

# Southern Word, Inc.

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Financial Statements  
June 30, 2018

## **Table of Contents**

|   |    |
|---|----|
| Independent Auditor’s Report .....                        | 1  |
| Statement of Financial Position .....                     | 3  |
| Statement of Activities and Changes in Net Assets .....   | 4  |
| Statement of Cash Flows.....                              | 5  |
| Statement of Functional Expenses.....                     | 6  |
| Notes to Financial Statements .....                       | 7  |
| Note 1 - Description and Purpose of the Organization..... | 8  |
| Note 2 - Summary of Significant Accounting Policies ..... | 8  |
| Note 3 – Credit Risk.....                                 | 10 |
| Note 4 – Subsequent Events .....                          | 10 |

**Independent Auditor's Report**

To the Board of Directors of  
Southern Word, Inc.  
Nashville, TN

***Report on the Financial Statements***

We have audited the accompanying financial statements of Southern Word, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

***Auditor's 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 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.

*(Auditor's report continued on next page)*

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Word, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.  
Nashville, TN  
January 4, 2019

**Southern Word, Inc.**  
**Statement of Financial Position**  
**June 30, 2018**

**Assets**

**Current Assets:**

|                             |                       |
|-----------------------------|-----------------------|
| Cash in Bank                | \$ 75,683             |
| Receivables                 | 77,426                |
| <b>Total Current Assets</b> | <b><u>153,109</u></b> |

|                     |                          |
|---------------------|--------------------------|
| <b>Total Assets</b> | <b><u>\$ 153,109</u></b> |
|---------------------|--------------------------|

**Liabilities and Net Assets**

**Current Liabilities:**

|                  |               |
|------------------|---------------|
| Accounts Payable | \$ 13,622     |
| Deferred Revenue | 6,404         |
|                  | <u>20,026</u> |

|                          |        |
|--------------------------|--------|
| <b>Total Liabilities</b> | 20,026 |
|--------------------------|--------|

**Net Assets:**

|                                   |                       |
|-----------------------------------|-----------------------|
| Unrestricted Net Assets           | 131,083               |
| Temporarily Restricted Net Assets | 2,000                 |
| <b>Total Net Assets</b>           | <b><u>133,083</u></b> |

|   |                          |
|---|--------------------------|
| <b>Total Liabilities and Net Assets</b> | <b><u>\$ 153,109</u></b> |
|---|--------------------------|

**Southern Word, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2018**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-------------------|
| <b>Revenues and Support:</b>             |                     |                                   |                   |
| Earned Income                            | \$ 198,511          | \$ -                              | \$ 198,511        |
| Grants                                   | 263,371             | -                                 | 263,371           |
| Donations                                | 56,417              | -                                 | 56,417            |
| Performances                             | 7,650               | -                                 | 7,650             |
| Fundraising Event                        | 4,904               | -                                 | 4,904             |
| Sponsorships                             | 5,150               | -                                 | 5,150             |
| Other Income                             | 755                 | -                                 | 755               |
| Net assets released from Restriction     | -                   | -                                 | -                 |
| <b>Total Revenues and Support</b>        | <u>536,758</u>      | <u>-</u>                          | <u>536,758</u>    |
| <b>Expenses:</b>                         |                     |                                   |                   |
| Program Services                         | 348,523             | -                                 | 348,523           |
| Fundraising                              | 37,128              | -                                 | 37,128            |
| General and Administrative               | 98,036              | -                                 | 98,036            |
| <b>Total Expenses</b>                    | <u>483,687</u>      | <u>-</u>                          | <u>483,687</u>    |
| <b>Change in Net Assets</b>              | 53,071              | -                                 | 53,071            |
| <b>Net Assets, Beginning of the Year</b> | <u>78,012</u>       | <u>2,000</u>                      | <u>80,012</u>     |
| <b>Net Assets - End of the Year</b>      | <u>\$ 131,083</u>   | <u>\$ 2,000</u>                   | <u>\$ 133,083</u> |

**Southern Word, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

|   |                             |
|---|-----------------------------|
| <b>Cash Flows from Operating Activities:</b>                  |                             |
| Change in Net Assets  | \$ 53,071                   |
| <b>Adjustments to Reconcile Change in Net Assets</b>          |                             |
| <b>to Net Cash Provided by Operating Activities:</b>          |                             |
| (Increase) Decrease in Accounts and Notes Receivable          | 304                         |
| (Increase) Decrease in Prepaid Expenses                       | 667                         |
| Increase (Decrease) in Accounts Payable and Other Liabilities | (9,970)                     |
| <b>Total Adjustments</b>                                      | <u>(8,999)</u>              |
| <b>Net Cash Provided by Operating Activities</b>              | 44,072                      |
| <br><b>Net Increase in Cash</b>                               | <br>44,072                  |
| <br><b>Cash, Beginning of the Year</b>                        | <br><u>31,611</u>           |
| <br><b>Cash, End of Year</b>                                  | <br><u><u>\$ 75,683</u></u> |
| <br><b>Supplemental Cash Flow Information:</b>                |                             |
| Interest Paid   | \$ -                        |

**Southern Word, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

|                                  | <u>Program<br/>Services</u> | <u>General and<br/>Administrative</u> | <u>Fundraising</u>      | <u>Total</u>             |
|----------------------------------|-----------------------------|---------------------------------------|-------------------------|--------------------------|
| Salaries and Contract Labor      | \$ 321,345                  | \$ 66,069                             | \$ 35,618               | \$ 423,032               |
| Program Expenses                 | 11,045                      | -                                     | -                       | 11,045                   |
| Professional Fees                | -                           | 14,120                                | -                       | 14,120                   |
| Dues & Subscriptions             | -                           | 6,219                                 | -                       | 6,219                    |
| Insurance                        | -                           | 5,894                                 | -                       | 5,894                    |
| Advertising                      | 5,622                       | -                                     | -                       | 5,622                    |
| Other Expenses                   | -                           | 4,959                                 | 1,510                   | 6,469                    |
| Rental Expenses                  | -                           | 775                                   | -                       | 775                      |
| Travel                           | 10,511                      | -                                     | -                       | 10,511                   |
| <b>Total Functional Expenses</b> | <u><u>\$ 348,523</u></u>    | <u><u>\$ 98,036</u></u>               | <u><u>\$ 37,128</u></u> | <u><u>\$ 483,687</u></u> |



# Southern Word, Inc.

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**Notes to Financial Statements**  
June 30, 2018

**NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION**

Southern Word, Inc. (the Organization) is a non-profit organization that offers creative solutions for youth to build literacy and presentation skills, reconnect to their education and to their lives, and act as leaders in the improvement of their communities. Southern Word, Inc. is committed to providing youth, especially in underserved communities, with as many opportunities as possible to develop and publicly present their voices both live and in print, video, audio, and digital media.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

***Use of Estimates***

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Financial Statement Presentation***

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

***Unrestricted Net Assets***

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2018, there was \$2,000 of temporarily restricted net assets earmarked for a 10<sup>th</sup> anniversary publication for the Organization.

***Permanently Restricted Net Assets***

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2018, there were no permanently restricted net assets.

***Donated Services***

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

***Accounts Receivable***

Accounts receivable primarily represents amounts due from grants and programs and events. The Organization expenses bad debt in the period in which the receivable is deemed uncollectible. No allowance for doubtful accounts has been recorded in the current year as management believes all amounts are fully collectible.

***Fixed Assets***

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

|                       |             |
|-----------------------|-------------|
| Furniture & Equipment | 5 – 7 years |
|-----------------------|-------------|

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. As of June 30, 2018 the Organization had no fixed assets.

***Deferred Revenue***

Deferred revenue represents deposits received on programs and events and grants received in advance of fulfilling the grant deliverables. The Organization recognizes the deferred revenue as revenue once the program or event is complete, or the grant deliverables are fulfilled.

***Classification of Expenses***

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

***Income Taxes***

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization follows the guidance in ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. The Organization incurred no interest or penalties during the year ended June 30, 2018.

**NOTE 3 – CREDIT RISK**

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of \$250,000.

**NOTE 4 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 4, 2019, the date that the financial statements were available to be issued.