

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2018

NASHVILLE ADULT LITERACY COUNCIL, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2018

CONTENTS

	<u>Page</u>
Independent auditors' report	3
Financial statements:	
Statement of financial position.....	4
Statement of activities	5
Statement of functional expenses.....	6
Statement of cash flows.....	7
Notes to financial statements.....	8-11



2715 BRANSFORD AVENUE | NASHVILLE, TN 37204
P. 615.242.0067 | F. 615.460.7574
502 NORTH GARDEN STREET | SUITE 208 | COLUMBIA, TN 38401
P. 931.388.3008 | F. 931.388.3018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nashville Adult Literacy, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Adult Literacy, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, 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.

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 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 Organization as of June 30, 2018, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC
Nashville, Tennessee
October 1, 2018

NASHVILLE ADULT LITERACY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

ASSETS

Current Assets:

Cash – operating	\$ 64,613
Cash – savings	159,030
Unconditional promises to give	115,000
Deposit	<u>1,200</u>
Total current assets	<u>339,843</u>

Office Equipment and Software:

Office equipment and software	96,794
Less: accumulated depreciation	<u>(88,228)</u>
Total office equipment and software, net	<u>8,566</u>

Total assets	<u>\$ 348,409</u>
--------------	-------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 3,795
Accrued payroll	<u>8,588</u>
Total current liabilities	<u>12,383</u>

Net Assets:

Unrestricted	221,026
Temporarily restricted	<u>115,000</u>
Total net assets	<u>336,026</u>

Total liabilities and net assets	<u>\$ 348,409</u>
----------------------------------	-------------------

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

NASHVILLE ADULT LITERACY COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
United Way contributions	\$ 2,142	\$ 105,000	\$ 107,142
Corporate and foundation contributions..	200,059	10,000	210,059
Special events, net of direct costs of \$7,222	54,798	-	54,798
Citizenship grant	124,999	-	124,999
Metro grant.....	53,700	-	53,700
Church and individual contributions	59,530	-	59,530
Program income	19,613	-	19,613
In-kind revenue	43,050	-	43,050
Interest income	105	-	105
Net assets released from restrictions	155,000	(155,000)	-
Total support and revenue.....	<u>712,996</u>	<u>(40,000)</u>	<u>672,996</u>
Expenses			
Literacy program services	639,538	-	639,538
Management and general	16,474	-	16,474
Fundraising.....	4,859	-	4,859
Total expenses.....	<u>660,871</u>	<u>-</u>	<u>660,871</u>
Change in net assets.....	52,125	(40,000)	12,125
Net assets at beginning of year.....	168,901	155,000	323,901
Net assets at end of year	<u>\$ 221,026</u>	<u>\$ 115,000</u>	<u>\$ 336,026</u>

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

NASHVILLE ADULT LITERACY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		
	Adult Literacy	Management and General	Fundraising	Total
Books	\$ 18,937	\$ -	\$ -	\$ 18,937
Depreciation	-	4,138	-	4,138
Advertising	4,348	-	-	4,348
Telephone	-	4,669	-	4,669
Program expense	20,814	-	-	20,814
Copier	4,097	-	-	4,097
Postage	642	-	-	642
Technology	9,905	-	-	9,905
Insurance	4,349	-	-	4,349
Compensation	467,889	-	4,859	472,748
Benefits	26,714	-	-	26,714
Professional fees	-	2,300	-	2,300
Dues and subscriptions	3,219	-	-	3,219
Licenses and fees	-	280	-	280
Website	1,516	-	-	1,516
Conferences and training	-	508	-	508
Travel	-	3,311	-	3,311
Occupancy	59,446	-	-	59,446
Bank fees	-	1,268	-	1,268
Employee recognition	13,149	-	-	13,149
Miscellaneous	25	-	-	25
Office supplies	4,488	-	-	4,488
Total expenses	<u>\$ 639,538</u>	<u>\$ 16,474</u>	<u>\$ 4,859</u>	<u>\$ 660,871</u>

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

NASHVILLE ADULT LITERACY COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:

Increase in net assets	\$ 12,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,138
Decrease in unconditional promises to give	40,000
Decrease in accrued payroll	<u>(1,672)</u>
Net cash provided by operating activities	<u>54,591</u>

Cash flows from investing activities:

Net cash provided by (used in) investing activities	<u>-</u>
---	----------

Cash flows from financing activities:

Net cash provided by (used in) financing activities	<u>-</u>
---	----------

Net increase in cash and cash equivalents	54,591
Cash and cash equivalents, at beginning of the period	<u>169,052</u>
Cash and cash equivalents, at end of the period	<u>\$ 223,643</u>

Cash paid for interest	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>

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

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. Description of the Organization and Summary of Significant Accounting Policies

The Nashville Adult Literacy Council, Inc. (the “Organization”) teaches adults to read, as well as adult immigrants to read, write, speak, and understand English in the Nashville, Tennessee area. The Organization uses volunteer tutors to give individual instruction. The Organization also operates small groups and classes to teach specialized needs in the community. The Organization is supported primarily through donor contributions (both individual and corporate), grants, and the United Way.

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

Contributions and Support

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Approximately 61.27% of the Organization’s support for year ended June 30, 2018 came from four donors.

Property and Depreciation

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets ranging from three to five years for software and computers.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in tutoring, fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

Income Taxes

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Additionally, as of June 30, 2018 the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

Program and Supporting Services

The following program and supporting services were included in the accompanying financial statements.

Program Services—Includes activities carried out to fulfill the Organization's mission to teach U.S.-born adults to read and English skills to adult immigrants.

Management and General—Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising—Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

Advertising Costs

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

2. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended June 30, 2018 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
United Way.....	\$ 105,000	\$ 105,000	\$(105,000)	\$ 105,000
Program	50,000	10,000	(50,000)	10,000
	<u>\$ 155,000</u>	<u>\$ 115,000</u>	<u>\$(155,000)</u>	<u>\$ 115,000</u>

3. Operating Lease Commitments

The Organization leases certain office space under a non-cancelable operating lease, as well as certain office equipment under a non-cancelable operating lease. Future minimum lease commitments under these lease agreements are as follows:

2019	\$ 17,759
2020	2,897
2021	-
2022	-
2023	-
Thereafter.....	-
	<u>\$ 20,656</u>

4. Contributed Rent and Services

The Organization recognized in-kind donations for rent and subscriptions provided during the year ended June 30, 2018. The contributions and related expenses were recorded at their estimated fair market value on the date of receipt. For the year ended June 30, 2018, the Organization received in-kind contributions as follows:

Rent.....	\$ 42,000
Subscriptions.....	1,050
	<u>\$ 43,050</u>

5. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this Accounting Standards Update (“ASU”) supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

6. Subsequent Events

The Organization has evaluated all events or transactions that occurred after June 30, 2018, through October 1, 2018, the date these financial statements were issued. During this period, the Organization did not have any material recognizable events that required recognition or disclosure in the June 30, 2018 financial statements.
