

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017 WITH COMPARATIVE  
TOTALS FOR DECEMBER 31, 2016  
AND  
INDEPENDENT AUDITORS' REPORT

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

December 31, 2017 with Comparative  
Totals for December 31, 2016

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Organization for Transformative Works, Inc.

We have audited the accompanying financial statements of the Organization for Transformative Works, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Organization for Transformative Works, Inc., as of December 31, 2017, 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 the Organization for Transformative Works, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Davie Kaplan, CPA, P.C.*

Rochester, NY

October 12, 2018

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statements of Financial Position  
As of December 31, 2017  
with Comparative Totals for December 31, 2016

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 707,080	\$ 599,532
Donations receivable	11,283	-
Prepaid expenses	11,033	18,652
	<u>729,396</u>	<u>618,184</u>
<b>Property and equipment</b>		
Servers and equipment	268,370	240,146
Less: Accumulated depreciation	<u>(191,859)</u>	<u>(153,640)</u>
	<u>76,511</u>	<u>86,506</u>
<b>Other assets</b>		
Deferred expenses	<u>23,333</u>	<u>4,366</u>
	<u>\$ 829,240</u>	<u>\$ 709,056</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	<u>\$ 827</u>	<u>\$ -</u>
<b>Net assets</b>		
Unrestricted net assets	<u>828,413</u>	<u>709,056</u>
	<u>\$ 829,240</u>	<u>\$ 709,056</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statements of Activities and Changes in Net Assets For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Direct contributions	\$ 364,574	\$ 298,730
Donations from matching programs	7,533	3,574
In-kind revenue	<u>302,593</u>	<u>226,480</u>
	<u>674,700</u>	<u>528,784</u>
<b>Other income</b>		
Interest income	295	10
Miscellaneous Income	<u>1,712</u>	<u>-</u>
	<u>2,007</u>	<u>10</u>
<b>Expenses</b>		
Program	334,780	256,310
Fundraising	24,055	19,449
Management and general	<u>198,515</u>	<u>109,720</u>
	<u>557,350</u>	<u>385,479</u>
<b>Increase in net assets</b>	119,357	143,315
<b>Unrestricted net assets, beginning of year</b>	<u>709,056</u>	<u>565,741</u>
<b>Unrestricted net assets, end of year</b>	<u>\$ 828,413</u>	<u>\$ 709,056</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statement of Functional Expenses For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2017</u>	<u>Total 2016</u>
In-kind expense	\$ 132,748	-	\$ 169,845	\$ 302,593	\$ 226,480
Contractor service fees	93,959	-	-	93,959	5,010
Server and programming fees	56,773	-	4,614	61,387	58,002
Transaction fees	-	13,725	-	13,725	11,787
License fees	9,289	-	2,533	11,822	12,185
Accounting software	-	-	11,174	11,174	2,637
Supplies and materials	4,067	2,133	1,039	7,239	4,687
Advertising	-	5,264	800	6,064	5,335
Postage and freight	24	2,912	2,789	5,725	4,032
Insurance	-	-	3,172	3,172	3,008
Telephone and internet	-	-	1,176	1,176	1,186
Training and certification	432	-	6	438	262
Banking fees	141	21	220	382	675
Books and subscriptions	275	-	-	275	1,897
Travel	-	-	-	-	328
Legal expenses	-	-	-	-	300
Printing and reproduction	-	-	-	-	33
Total expenses before depreciation	<u>297,708</u>	<u>24,055</u>	<u>197,368</u>	<u>519,131</u>	<u>337,844</u>
Depreciation	<u>37,072</u>	<u>-</u>	<u>1,147</u>	<u>38,219</u>	<u>47,635</u>
Total	<u>\$ 334,780</u>	<u>\$ 24,055</u>	<u>\$ 198,515</u>	<u>\$ 557,350</u>	<u>\$ 385,479</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statements of Cash Flows For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 119,357	\$ 143,315
Adjustments to reconcile change in net assets to net cash flows provided by operating activities		
Depreciation	<u>38,219</u>	<u>47,635</u>
	157,576	190,950
Increase (decrease) in cash and cash equivalents due to changes in operating assets and liabilities		
Donations receivable	(11,283)	4,880
Prepaid expenses	7,619	(4,545)
Deferred expenses	(18,967)	11,364
Accounts payable	<u>827</u>	<u>-</u>
	<u>135,772</u>	<u>202,649</u>
<b>Cash flows for investing activities</b>		
Cash paid for purchase of property and equipment	<u>(28,224)</u>	<u>(39,609)</u>
<b>Net increase in cash and cash equivalents</b>	107,548	163,040
<b>Cash and cash equivalents, beginning of year</b>	<u>599,532</u>	<u>436,492</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 707,080</u>	<u>\$ 599,532</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.



## **ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Notes to Financial Statements  
For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

### **1. Description of Organization**

Organization for Transformative Works, Inc. ("the Organization") was incorporated as a nonprofit corporation in the State of Delaware on September 5, 2007, and has 501(c)(3) nonprofit status under the Internal Revenue Code. The Organization was established by fans to serve the interests of fans by providing access to and preserving the history of fanworks and fan culture in its myriad forms. The Organization is a collaborative effort initiated and driven by fans for fans. Over 600 volunteers contribute to the Organization's five major projects (Archive of our Own; Open Doors; Fanlore; Legal Advocacy; Transformative Works & Cultures) as well as fundraising, membership development, and internal management and administration.

### **2. Summary of Significant Accounting Policies**

#### **Basis of accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### **Financial statement presentation**

The Organization utilizes Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

In accordance with FASB ASC Topic 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

#### **Donations receivable**

The Organization considers donations receivable to be fully collectible; accordingly, no allowance for doubtful donations is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

#### **Contributed materials and services**

Contributed materials and services are reflected in the financial statements at the estimated fair value of the materials and services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

## **ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Notes to Financial Statements  
For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

### **2. Summary of Significant Accounting Policies (Continued)**

#### Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

#### Cash and cash equivalents

The Organization maintains cash and a certificate of deposit at one financial institution which may exceed federally insured amounts at times.

#### Property and equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the declining balance method over the estimated useful lives of the related assets, which are 5 years. Maintenance and repairs are charged to operations as incurred. Significant improvements or renewals are capitalized.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions which have any restrictions satisfied in the same period they are received are recorded as increases in net assets and are reflected as unrestricted.

The Organization has received no temporarily restricted or permanently restricted support as of the year ended December 31, 2017 and 2016.

#### Functional allocation of expenses

The costs of providing program services, fund raising and management and general functions have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based upon management estimates.

## **ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Notes to Financial Statements  
For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

### **2. Summary of Significant Accounting Policies (Continued)**

#### **Income taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application of state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2017 and 2016.

The Organization files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for various states. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

#### **Recognition and public relation costs**

Recognition and public relation costs are expensed as incurred.

#### **Management's review of subsequent events**

The Organization evaluated events occurring between the end of the most recent fiscal year and October 12, 2018, the date the financial statements were available to be issued.

### **3. Advertising**

Advertising costs amounted to \$6,064 and \$5,335 for the years ended December 31, 2017 and 2016, respectively. These advertising expenses are comprised of gifts to donors, maintenance of donor databases, hosting expenses for events, and outside advertising expenses for the communication committee.

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Notes to Financial Statements  
For the Year Ended December 31, 2017  
with Comparative Totals for the Year Ended December 31, 2016

**4. Contributed Materials and Services**

Contributed services of \$302,593 and \$226,480 were recorded as operating contributions during the years ended December 31, 2017 and 2016, respectively.

The following is a summary of the In-kind expenses listed on the statement of functional expenses for which the contributed services were utilized:

	<u>2017</u>	<u>2016</u>
Donated legal services	<u>\$302,593</u>	<u>\$226,480</u>

The Organization records contributed services that (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased. The Organization considers all services provided by volunteers valuable; however, specific services such as legal services, specialized accounting services and other professional expenses are required to be recorded on the financial statements in accordance with FASB ASC Topic 958.