# Literacy Together

Audited Financial Statements

For the Years Ended
June 30, 2022 and 2021

**Literacy Together**
Asheville, North Carolina

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Literacy Together

## Opinion

We have audited the accompanying financial statements of Literacy Together (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Together as of June 30, 2022 and 2021, 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. 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 Literacy Together 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 Literacy Together's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Literacy Together'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 Literacy Together'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.

Goldsmith Molis & Gray, PLLC

Goldsmith Molis & Gray, PLLC
Asheville, North Carolina
August 26, 2022

**Literacy Together**

Statements of Financial Position

June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash - unrestricted | $ 209,167 | $ 223,800 |
| Cash - restricted | 184,000 | 25,000 |
| Sales tax receivable | 2,308 | 504 |
| Prepaid expenses | 4,153 | 3,000 |
| Total current assets | 399,628 | 252,304 |
| Other assets: | | |
| Property and equipment, net | 426 | 874 |
| Total assets | $ 400,054 | $ 253,178 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 582 | $ 1,061 |
| Long-term debt, net of current portion | - | - |
| Deferred revenue | 184,000 | 15,000 |
| Total current liabilities | 184,582 | 16,061 |
| Long-term debt, less current portion | - | 40,975 |
| Total liabilities | 184,582 | 57,036 |
| Net assets: | | |
| Without donor restrictions | 215,472 | 186,142 |
| With donor restrictions | - | 10,000 |
| Total net assets | 215,472 | 196,142 |
| Total liabilities and net assets | $ 400,054 | $ 253,178 |

**Literacy Together**
Statements of Activities
For the Years Ended June 30, 2022 and 2021

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and revenues: | | | | | | |
| Contributions | $ 121,145 | $ 12,410 | $ 133,555 | $ 100,582 | $ 20,440 | $ 121,022 |
| Grants | 17,109 | 189,929 | 207,038 | 10,201 | 199,485 | 209,686 |
| CARES Act funding | - | 40,975 | 40,975 | - | 40,975 | 40,975 |
| Special events | 77,615 | - | 77,615 | 7,607 | - | 7,607 |
| Other income and fees | 3,109 | - | 3,109 | 2,480 | - | 2,480 |
| Interest income | 133 | - | 133 | 427 | - | 427 |
| Contributed services | 489,143 | - | 489,143 | 269,475 | - | 269,475 |
| Net assets released from restrictions | 253,314 | (253,314) | - | 268,900 | (268,900) | - |
| Total public support and revenues | 961,568 | (10,000) | 951,568 | 659,672 | (8,000) | 651,672 |
| Expenses: | | | | | | |
| Program activities | 833,640 | - | 833,640 | 539,595 | - | 539,595 |
| Supporting services: | | | | | | |
| General and administrative | 54,897 | - | 54,897 | 54,435 | - | 54,435 |
| Fundraising | 43,701 | - | 43,701 | 43,439 | - | 43,439 |
| Total supporting services | 98,598 | - | 98,598 | 97,874 | - | 97,874 |
| Total expenses | 932,238 | - | 932,238 | 637,469 | - | 637,469 |
| Change in net assets | 29,330 | (10,000) | 19,330 | 22,203 | (8,000) | 14,203 |
| Net assets, beginning of year | 186,142 | 10,000 | 196,142 | 163,939 | 18,000 | 181,939 |
| Net assets, end of year | $ 215,472 | - | $ 215,472 | $ 186,142 | 10,000 | $ 196,142 |

The accompanying notes are an integral part of these financial statements.

# Literacy Together

Statements of Functional Expenses

For the Years Ended June 30, 2022 and 2021

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program | General & Administrative | Fundraising | Totals | Program | General & Administrative | Fundraising | Totals |
| Contributed services | $ 489,143 | $ - | $ - | $ 489,143 | $ 269,475 | $ - | $ - | $ 269,475 |
| Salaries | 227,767 | 32,829 | 32,399 | 292,995 | 177,575 | 34,521 | 31,684 | 243,780 |
| Rent | 32,400 | 1,800 | 1,800 | 36,000 | 31,320 | 1,740 | 1,740 | 34,800 |
| Materials | 34,436 | - | - | 34,436 | 25,643 | - | - | 25,643 |
| Payroll taxes | 16,320 | 2,811 | 2,477 | 21,608 | 12,977 | 2,662 | 2,422 | 18,061 |
| Program expenses | 14,315 | - | - | 14,315 | 175 | - | 366 | 541 |
| Professional fees | 2,610 | 7,830 | - | 10,440 | 2,768 | 8,304 | - | 11,072 |
| Printing | 1,982 | 1,558 | 2,257 | 5,797 | 6,027 | 1,325 | 2,677 | 10,029 |
| Supplies | 3,282 | 930 | - | 4,212 | 2,023 | 955 | - | 2,978 |
| Postage | 1,311 | 500 | 2,001 | 3,812 | 2,174 | 319 | 1,276 | 3,769 |
| Telephone and internet | 3,368 | 187 | 187 | 3,742 | 3,021 | 168 | 168 | 3,357 |
| Insurance | 2,400 | 133 | 134 | 2,667 | 2,185 | 121 | 122 | 2,428 |
| Information technology | 750 | - | 1,751 | 2,501 | 816 | - | 1,902 | 2,718 |
| Miscellaneous | 248 | 1,804 | - | 2,052 | 51 | 1,130 | 452 | 1,633 |
| Credit card fees | - | 2,001 | - | 2,001 | - | 609 | - | 609 |
| Payroll service | - | 1,901 | - | 1,901 | - | 1,872 | - | 1,872 |
| Contract labor | 1,900 | - | - | 1,900 | 1,900 | - | - | 1,900 |
| Professional development | 936 | 60 | 695 | 1,691 | 1,246 | 155 | 630 | 2,031 |
| Dues and subscriptions | 472 | 105 | - | 577 | 219 | 105 | - | 324 |
| Depreciation | - | 448 | - | 448 | - | 449 | - | 449 |
| Totals | $ 833,640 | $ 54,897 | $ 43,701 | $ 932,238 | $ 539,595 | $ 54,435 | $ 43,439 | $ 637,469 |

The accompanying notes are an integral part of these financial statements.

# Literacy Together

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 19,330 | $ 14,203 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 448 | 449 |
| Forgiveness of Paycheck Protection Program loan | (40,975) | (40,975) |
| Change in operating assets and liabilities: | | |
| Sales tax receivable | (1,804) | (92) |
| Prepaid expenses | (1,153) | - |
| Accounts payable and accrued expenses | (479) | 582 |
| Deferred revenue | 169,000 | 15,000 |
| Net cash provided by (used in) operating activities | 144,367 | (10,833) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | - | 40,975 |
| Net cash provided by financing activities | - | 40,975 |
| Net change in cash and restricted cash | 144,367 | 30,142 |
| Cash and restricted cash, beginning of year | 248,800 | 218,658 |
| Cash and restricted cash, end of year | $ 393,167 | $ 248,800 |

The accompanying notes are an integral part of these financial statements.

## Note 1 – Summary of Significant Accounting Policies

General
Literacy Together (the "Organization"), formerly The Literacy Council of Buncombe County, is a private, non-profit corporation established in 1987 after a merger between the Altrusa Literacy Council and the Asheville-Buncombe Literacy Council. The Organization is dedicated to increasing comprehensive literacy and English language skills through specialized instruction by trained tutors and access to literacy resources.

Basis of Presentation
The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations
The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Non-operating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

Promises to Give
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 present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not include as support until the conditions are met. There were no unconditional promises to give at June 30, 2022 and 2021.

**Note 1 - Summary of Significant Accounting Policies - continued**

Use of Estimates
Preparation of financial statements in accordance with U.S. GAAP requires the Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments
The Organization discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the Organization discloses both the change and the reasons for the change.

The Organization estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. The Organization's financial instruments consist primarily of cash, receivables, prepaid expenses, accounts payable and accrued expenses, and deferred revenue.

Cash and Cash Equivalents
For purposes of reporting the statement of cash flows, the Organization includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with maturity of three months or less as cash and cash equivalents. The Organization did not have any cash equivalents at June 30, 2022 and 2021.

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The coverage is $250,000 for substantially all other depository accounts. Deposit accounts, at times, may exceed federally insured limits, but the Organization has not experienced any such losses.

Property and Equipment
Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from five to seven years. The Organization's policy is to capitalize property and equipment acquired for greater than $500 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

**Note 1 - Summary of Significant Accounting Policies – continued**

Contributions
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.

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.

Revenue and Revenue Recognition
The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable state and private grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

For special events, funds received in advance are recognized as deferred revenue until the event takes place, at which time they are recognized as revenue.

In-Kind Contributions
The organization receives in-kind contributions from a substantial number of volunteers. This consists of a significant amount of time volunteered to the Organization's program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills are recognized as support. Contributed services of $489,143 and $269,475 (management's estimate of the fair value) have been reflected in the accompanying financial statements as in-kind contributions for services contributed by skilled tutors at the Organization for the years ended June 30, 2022 and 2021, respectively.

**Note 1 - Summary of Significant Accounting Policies – continued**

Income Taxes
The Organization is established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC 740, "Accounting for Uncertainty in Income Taxes" clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

The Organization's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2022, years subject to examination include the fiscal years ended 2019, 2020, and 2021.

Functional Expenses
Expenses that are inherently program, general and administrative, or fundraising, are charged directly to those functions. Rent expense is allocated based on the estimated square footage utilized by that function. All other expenses are allocated to program services, general and administrative, and fundraising based on management's estimates of time spent.

New Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 is intended to improve the financial reporting about leasing transactions. The ASU will require entities that lease assets to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The standard will be effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

## Note 2 – Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2022:

| | | |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and restricted cash | $ | 393,167 |
| Sales tax receivable | | 2,308 |
| Total financial assets available to meet general expenditures over the next twelve months | $ | 395,475 |

The following represents the Organization's financial assets at June 30, 2021:

| | | |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and restricted cash | $ | 248,800 |
| Sales tax receivable | | 504 |
| Total financial assets available to meet general expenditures over the next twelve months | $ | 249,304 |

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts.

## Note 3 - Cash and Restricted Cash

Cash and restricted cash consists of the following:

| June 30: | 2022 | 2021 |
|---|---|---|
| Cash- unrestricted | $ 209,167 | $ 223,800 |
| Cash- restricted | 184,000 | 25,000 |
| Cash and restricted cash shown in the consolidated statement of cash flows | $ 393,167 | $ 248,800 |

Restricted cash represents cash received with a donor-imposed restriction that limits the use of those funds for expenses incurred for a specific program.

## Note 4 – Property and Equipment

A description of property and equipment is as follows:

| June 30: | 2022 | 2021 |
|---|---|---|
| Computers | $ 5,191 | $ 5,191 |
| Less: accumulated depreciation | (4,765) | (4,317) |
| Property and equipment, net | $ 426 | $ 874 |

Depreciation expense for the years ended June 30, 2022 and 2021 was $448 and $449, respectively.

**Note 5 – Beneficially Owned Funds**

The Organization is the beneficial owner, but not the legal owner, of certain donated funds held and controlled by the Community Foundation of Western North Carolina (the "Foundation"). These funds are not reflected in the accompanying statement of financial position. The Organization retains certain percentages of beneficial interests in the component fund of the Foundation. The total market value of these funds at June 30, 2022 and 2021 was $108,608 and $129,297, respectively.

**Note 6 – Deferred Revenue**

The Organization received grants during the year of which the donor-imposed conditions were not met before year end. Grant funds totaling $184,000 and $15,000 were recorded as deferred revenue for the years ended June 30, 2022 and June 30, 2021, respectively.

**Note 7 – CARES Act Funding**

On March 15, 2021, the Organization was granted a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act which was enacted March 27, 2020 in the amount of $40,975. The Organization used all of the funds for purposes consistent with the PPP and in October 2021, the Organization received notice that the loan was forgiven in full. Analogizing to ASC 958-605, the Organization reclassed these funds, originally recorded as debt, to revenue during the year ended June 30, 2022.

**Note 8 – Lease Commitments**

In July 2019, the Organization entered into a lease for office space in Asheville, North Carolina. The three-year lease agreement calls for monthly payments of $2,900 in year one, $3,100 in year two, and $3,300 in year three. The lease expires on July 31, 2022. Total rent expense was $36,000 and $34,800 for the years ended June 30, 2022 and 2021, respectively. Upon expiration of the lease, the Organization will be leasing the office space on a monthly basis.

Future minimum lease payments are as follows:

| For the Year Ending June 30: | |
|---|---|
| 2023 | $ 3,300 |
| Total future payments | $ 3,300 |

**Note 9 – Net Assets**

Net assets without donor restrictions totaled $215,473 and $186,142 at June 30, 2022 and 2021, respectively. Net assets with donor restrictions relating to the satisfaction of purpose restrictions totaled $0 and $10,000 at June 30, 2022 and 2021, respectively.

Net assets released from net assets with donor restrictions associated with the satisfaction of purpose restrictions for program activities totaled $253,314 and $268,900, during the years ended June 30, 2022 and 2021, respectively.

## Note 10 – Concentration of Credit Risk

Three agencies provided grant revenue totaling $100,429 or 49% of total grant revenues during the year ended June 30, 2022. Three agencies provided grant revenue totaling $135,989 or 65% of total grant revenues during the year ended June 30, 2021.

## Note 11 – Related Party Transactions

During the years ended June 30, 2022 and 2021, management and members of the Board of Directors made contributions to the Organization totaling $10,910 and $2,516, respectively.

## Note 12 – Subsequent Events

The Organization evaluated the effect that all subsequent events would have on the financial statements through August 26, 2022, which is the date the financial statements were available to be issued.