

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2021

NASHVILLE ADULT LITERACY COUNCIL, INC.
FINANCIAL STATEMENTS
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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, 2021, 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, 2021, 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, 2021

ASSETS

Current Assets:

Cash	\$ 561,440
Unconditional promises to give	<u>105,000</u>
Total current assets	<u>666,440</u>

Property and equipment:

Property and equipment	109,667
Less: accumulated depreciation	<u>(98,964)</u>
Total property and equipment, net	<u>10,703</u>

Total assets	<u>\$ 677,143</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Second PPP Loan	\$ 89,398
Accrued expenses	<u>14,218</u>
Total current liabilities	<u>103,616</u>

Net Assets:

Without donor restrictions	451,417
With donor restrictions	<u>122,110</u>
Total net assets	<u>573,527</u>

Total liabilities and net assets	<u>\$ 677,143</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Dollar General contributions.....	\$ 132,000	\$ 100,000	\$ 232,000
Memorial Foundation contributions.....	20,000	125,000	145,000
United Way contributions	5,000	105,000	110,000
Corporate and foundation contributions..	206,660	35,000	241,660
Special events, net of direct costs of			
\$3,500	20,491	-	20,491
Church and individual contributions	64,029	-	64,029
PPP Loan forgiveness.....	84,600	-	84,600
In-kind revenue	42,000	-	42,000
Interest income	106	-	106
Net assets released from restrictions	397,890	(397,890)	-
Total support and revenue.....	<u>972,776</u>	<u>(32,890)</u>	<u>939,886</u>
Expenses			
Literacy program services	740,420	-	740,420
Management and general	37,541	-	37,541
Fundraising.....	5,485	-	5,485
Total expenses.....	<u>783,446</u>	<u>-</u>	<u>783,446</u>
Change in net assets.....	189,330	(32,890)	156,440
Net assets at beginning of year.....	262,087	155,000	417,087
Net assets at end of year	<u>\$ 451,417</u>	<u>\$ 122,110</u>	<u>\$ 573,527</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, 2021

	Program Services	Supporting Services		
	Adult Literacy	Management and General	Fundraising	Total
Books	\$ 2,998	\$ -	\$ -	\$ 2,998
Depreciation	-	4,239	-	4,239
Advertising	1,020	-	-	1,020
Telephone	2,400	5,862	-	8,262
Program expense	192,890	-	-	192,890
Copier	2,457	-	-	2,457
Postage	709	-	-	709
Technology	65,334	-	-	65,334
Insurance	3,836	-	-	3,836
Compensation	345,239	4,635	4,635	354,509
Benefits	56,853	2,173	850	59,876
Accounting	955	15,600	-	16,555
Consulting	150	4,300	-	4,450
Dues and subscriptions	1,693	-	-	1,693
Licenses and fees	350	417	-	767
Conferences and training	-	315	-	315
Occupancy	58,154	-	-	58,154
Employee recognition	199	-	-	199
Bank fees	403	-	-	403
Office supplies	4,780	-	-	4,780
Total expenses	<u>\$ 740,420</u>	<u>\$ 37,541</u>	<u>\$ 5,485</u>	<u>\$ 783,446</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, 2021

Cash flows from operating activities:

Increase in net assets	\$ 156,440
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,239
Forgiveness of the first PPP loan	(84,600)
Decrease in unconditional promises to give	50,000
Decrease in accounts payable and accrued payroll	<u>(25,092)</u>
Net cash provided by operating activities	<u>100,987</u>

Cash flows from investing activities:

Property and equipment purchases	<u>(8,427)</u>
Net cash used in investing activities	<u>(8,427)</u>

Cash flows from financing activities:

Proceeds from the second PPP loan	<u>89,398</u>
Net cash provided by financing activities	<u>89,398</u>

Net increase in cash and cash equivalents	181,958
Cash and cash equivalents, at beginning of the period	<u>379,482</u>
Cash and cash equivalents, at end of the period	<u><u>\$ 561,440</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, 2021

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, 2021 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 51.81% of the Organization’s support for the year ended June 30, 2021 came from three 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 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.

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 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 \$1,020 of advertising costs incurred during the year ended June 30, 2021.

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

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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 Loan, which was in the form of a note dated April 24, 2020 issued to the Organization, was scheduled to mature on April 24, 2022 and bore interest at a rate of 1% per annum, payable monthly commencing on October 24, 2020. The 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, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In June 2021, the Organization was granted forgiveness on the entire amount of the Loan. The Loan forgiveness was reflected in the Organization’s Statement of Activities for the year ended June 30, 2021.

On March 4, 2021, the Organization was granted a Second Draw PPP Loan (“Second Loan”), in the aggregate amount of \$89,398, with the same general terms as the Loan. 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. Like the Loan, the full amount of the Second Loan was forgiven on October 1, 2021, which was subsequent to year end, and was presented as a current liability in the June 30, 2021 financial statements. The Second Loan forgiveness will be reflected in the Organization’s Statement of Activities for the year ended June 30, 2022.

3. Accrued Expenses

Accrued expenses at June 30, 2021 consisted of the following:

Payroll liabilities payable.....	\$ 11,618
Other accrued expenses.....	<u>2,600</u>
Total accrued expenses	<u>\$ 14,218</u>

NASHVILLE ADULT LITERACY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

4. Net Assets with Donor Restrictions

Changes in temporarily restricted net assets for the year ended June 30, 2021 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
United Way.....	\$ 105,000	\$ 105,000	\$ (105,000)	\$ 105,000
Collective Impact Program	50,000	260,000	(292,890)	17,110
	<u>\$ 155,000</u>	<u>\$ 365,000</u>	<u>\$ (397,890)</u>	<u>\$ 122,110</u>

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:

2022	\$ 3,008
2023	-
2024	-
2025	-
2026	-
Thereafter.....	-
	<u>\$ 3,008</u>

6. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2021, 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	<u>\$ 666,440</u>
Financial assets available to meet cash needs for general expenditures within one year.....	<u>\$ 666,440</u>

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.

NASHVILLE ADULT LITERACY COUNCIL, INC.
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7. Contributed Rent

The Organization recognized in-kind donations for rent during the year ended June 30, 2021. The contribution and related expense were recorded at their estimated fair market value on the date of receipt. For the year ended June 30, 2021, the Organization received in-kind rent contributions of \$42,000.

8. Recent Accounting Pronouncements

Effective July 1, 2020, the Organization has adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU (collectively, “ASC 606”) using the modified retrospective approach. ASC 606 supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The ASU also required expanded disclosure relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new standard was determined to have no effect on opening net assets for the Organization and no change to the way the Organization recognizes revenue.

Effective July 1, 2020, the Organization has also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*. The guidance 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, 2021, including interim periods within those fiscal years. The adoption of ASU 2016-02 is not expected to have an impact on the Organization’s financial statements.

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

NASHVILLE ADULT LITERACY COUNCIL, INC.
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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. Uncertainties

In March 2020, the novel coronavirus (or “COVID-19”) was deemed a global pandemic by the World Health Organization. COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. The resulting regulations instituted across the United States to curb COVID-19 have resulted in a significant change in the operation of many businesses, including having directly impacted operations of the Company. The implications of COVID-19 to the Company’s operations are still being evaluated and the duration and intensity of its impact is uncertain.

10. Subsequent Events

The Organization has evaluated all events or transactions that occurred after June 30, 2021, through September 23, 2021, the date these financial statements were issued. Other than the forgiveness of the Second Loan further described in Note 2 above, during this period, the Organization did not have any material recognizable events that required recognition or disclosure in the June 30, 2021 financial statements.
