

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2018 WITH COMPARATIVE  
TOTALS FOR DECEMBER 31, 2017  
AND  
INDEPENDENT AUDITORS' REPORT

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

December 31, 2018 with Comparative  
Totals for December 31, 2017

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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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Davie Kaplan, CPA, P.C.*

Rochester, NY

November 8, 2019

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statement of Financial Position  
As of December 31, 2018  
with Comparative Totals for December 31, 2017

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 890,233	\$ 707,080
Donations receivable	6,682	11,283
Prepaid expenses	<u>10,634</u>	<u>11,033</u>
	<u>907,549</u>	<u>729,396</u>
<b>Property and equipment</b>		
Servers and equipment	405,435	268,370
Less: Accumulated depreciation	<u>(253,141)</u>	<u>(191,859)</u>
	<u>152,294</u>	<u>76,511</u>
<b>Other assets</b>		
Deferred expenses	<u>13,967</u>	<u>23,333</u>
	<u>\$ 1,073,810</u>	<u>\$ 829,240</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ <u>-</u>	\$ <u>827</u>
<b>Net assets</b>		
Net assets without donor restrictions	<u>1,073,810</u>	<u>828,413</u>
	<u>\$ 1,073,810</u>	<u>\$ 829,240</u>

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

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Direct contributions	\$ 457,789	\$ 364,574
Donations from matching programs	19,113	7,533
In-kind revenue	<u>476,868</u>	<u>302,593</u>
	<u>953,770</u>	<u>674,700</u>
<b>Other income</b>		
Interest income	376	295
Miscellaneous Income	<u>468</u>	<u>1,712</u>
	<u>844</u>	<u>2,007</u>
<b>Expenses</b>		
Program	295,513	334,780
Fundraising	28,508	24,055
Management and general	<u>385,196</u>	<u>198,515</u>
	<u>709,217</u>	<u>557,350</u>
<b>Increase in net assets</b>	245,397	119,357
<b>Net assets without donor restrictions, beginning of year</b>	<u>828,413</u>	<u>709,056</u>
<b>Net assets without donor restrictions, end of year</b>	<u>\$ 1,073,810</u>	<u>\$ 828,413</u>

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are an integral part of this statement.

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statement of Functional Expenses For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2018</u>	<u>Total 2017</u>
In-kind expense	\$ 143,347	\$ -	\$ 333,521	\$ 476,868	\$ 302,593
Server and programming fees	63,503	-	6,931	70,434	61,387
Accounting software	-	-	33,094	33,094	11,174
Transaction fees	-	17,484	-	17,484	13,725
Supplies and materials	10,004	862	2,220	13,086	7,239
License fees	12,147	-	807	12,954	11,822
Advertising	-	7,591	-	7,591	6,064
Postage and freight	-	2,542	1,859	4,401	5,725
Contractor service fees	3,860	-	-	3,860	93,959
Insurance	-	-	3,417	3,417	3,172
Legal expenses	1,575	-	-	1,575	-
Telephone and internet	-	-	1,176	1,176	1,176
Travel	1,170	-	-	1,170	275
Books and subscriptions	439	-	-	439	-
Banking fees	-	29	307	336	382
Printing and reproduction	-	-	26	26	-
Training and certification	24	-	-	24	438
Total expenses before depreciation	236,069	28,508	383,358	647,935	519,131
Depreciation	59,444	-	1,838	61,282	38,219
<b>Total</b>	<b>\$ 295,513</b>	<b>\$ 28,508</b>	<b>\$ 385,196</b>	<b>\$ 709,217</b>	<b>\$ 557,350</b>

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

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Statement of Cash Flows For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 245,397	\$ 119,357
Adjustments to reconcile change in net assets to net cash flows provided by operating activities		
Depreciation	<u>61,282</u>	<u>38,219</u>
	306,679	157,576
Increase (decrease) in cash and cash equivalents due to changes in operating assets and liabilities		
Donations receivable	4,601	(11,283)
Prepaid expenses	399	7,619
Deferred expenses	9,366	(18,967)
Accounts payable	<u>(827)</u>	<u>827</u>
	<u>320,218</u>	<u>135,772</u>
<b>Cash flows for investing activities</b>		
Cash paid for purchase of property and equipment	<u>(137,065)</u>	<u>(28,224)</u>
<b>Net increase in cash and cash equivalents</b>	183,153	107,548
<b>Cash and cash equivalents, beginning of year</b>	<u>707,080</u>	<u>599,532</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 890,233</u>	<u>\$ 707,080</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, 2018  
with Comparative Totals for the Year Ended December 31, 2017

### **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").

#### **New accounting pronouncement**

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has adopted the ASU in the current year, with retrospective application.

#### **Financial statement presentation**

The financial statements are presented in accordance with FASB Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets and changes therein are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

With donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions and/or the passage of time or net assets subject to donor-imposed stipulations that will be maintained permanently.

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

Notes to Financial Statements  
For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

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

#### **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.

#### **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 net assets with donor restrictions to net assets without donor restrictions 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.

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

Notes to Financial Statements  
For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

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

#### **Contributions**

Contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions 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 without donor restrictions.

The Organization did not receive any contributions with donor restrictions during the years ended December 31, 2018 and 2017.

#### **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.

#### **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, 2018 and 2017.

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 2015.

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

Recognition and public relation costs are expensed as incurred.

#### **Revenue recognition**

Revenue is recorded when earned. Contributions are recorded when received or when an unconditional promise to give has been established.

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

Notes to Financial Statements  
For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

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

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

The Organization evaluated events occurring between the end of the most recent fiscal year and November 8, 2019, the date the financial statements were available to be issued.

#### **Reclassification**

Certain prior year amounts have been reclassified to conform with the current year presentation.

### **3. Comparative Totals for the Year Ended December 31, 2017**

The totals presented for the year ended December 31, 2017 are for comparative purposes only and are not intended to be a full and complete disclosure.

### **4. Advertising**

Advertising costs amounted to \$7,591 and \$6,064 for the years ended December 31, 2018 and 2017, 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.

### **5. Contributed Materials and Services**

Contributed services of \$476,868 and \$302,593 were recorded as operating contributions during the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Donated legal services	<u>\$476,868</u>	<u>\$302,593</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.

**ORGANIZATION FOR TRANSFORMATIVE WORKS, INC.**

Notes to Financial Statements  
For the Year Ended December 31, 2018  
with Comparative Totals for the Year Ended December 31, 2017

**6. Liquidity**

As of December 31, 2018, the Organization had \$896,915 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$890,233 and donations receivable of \$6,682. As of December 31, 2017, the Organization had \$718,363 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$707,080 and donations receivable of \$11,283. None of the financial assets were subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents and donations receivable, on hand to meet 60 days of normal operating expenses, which are on average \$120,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following reflects the Organization's financial assets (total assets, less nonfinancial assets such as prepaid expenses, deferred expenses, and property and equipment as of December 31, 2018 and 2017):

	<u>2018</u>	<u>2017</u>
Total assets	\$ 1,073,810	\$ 829,240
Less: Non-financial assets:		
Prepaid expense	(10,634)	(11,033)
Deferred expense	(13,967)	(23,333)
Property and equipment, net	<u>(152,294)</u>	<u>(76,511)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 896,915</u>	<u>\$ 718,363</u>