

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2022

NASHVILLE ADULT LITERACY COUNCIL, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2022

---

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.....	8-12



2715 Bransford Avenue, Nashville, TN 37204 | 615-242-0067  
701 West 7th Street, Columbia, TN 38401 | 931-388-3008  
3050 Business Park Circle Ste. 501, Goodlettsville, TN 37072 | 615-851-6160

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Nashville Adult Literacy Council, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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, 2022, 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  
September 23, 2021

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2022

---

ASSETS

**Current Assets:**

Cash	\$ 360,708
Unconditional promises to give	156,700
Prepaid expenses	<u>4,037</u>
Total current assets	<u>521,445</u>

**Property and equipment:**

Property and equipment	113,919
Less: accumulated depreciation	<u>(102,138)</u>
Total property and equipment, net	<u>11,781</u>

Total assets	<u>\$ 533,226</u>
--------------	-------------------

LIABILITIES AND NET ASSETS

**Current Liabilities:**

Accounts payable	\$ 7,060
Payroll liabilities	54,943
Accrued expenses	<u>2,436</u>
Total current liabilities	<u>64,439</u>

**Net Assets:**

Without donor restrictions	363,787
With donor restrictions	<u>105,000</u>
Total net assets	<u>468,787</u>

Total liabilities and net assets	<u>\$ 533,226</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, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>			
Dollar General contributions	\$ 127,000	\$ 150,000	\$ 277,000
Memorial Foundation contributions	25,000	50,000	75,000
United Way contributions	-	105,679	105,679
Corporate and foundation contributions	221,374	-	221,374
Special events, net of direct costs of \$9,394	97,178	-	97,178
Church and individual contributions	52,512	-	52,512
PPP Loan forgiveness	89,398	-	89,398
In-kind revenue	42,000	-	42,000
Collective Impact	30,000		30,000
Joe C. Davis Foundation	-	200,000	200,000
Frist Foundation	-	200,000	200,000
HCA Foundation	-	75,000	75,000
Scarlett Family Foundation	-	25,000	25,000
Community Foundation of Middle TN	-	8,000	8,000
Interest income	62	-	62
Net assets released from restrictions	830,789	(830,789)	-
Total support and revenue	<u>1,515,313</u>	<u>(17,110)</u>	<u>1,498,203</u>
<b>Expenses</b>			
Literacy program services	1,315,299	-	1,315,299
Management and general	286,733	-	286,733
Fundraising	911	-	911
Total expenses	<u>1,602,943</u>	<u>-</u>	<u>1,602,943</u>
Change in net assets	(87,630)	(17,110)	(104,740)
Net assets at beginning of year	451,417	122,110	573,527
Net assets at end of year	<u>\$ 363,787</u>	<u>\$ 105,000</u>	<u>\$ 468,787</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, 2022

	<b>Program Services</b>	<b>Supporting Services</b>		
	<b>Adult Literacy</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Books and materials	\$ 24,632	\$ -	\$ -	\$ 24,632
Depreciation	-	3,174	-	3,174
Advertising	2,054	1,053	175	3,282
Telecommunications	4,392	-	-	4,392
Program expenses	64	-	-	64
Copier	3,848	-	-	3,848
Postage	1,071	-	288	1,359
Technology	11,733	104	448	12,285
Insurance	1,390	844	-	2,234
Compensation	415,347	202,297	-	617,644
Accounting	3,106	17,900	-	21,006
Consulting	-	17,475	-	17,475
Dues and subscriptions	1,008	75	-	1,083
Licenses and fees	160	-	-	160
Conferences and training	300	496	-	796
Occupancy	16,782	42,000	-	58,782
Bank fees	139	743	-	882
Office supplies	2,163	60	-	2,223
Impact Collective	827,110	-	-	827,110
Miscellaneous	-	512	-	512
Total expenses	<u>\$ 1,315,299</u>	<u>\$ 286,733</u>	<u>\$ 911</u>	<u>\$1,602,943</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, 2022

---

**Cash flows from operating activities:**

Decrease in net assets	\$ (104,740)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,174
Forgiveness of the second PPP loan	(89,398)
Increase in unconditional promises to give	(51,700)
Increase in prepaid expenses	(4,037)
Increase in accounts payable and accrued payroll	<u>50,221</u>
Net cash used by operating activities	<u>(196,480)</u>

**Cash flows from investing activities:**

Property and equipment purchases	<u>(4,252)</u>
Net cash used in investing activities	<u>(4,252)</u>

**Cash flows from financing activities:**

Net cash provided by financing activities	<u>-</u>
---	----------

Net decrease in cash and cash equivalents	(200,732)
Cash and cash equivalents, at beginning of the period	<u>561,440</u>
Cash and cash equivalents, at end of the period	<u>\$ 360,708</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, 2022

---

**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. As of June 30, 2022 the Organization had no 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Approximately 40.1% of the Organization’s support for the year ended June 30, 2022 came from three donors. Unconditional promises to give were considered fully collectible and current as of June 30, 2022.

*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 computers and software.

*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.

#### *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, 2022 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 as program, management and fundraising expenses in the statements of functional expenses. Additionally, the statement of activities and functional expense reports salaries as being attributable to both program and fundraising functions. Accordingly, the expense has been allocated among program and fundraising services based on estimates by management.

#### *Advertising Costs*

Advertising costs are expensed as incurred. There was \$3,282 of advertising costs incurred during the year ended June 30, 2022.

#### *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.

## 2. PPP Loan and Loan Forgiveness

On April 24, 2020, the Organization was granted a loan (the “Loan”) from INS Bank. in the aggregate amount of \$84,600, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The first loan was forgiven and recognized as income in the prior year.

On March 4, 2021, the Organization was granted a Second Draw PPP Loan (“Second Loan”), in the aggregate amount of \$89,398. The Second Loan could have been prepaid by the Organization at any time prior to maturity with no prepayment penalties. The proceeds of the PPP Loan were available to be used for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. Under the terms of the PPP, loan certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Second Loan matured on March 4, 2023 and bore interest at a rate of 1% per annum, payable monthly commencing on November 24, 2021. The full amount of the Second Loan was forgiven on October 1, 2021. The Second Loan forgiveness was reflected in the Organization’s Statement of Activities for the year ended June 30, 2022.

## 3. Accrued Expenses

Accrued expenses at June 30, 2022 consisted of the following:

Payroll liabilities payable.....	\$	54,943
Other accrued expenses.....		<u>2,436</u>
Total accrued expenses .....	\$	<u>57,379</u>

#### 4. Net Assets with Donor Restrictions

Changes in temporarily restricted net assets for the year ended June 30, 2022 were as follows:

	<b>Beginning of Year</b>	<b>Restricted Contributions</b>	<b>Released from Restriction</b>	<b>End of Year</b>
United Way	<b>\$ 105,000</b>	<b>\$ 105,679</b>	<b>\$ (105,679)</b>	<b>\$ 105,000</b>
Collective Impact corporations and foundations	<b>17,110</b>	<b>708,000</b>	<b>(725,110)</b>	<b>-</b>
Totals	<b>\$ 122,110</b>	<b>\$ 813,679</b>	<b>\$ (830,789)</b>	<b>\$ 105,000</b>

#### 5. 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:

2023 .....	<b>\$ 6,321</b>
2024 .....	-
2025 .....	-
2026 .....	-
2027 .....	-
Thereafter.....	-
	<b>\$ 6,321</b>

#### 6. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2022, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets .....	<b>\$ 360,708</b>
Financial assets available to meet cash needs for general expenditures within one year.....	<b>\$ 360,708</b>

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## **7. Contributed Rent**

The Organization recognized in-kind donations for rent during the year ended June 30, 2022. The contribution and related expense were recorded at their estimated fair market value on the date of receipt. For the year ended June 30, 2022, the Organization received in-kind rent contributions of \$42,000.

## **8. Recent Accounting Pronouncements**

In January 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the balance sheet a liability to make payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, which amended the effective date to reporting periods beginning after December 15, 2021, for nonpublic reporting entities. Management is currently evaluating the impact ASU 2016-02 will have on the financial statements.

## **9. Concentrations of Credit Risk**

The Organization maintains cash balances in a bank in excess of amounts federally insured. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at June 30, 2022 exceeded federally insured limits by \$110,708.

## **10. Subsequent Events**

The Organization has evaluated all events or transactions that occurred after June 30, 2022, through January 16, 2023, the date these financial statements were issued. The Organization did not have any material recognizable events that required recognition or disclosure in the June 30, 2022 financial statements.

\*\*\*\*\*