

Literacy Together

Audited Financial Statements

For the Years Ended
June 30, 2021 and 2020

Literacy Together
Asheville, North Carolina

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Literacy Together

We have audited the accompanying financial statements of Literacy Together (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional activities, and cash flows for the years 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 audits. We conducted our audits 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 Literacy Together as of June 30, 2021 and 2020, 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.

Goldsmith Molis & Gray, PLLC

Goldsmith Molis & Gray, PLLC
Asheville, North Carolina
July 30, 2021

Literacy Together
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
<u>Assets</u>		
Current assets:		
Cash - unrestricted	\$ 223,800	\$ 200,658
Cash - restricted	25,000	18,000
Sales tax receivable	504	412
Prepaid expenses	3,000	3,000
Total current assets	252,304	222,070
Other assets:		
Property and equipment, net	874	1,323
Total assets	\$ 253,178	\$ 223,393
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,061	\$ 479
Long-term debt, net of current portion	-	19,210
Deferred revenue	15,000	-
Total current liabilities	16,061	19,689
Long-term debt, less current portion	40,975	21,765
Total liabilities	57,036	41,454
Net assets:		
Without donor restrictions	186,142	163,939
With donor restrictions	10,000	18,000
Total net assets	196,142	181,939
Total liabilities and net assets	\$ 253,178	\$ 223,393

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

Literacy Together

Statements of Activities

For the Years Ended June 30, 2021 and 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Public support and revenues:				
Contributions	\$ 100,582	\$ 20,440	\$ 121,022	\$ 37,845
Grants	10,201	199,485	209,686	164,840
CARES Act funding	-	40,975	40,975	-
Special events	7,607	-	7,607	51,657
Other income and fees	2,480	-	2,480	1,550
Interest income	427	-	427	1,505
Contributed services	269,475	-	269,475	372,558
Net assets released from restrictions	268,900	(268,900)	-	(184,685)
Total public support and revenues	<u>659,672</u>	<u>(8,000)</u>	<u>651,672</u>	<u>18,000</u>
Expenses:				
Program activities	539,595	-	539,595	589,621
Supporting services:				
General and administrative	54,435	-	54,435	54,066
Fundraising	43,439	-	43,439	39,490
Total supporting services	97,874	-	97,874	93,556
Total expenses	<u>637,469</u>	<u>-</u>	<u>637,469</u>	<u>683,177</u>
Change in net assets	22,203	(8,000)	14,203	18,000
Net assets, beginning of year	163,939	18,000	181,939	112,596
Net assets, end of year	<u>\$ 186,142</u>	<u>10,000</u>	<u>\$ 196,142</u>	<u>\$ 181,939</u>

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

Literacy Together
 Statements of Functional Expenses
 For the Years Ended June 30, 2021 and 2020

	2021			2020				
	Program	General & Administrative	Fundraising	Totals	Program	General & Administrative	Fundraising	Totals
Salaries	\$ 177,575	\$ 34,521	\$ 31,684	\$ 243,780	\$ 132,086	\$ 36,813	\$ 30,977	\$ 199,876
Contributed services	269,475	-	-	269,475	372,558	-	-	372,558
Rent	31,320	1,740	1,740	34,800	31,320	1,740	1,740	34,800
Materials	25,643	-	-	25,643	8,367	-	-	8,367
Payroll taxes	12,977	2,662	2,422	18,061	10,104	2,907	2,369	15,380
Professional fees	2,768	8,304	-	11,072	2,145	6,433	-	8,578
Printing	6,027	1,325	2,677	10,029	4,361	1,357	1,023	6,741
Postage	2,174	319	1,276	3,769	120	220	882	1,222
Telephone and internet	3,021	168	168	3,357	2,881	160	160	3,201
Supplies	2,023	955	-	2,978	144	769	-	913
Information technology	816	-	1,902	2,718	701	-	1,631	2,332
Insurance	2,185	121	122	2,428	2,168	120	121	2,409
Professional development	1,246	155	630	2,031	1,001	-	-	1,001
Contract labor	1,900	-	-	1,900	9,890	-	-	9,890
Payroll service	-	1,872	-	1,872	-	1,341	-	1,341
Miscellaneous	51	1,130	452	1,633	558	162	411	1,131
Credit card fees	-	609	-	609	-	1,330	-	1,330
Program expenses	175	-	366	541	10,398	-	176	10,574
Depreciation	-	449	-	449	-	449	-	449
Dues and subscriptions	219	105	-	324	419	265	-	684
Travel	-	-	-	-	400	-	-	400
Totals	\$ 539,595	\$ 54,435	\$ 43,439	\$ 637,469	\$ 589,621	\$ 54,066	\$ 39,490	\$ 683,177

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

Literacy Together
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 14,203	\$ 69,343
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	449	449
Forgiveness of Paycheck Protection Program loan	(40,975)	-
Change in operating assets and liabilities:		
Sales tax receivable	(92)	419
Prepaid expenses	-	(314)
Accounts payable and accrued expenses	582	(85)
Deferred revenue	15,000	(10,500)
Net cash provided by (used in) operating activities	(10,833)	59,312
Cash flows from financing activities:		
Proceeds from long-term debt	40,975	40,975
Net cash provided by financing activities	40,975	40,975
Net change in cash and restricted cash	30,142	100,287
Cash and restricted cash, beginning of year	218,658	118,371
Cash and restricted cash, end of year	\$ 248,800	\$ 218,658

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

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020.

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020.

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.

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

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.

Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

Donated Services

A substantial number of volunteers have donated a significant amount of time 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 \$269,475 and \$372,558 (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, 2021 and 2020, respectively.

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021, years subject to examination include the fiscal years ended 2018, 2019, and 2020.

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.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform with the current year financial statement presentation. The reclassification had no effect on net assets for the year ended June 30, 2020.

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.

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2 – Availability and Liquidity

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	<u>504</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 249,304</u>

The following represents the Organization’s financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and restricted cash	\$ 218,658
Sales tax receivable	<u>412</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 219,070</u>

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:

<u>June 30:</u>	<u>2021</u>	<u>2020</u>
Cash- unrestricted	\$ 223,800	\$ 200,658
Cash- restricted	<u>25,000</u>	<u>18,000</u>
Cash and restricted cash shown in the consolidated statement of cash flows	<u>\$ 248,800</u>	<u>\$ 218,658</u>

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:

<u>June 30:</u>	<u>2021</u>	<u>2020</u>
Computers	\$ 5,191	\$ 5,191
Less: accumulated depreciation	<u>(4,317)</u>	<u>(3,868)</u>
Property and equipment, net	<u>\$ 874</u>	<u>\$ 1,323</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$449 and \$449, respectively.

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020 totaled \$129,297 and \$106,443, 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 \$15,000 and \$0 were recorded as deferred revenue for the years ended June 30, 2021 and June 30, 2020, respectively.

Note 7 – CARES Act Funding

On April 18, 2020, 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 February 2021, the Organization received notice that the loan was forgiven in full. Analogizing to ASC 958-605, the Organization reclassified these funds, originally recorded as debt, to revenue in the year ended June 30, 2021.

On March 15, 2021, the Organization was granted a second PPP loan in the amount of \$40,975. This PPP loan is payable over five years at an interest rate of 1%, with a deferral of monthly payments for the first ten months after the last day of the 24-week covered period. All unpaid principal and interest payments are due in full in March 2026. As of June 30, 2021, the balance outstanding on the loan was \$40,975.

Future minimum payments as of June 30, 2021 are as follows:

2022	\$	-
2023		10,777
2024		10,885
2025		10,995
2026		8,318
		\$ 40,975

Literacy Together
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

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 \$34,800 and \$34,800 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>For the Year Ending June 30:</u>	
2022	\$ 39,400
2023	<u>3,300</u>
Total future payments	<u>\$ 42,700</u>

Note 9 – Net Assets

Net assets with donor restrictions relating to the satisfaction of purpose restrictions totaled \$10,000 and \$18,000 during the years ended June 30, 2021 and 2020, respectively. Net assets without donor restrictions totaled \$186,142 and \$163,939 for the years ended June 30, 2021 and 2020, respectively.

Net assets released from net assets with donor restrictions associated with the satisfaction of purpose restrictions for program activities totaled \$268,900 and \$184,685, during the years ended June 30, 2021 and 2020, respectively.

Note 10 – Concentration of Credit Risk

Three agencies provided grant revenue totaling \$135,989 or 65% of total grant revenues during the year ended June 30, 2021. Three agencies provided grant revenue totaling \$142,315 or 61% of total grant revenues during the year ended June 30, 2020.

Note 11 – Related Party Transactions

During the years ended June 30, 2021 and 2020, management and members of the Board of Directors made contributions to the Organization totaling \$2,516 and \$2,305, respectively.

Note 12 – Subsequent Events

The Organization evaluated the effect that all subsequent events would have on the financial statements through July 30, 2021, which is the date the financial statements were available to be issued.