERATING ACTIVITIES Change in Net Assets	\$ 40,718	\$	22,828	
Adjustments to Reconcile Changes in Net Assets to Cash Provided by Operating Activities: Impact on Cash from Changes in:				
Accounts Receivable	(21,260)		3,378	
Grants and Contributions Receivable	12,275		(26,294)	
Prepaid Expenses	(2,607)		(873)	
Accounts Payable	(2,027)		3,208	
Deferred Revenue	(645)		120	
Cash Provided by Operating Activities	26,454		2,367	
NET INCREASE IN CASH & CASH EQUIVALENTS	26,454		2,367	
CASH & CASH EQUIVALENTS - Beginning	231,825		229,458	
CASH & CASH EQUIVALENTS - Ending	\$ 258,279	\$	231,825	

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

1. MISSION AND VISION

Lake Erie Ink ("LEI'') 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, LEI supports students by offering after school homework assistance in one-on-one and small group formats. LEI 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.

LEI's website address is www.lakeerieink.org.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of LEI have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2017, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-For-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of LEI and changes therein are classified as follows:

<u>Net assets without donor restrictions</u>: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of LEI. LEI's board may designate assets without restrictions for specific operational purposes from time to time.

<u>Net assets with donor restrictions</u>: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LEI or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

PRIOR-PERIOD 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 LEI's financial statements for the year ended May 31, 2018, from which the summarized comparative total amounts were derived.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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 AND MARKET RISKS

Primarily all of LEI's revenues and receivables are from businesses and individuals located in northeastern Ohio.

LEI's cash and cash equivalents, which are deposited in financial institutions, may at times exceed federally insured limits. LEI has not experienced losses in such accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents.

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. Cash and cash equivalents, accounts/pledges receivable, and accounts payable are stated at cost, which approximates fair value, due to their short term maturity.

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). LEI 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 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

CASH AND CASH EQUIVALENTS

LEI considers all highly liquid debt instruments purchased with an original maturity of three months or less (excluding those held in brokerage accounts designated for long-term investment) to be cash equivalents. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

RECEIVABLES

Accounts and grants receivable are stated at the amount management expects to collect. Management provides for uncollectible accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

FIXED ASSETS

LEI 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 2019 and 2018.

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.

SUPPORT FROM PUBLIC AND GOVERNMENTAL AGENCIES

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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.

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 nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those assets and would typically need to be purchased if not provided.

LEI has recognized \$-0- and \$3,000 in donated occupancy costs for 2019 and 2018, respectively.

In addition, LEI receives services from a large number of volunteers who give significant amounts of their time to LEI's programs, fund raising campaigns, and management. Contributed hours amounted to 934 (2019) and 1,402 (2018). No amounts of their time have been reflected for these types of donated services as they do not meet the criteria for recognition.

FUNCTIONAL EXPENSES

Expenses are charged to the direct program services and supporting program services on the basis of actual time and expense and on estimates made by LEI's management. This allocation of expenses has been summarized in the statement of activities and in the statement of functional expenses. All expenses of LEI have been allocated on this basis.

COMPENSATED ABSENCES

Employees of LEI are entitled to paid vacations, sick days, and personal days off depending on job classification, length of service, and other factors. LEI's policy is to recognize the costs of compensated absences when earned by its employees according to personnel policy.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

INCOME TAXES

LEI 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. LEI currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

LEI's policy is to record a liability for any tax position taken that is beneficial to LEI, including penalties and interest, when it is more likely than not the position taken will be overturned by a taxing authority upon examination. Management believes there are no such positions as of May 31, 2019 and, accordingly, no liability has been accrued.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense was approximately \$4,000 (2019) and \$4,500 (2018).

ACCOUNTING GUIDANCE ADOPTED IN 2019

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LEI has adjusted the presentation of the financial statements and footnotes accordingly. The ASU has been applied retrospectively to all periods presented.

ACCOUNTING GUIDANCE PENDING ADOPTION

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU, as deferred one year by ASU No. 2016-04, is effective for annual reporting periods beginning after December 15, 2018. LEI is currently evaluating the impact on the financial statements and the options of adopting using either a full retrospective or a modified approach.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for LEI for reporting periods beginning after December 15, 2019 with early adoption permitted. LEI is currently evaluating the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

SUBSEQUENT EVENTS

In preparing these financial statements, LEI has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

3. OPERATING LEASE

LEI secured a 27-month operating lease for its facility with the Cleveland Heights-University Heights Public Library beginning April 1, 2018. The lease commitment on the lease amounts to \$9,828 in 2020 and \$1,638 in 2021 and includes utilities. Additional terms of the lease provide for additional rent in the form "shared amenities cost" and also contributions to a reserve account for excess facility expenses of the landlord, in conjunction and proportionate with the facility's other tenants. As of May 31, 2019, LEI was not required to make additional payments for the preceding described lease provisions.

Rent expense amounted to approximately \$9,500 and \$5,200 in 2019 and 2018, respectively.

4. NET ASSETS WITH DONOR RESTRICTIONS

At May 31, net assets with donor restrictions were as follows:

	2019								
	BEG	SINNING					Е	NDING	
	NET	ASSETS	SETS NET AS				ASSETS NET ASSE		
	WITH	H DONOR			RELEA	ASED FROM	WITH DONOR		
	REST	RICTIONS	CONT	RIBUTIONS	RES	TRICTION	REST	RICTIONS	
2020-2021 Operations	\$	25,000	\$	60,000	\$	(25,000)	\$	60,000	
After School Programming		7,158		15,450		(14,883)		7,725	
CMSD High School Students		, -		8,325		-		8,325	
Fresh Link - 2020		-		10,000		-		10,000	
Ink Spot - Coventry		-		3,000		-		3,000	
Off-Site Programming		-		10,000		-		10,000	
Summer Internships		-		6,600		-		6,600	
Teen Camps		-		2,000		-		2,000	
Teen Ink		10,000		10,000		(15,000)		5,000	
	\$	42,158	\$	125,375	\$	(54,883)	\$	112,650	
				20	18				
	BEG	GINNING					Е	NDING	
	NET	ASSETS			NET	ASSETS	NET	ASSETS	
	WITH	H DONOR			RELEA	ASED FROM	WIT	H DONOR	
	REST	RICTIONS	CONT	RIBUTIONS	RESTRICTION		REST	RICTIONS	
After School Programming	\$	_	\$	7,158	\$	-	\$	7,158	
Digital Express	т	3,220	7	.,===	7	(3,220)	7	-	
Operations		25,000		25,000		(25,000)		25,000	
Teen Ink		-		10,000		-		10,000	
	\$	28,220	\$	42,158	\$	(28,220)	\$	42,158	

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

5. AVAILABILITY AND LIQUIDITY

As of May 31, 2019, the following represents LEI's financial assets available to meet general expenditures over the next twelve months:

Financial Assets at Year-End:		
Cash & Cash Equivalents	\$	258,279
Grants and Contributions Receivable		57,072
Accounts Receivable		20,684
Total Financial A	Assets	336,035
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions - Cash		(66,600)
Net Assets with Donor Restrictions - Investments		(46,050)
		(112,650)
Financial Assets Available to meet General Expenditures		
Over the Next Twelve Months	\$	223,385

As part of LEI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, future planned program funding allocations and other obligations come due.

6. PROGRAM SERVICES

Services provided by LEI include the following core programs:

Evening Ink Teen Program

Weekly writing workshops for teens in grades 6th-12, that focus 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)

The Ink Spot Afterschool Programs and Writers Studio for Middle School Writers

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. Writers Studio is open to youth in grades 6-8 and meets weekly. Staff and volunteers are available for homework help in all subjects. Once homework is completed, a variety of engaging creative writing activities are offered.

Summer Ink Creative Camps for Youth in Grades 2-12

LEI offers 8 weeks of creative expression camps to youth in grades 3-12. Session topics include, Comics and graphic storytelling, Puppetry, Community Connections, Writing in 3-D, playwriting and Creative nonfiction. All camps are designed to provide an engaging and enriching experience that connects youth to their peers and their community through writing.

School and Community Programs

LEI staff works 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. LEI 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. These programs have a fee but we work with schools and organization who cannot pay to find other sources of funding.