

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2020

NASHVILLE ADULT LITERACY COUNCIL, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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 8, 2020

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2020

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ASSETS

**Current Assets:**

Cash – operating	\$ 115,570
Cash – savings	263,912
Unconditional promises to give	<u>155,000</u>
Total current assets	<u>534,482</u>

**Office Equipment and Software:**

Office equipment and software	101,240
Less: accumulated depreciation	<u>(94,725)</u>
Total office equipment and software, net	<u>6,515</u>

Total assets \$ 540,997

LIABILITIES AND NET ASSETS

**Current Liabilities:**

PPP Loan	\$ 84,600
Accrued expenses	<u>39,310</u>
Total current liabilities	<u>123,910</u>

**Net Assets:**

Without donor restrictions	262,087
With donor restrictions	<u>155,000</u>
Total net assets	<u>417,087</u>

Total liabilities and net assets \$ 540,997

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, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>			
United Way contributions .....	\$ 235,000	\$ 105,000	\$ 340,000
Corporate and foundation contributions..	249,424	50,000	299,424
Special events, net of direct costs of \$9,572 .....	9,018	-	9,018
Metro grant .....	20,665	-	20,665
Church and individual contributions .....	93,090	-	93,090
In-kind revenue .....	46,650	-	46,650
Interest income .....	109	-	109
Net assets released from restrictions .....	130,000	(130,000)	-
Total support and revenue.....	<u>783,956</u>	<u>25,000</u>	<u>808,956</u>
<b>Expenses</b>			
Literacy program services .....	718,724	-	718,724
Management and general .....	42,050	-	42,050
Fundraising.....	4,527	-	4,527
Total expenses.....	<u>765,301</u>	<u>-</u>	<u>765,301</u>
Change in net assets.....	18,655	25,000	43,655
Net assets at beginning of year .....	243,432	130,000	373,432
Net assets at end of year .....	<u>\$ 262,087</u>	<u>\$ 155,000</u>	<u>\$ 417,087</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, 2020

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Adult Literacy</b>	<b>Management and General</b>	<b>Fundraising</b>	
Books	\$ 16,018	\$ -	\$ -	\$ 16,018
Depreciation	-	2,879	-	2,879
Advertising	2,059	-	-	2,059
Telephone	-	5,590	-	5,590
Program expense	134,617	-	-	134,617
Copier	3,262	-	-	3,262
Postage	562	-	-	562
Technology	6,111	-	-	6,111
Insurance	3,453	-	-	3,453
Compensation	448,203	-	4,527	452,730
Benefits	37,624	-	-	37,624
Accounting	-	15,600	-	15,600
Consulting	-	15,370	-	15,370
Dues and subscriptions	2,687	-	-	2,687
Licenses and fees	-	566	-	566
Conferences and training	-	200	-	200
Travel	-	1,845	-	1,845
Occupancy	60,666	-	-	60,666
Employee recognition	540	-	-	540
Office supplies	2,922	-	-	2,922
<b>Total expenses</b>	<b>\$ 718,724</b>	<b>\$ 42,050</b>	<b>\$ 4,527</b>	<b>\$ 765,301</b>

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, 2020

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<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 43,655
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,879
Increase in unconditional promises to give	(25,000)
Decrease in prepaid expenses	1,200
Increase in accounts payable and accrued payroll	<u>31,551</u>
Net cash provided by operating activities	<u>54,285</u>
 <b>Cash flows from investing activities:</b>	
Equipment purchase	<u>(4,446)</u>
Net cash used in investing activities	<u>(4,446)</u>
 <b>Cash flows from financing activities:</b>	
Proceeds from loan	<u>84,600</u>
Net cash provided by financing activities	<u>84,600</u>
Net increase in cash and cash equivalents	134,439
Cash and cash equivalents, at beginning of the period	<u>245,043</u>
Cash and cash equivalents, at end of the period	<u>\$ 379,482</u>
 <b>Cash paid for interest</b>	
	<u>\$ -</u>
<b>Cash paid for taxes</b>	
	<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, 2020

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**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 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 69.41% of the Organization’s support for the year ended June 30, 2020 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 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, 2020

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*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, 2020 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 \$2,059 of advertising costs incurred during the year ended June 30, 2020.

*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, 2020

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**2. PPP Loan**

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, matures on April 24, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on October 24, 2020. The Loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The proceeds of the PPP Loan are 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. The Organization intends to use the entire Loan amount for qualifying expenses and expects the entire Loan to be forgiven. Accordingly, the Loan is presented as a current liability in the June 30, 2020 financial statements.

**3. Accrued Expenses**

Accrued expenses at June 30, 2020 consisted of the following:

Payroll liabilities payable.....	\$	29,545
Other accrued expenses.....		9,765
		9,765
Total accrued expenses .....	\$	39,310

**4. Net Assets with Donor Restrictions**

Changes in temporarily restricted net assets for the year ended June 30, 2020 were as follows:

	<u>Beginning of Year</u>	<u>Restricted Contributions</u>	<u>Released from Restriction</u>	<u>End of Year</u>
United Way .....	\$ 105,000	\$ 105,000	\$ (105,000)	\$ 105,000
Program .....	25,000	50,000	(25,000)	50,000
	\$ 130,000	\$ 155,000	\$ (130,000)	\$ 155,000

NASHVILLE ADULT LITERACY COUNCIL, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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**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:

2021 .....	\$ 3,008
2022 .....	-
2023 .....	-
2024 .....	-
2025 .....	-
Thereafter .....	-
	\$ 3,008

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

The following reflects the Organization’s financial assets as of June 30, 2020, 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.....	\$ 534,482
Financial assets available to meet cash needs for general expenditures within one year.....	\$ 534,482

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 and Services**

The Organization recognized in-kind donations for rent and professional services provided during the year ended June 30, 2020. The contributions and related expenses were recorded at their estimated fair market value on the date of receipt. For the year ended June 30, 2020, the Organization received in-kind contributions as follows:

Rent .....	\$ 42,000
Professional Services .....	4,650
	\$ 46,650

NASHVILLE ADULT LITERACY COUNCIL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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**8. 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, 2020, 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.

**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, 2020, through October 8, 2020, 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, 2020 financial statements.

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