

NASHVILLE ADULT LITERACY COUNCIL, INC.

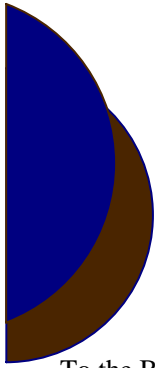
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2017

NASHVILLE ADULT LITERACY COUNCIL, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, 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
Nashville, Tennessee
January 3, 2018

NASHVILLE ADULT LITERACY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017

ASSETS

Current Assets:

Cash – operating	\$ 25,126
Cash – savings	143,926
Unconditional promises to give	155,000
Deposit	<u>1,200</u>
Total current assets	<u>325,252</u>

Office Equipment and Software:

Office equipment and software	96,794
Less: accumulated depreciation	<u>(84,091)</u>
Total office equipment and software, net	<u>12,703</u>

Total assets	<u><u>\$ 337,955</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 3,795
Accrued payroll	<u>10,259</u>
Total current liabilities	<u>14,054</u>

Net Assets:

Unrestricted	168,901
Temporarily restricted	<u>155,000</u>
Total net assets	<u>323,901</u>

Total liabilities and net assets	<u><u>\$ 337,955</u></u>
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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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
United Way contributions	\$ 5,432	\$ 105,000	\$ 110,432
Corporate and foundation contributions..	199,449	50,000	249,449
Special events, net of direct costs of \$8,801	34,770	-	34,770
Citizenship grant	148,792	-	148,792
Metro grant.....	89,500	-	89,500
Church and individual contributions	36,986	-	36,986
Employee recognition	12,000	-	12,000
Program income	27,887	-	27,887
In-kind revenue	72,439	-	72,439
Interest income	116	-	116
Miscellaneous income	675	-	675
Net assets released from restrictions	222,300	(222,300)	-
Total support and revenue.....	<u>850,346</u>	<u>(67,300)</u>	<u>783,046</u>
Expenses			
Literacy program services	827,708	-	827,708
Management and general	68,250	-	68,250
Fundraising.....	6,569	-	6,569
Total expenses.....	<u>902,527</u>	<u>-</u>	<u>902,527</u>
Change in net assets.....	(52,181)	(67,300)	(119,481)
Net assets at beginning of year.....	221,082	222,300	443,382
Net assets at end of year	<u>\$ 168,901</u>	<u>\$ 155,000</u>	<u>\$ 323,901</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, 2017

	Program Services	Supporting Services		
	Adult Literacy	Management and General	Fundraising	Total
Books	\$ 33,543	\$ -	\$ -	\$ 33,543
Depreciation	-	4,138	-	4,138
Advertising	10,252	-	-	10,252
Telephone	-	4,490	-	4,490
Program expense	17,088	-	-	17,088
Copier	4,095	-	-	4,095
Postage	683	-	-	683
Technology	5,196	-	-	5,196
Insurance	4,356	-	-	4,356
Compensation	650,375	-	6,569	656,944
Benefits	29,403	-	-	29,403
Professional fees	-	47,315	-	47,315
Dues and subscriptions	1,423	-	-	1,423
Licenses and fees	-	280	-	280
Website	1,507	-	-	1,507
Conferences and training	-	6,667	-	6,667
Travel	-	4,258	-	4,258
Occupancy	58,820	-	-	58,820
Bank fees	-	352	-	352
Contract labor	-	750	-	750
Employee recognition	407	-	-	407
Learner and volunteer recognition	150	-	-	150
Miscellaneous	383	-	-	383
Office supplies	10,027	-	-	10,027
Total expenses	<u>\$ 827,708</u>	<u>\$ 68,250</u>	<u>\$ 6,569</u>	<u>\$ 902,527</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, 2017

Cash flows from operating activities:

Decrease in net assets	\$ (119,481)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	4,138
Decrease in accounts receivable	67,300
Decrease in accounts payable and accrued expenses	<u>(28,638)</u>
Net cash used in operating activities	<u>(76,681)</u>

Cash flows from investing activities:

Net cash provided by (used in) investing activities	<u>-</u>
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Cash flows from financing activities:

Net cash provided by (used in) financing activities	<u>-</u>
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Net decrease in cash and cash equivalents	(76,681)
Cash and cash equivalents, at beginning of the period	<u>245,733</u>
Cash and cash equivalents, at end of the period	<u><u>\$ 169,052</u></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, 2017

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 54.75% of the Organization’s support for year ended June 30, 2017 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.

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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.

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, 2017 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

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended June 30, 2017 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
United Way	\$ 222,300	\$ 105,000	\$ (222,300)	\$ 105,000
Program.....	-	50,000	-	50,000
	<u>\$ 222,300</u>	<u>\$ 155,000</u>	<u>\$ (222,300)</u>	<u>\$ 155,000</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:

2018	\$ 17,759
2019	5,759
2020	497
2021	-
2022	-
Thereafter.....	-
	<u>\$ 24,015</u>

4. Contributed Rent and Services

The Organization recognized in-kind donations for rent and professional services provided during the year ended June 30, 2017. The contributions and related expenses were recorded at their estimated fair market value on the date of receipt. For the year ended June 30, 2017, the Organization received in-kind contributions as follows:

Rent.....	\$ 42,000
Professional services.....	30,439
	<u>\$ 72,439</u>

5. Subsequent Events

During September 2017, the Organization entered into a line of credit ("LOC") with a financial institution. The maximum available balance under the terms of the LOC is \$50,000. Interest under the LOC is charged at prime plus 1.0%. The LOC is secured by substantially all of the Organization's assets. The LOC matures on September 20, 2018.

The Organization has evaluated all events or transactions that occurred after June 30, 2017, through October 31, 2017, the date these financial statements were issued. During this period, other than the LOC noted above, the Organization did not have any material recognizable events that required recognition or disclosure in the June 30, 2017 financial statements.
