



**Literacy Services of
Indian River County, Inc.**
FINANCIAL STATEMENTS
Year Ended June 30, 2020

Literacy Services of Indian River County, Inc.

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INDEPENDENT AUDITORS' REPORT

November 16, 2020

To the Board of Directors of
Literacy Services of Indian River County, Inc.
Vero Beach, Florida

We have audited the accompanying financial statements of Literacy Services of Indian River County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the fiscal 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 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 Literacy Services of Indian River County, Inc. as of June 30, 2020 and 2019, 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.

McCain and Samons LLC

Vero Beach, FL

Literacy Services of Indian River County, Inc.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 416,499	\$ 240,932
Prepaid expenses	4,662	1,775
Net property and equipment	<u>1,899</u>	<u>8,835</u>
Total assets	<u><u>\$ 423,060</u></u>	<u><u>\$ 251,542</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 700	\$ 300
Accrued payroll	10,812	9,112
Deferred revenue	<u>29,816</u>	<u>-</u>
Total liabilities	<u>41,328</u>	<u>9,412</u>
Net assets		
Without donor restriction	381,732	242,130
With donor restriction	<u>-</u>	<u>-</u>
Total net assets	<u>381,732</u>	<u>242,130</u>
Total liabilities and net assets	<u><u>\$ 423,060</u></u>	<u><u>\$ 251,542</u></u>

The accompanying notes are an integral part of these financial statements.

Literacy Services of Indian River County, Inc.

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020 AND 2019

	2020			2019
	Without donor restriction	With donor restriction	Total	Total
Revenues and grants				
Contributions and grants	\$ 208,207	\$ 72,521	\$ 280,728	\$ 164,475
Special events	68,368	-	68,368	75,549
Interest and dividend income	2,087	-	2,087	1,397
In-kind donation	7,475	-	7,475	8,962
Other Income	574	-	574	300
Net assets released from donor restrictions	72,521	(72,521)	-	-
Total public support and revenue	359,232	-	359,232	250,683
Expenses				
Program services				
Literacy program	157,331	-	157,331	178,433
Total program services	157,331	-	157,331	178,433
Support services				
Management and general	47,670	-	47,670	49,349
Fundraising expenses	8,563	-	8,563	13,759
Total support services	56,233	-	56,233	63,108
Total expenses	213,564	-	213,564	241,541
Other income (expense)				
Gain/(loss) on disposal of assets	(6,066)	-	(6,066)	-
Total other income (expense)	(6,066)	-	(6,066)	-
Change in net assets	139,602	-	139,602	9,142
Net assets, beginning of year	242,130	-	242,130	232,988
Net assets, end of year	\$ 381,732	\$ -	\$ 381,732	\$ 242,130

The accompanying notes are an integral part of these financial statements.

Literacy Services of Indian River County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020 AND 2019

	2020			2019	
	Program Services	Support Services		Total	Total
	Literacy	Management and General	Fundraising		
Compensation					
Salaries	\$ 129,269	\$ 14,501	\$ -	\$ 143,770	\$ 152,902
Payroll taxes & fringes	9,993	1,026	-	11,019	11,718
Total compensation	<u>139,262</u>	<u>15,527</u>	<u>-</u>	<u>154,789</u>	<u>164,620</u>
Bank service fees	-	27	-	27	58
Business licenses and permits	-	200	-	200	61
Contract labor	1,000	-	-	1,000	-
Depreciation	-	870	-	870	3,297
Donation	-	100	-	100	100
Dues and subscriptions	778	3,523	-	4,301	8,286
Equipment leased	-	3,055	-	3,055	2,391
Fundraising	-	-	7,254	7,254	12,636
Insurance	-	2,600	-	2,600	2,394
Office expenses	-	1,272	1,309	2,581	4,558
Postage & shipping	-	402	-	402	1,301
Professional fees	-	11,501	-	11,501	8,279
Marketing	-	5,538	-	5,538	3,516
Meals	1,795	139	-	1,934	2,247
Miscellaneous	81	130	-	211	1,920
Rent expense	4,800	900	-	5,700	5,600
Supplies and skill books	8,043	-	-	8,043	16,454
Telephone	-	1,886	-	1,886	1,441
Travel and seminars	1,572	-	-	1,572	2,382
Total expenses	<u>\$ 157,331</u>	<u>\$ 47,670</u>	<u>\$ 8,563</u>	<u>\$ 213,564</u>	<u>\$ 241,541</u>

The accompanying notes are an integral part of these financial statements.

Literacy Services of Indian River County, Inc.

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 139,602	\$ 9,142
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	870	3,297
Loss on sale of assets	6,066	-
Changes in operating assets and liabilities which (used) provided cash:		
Pledges Receivable	-	30,000
Prepaid insurance	(2,887)	(154)
Accounts Payable	400	300
Accrued payroll	1,700	375
Deferred revenue	29,816	
Net cash provided by operating activities	<u>175,567</u>	<u>42,960</u>
Net increase in cash and cash equivalents	175,567	42,960
Cash and cash equivalents, beginning of year	<u>240,932</u>	<u>197,972</u>
Cash and cash equivalents, end of year	<u><u>\$ 416,499</u></u>	<u><u>\$ 240,932</u></u>

The accompanying notes are an integral part of these financial statements.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Literacy Services of Indian River County, Inc. (the Organization) is a Florida nonprofit organization incorporated on October 16, 1975. The Organization's mission is to focus attention on literacy and to empower students and individuals to achieve their goals so that they may become contributing members of the community. The Organization was created to teach literary skills to adults who are in need of improving their skills, and to teach English to speakers of other languages. The Organization's support comes primarily from private foundations and individual donors' contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence of absence of donor-imposed restrictions. Accordingly, net assets of Literacy Services of Indian River County, Inc. and changes therein are classified and reported as follows:

Without donor restriction – Net assets that are not subject to donor-imposed stipulations.

Assets without donor restriction are resources available to support operations. The only limits on the use of assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

With donor restriction – Net assets 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, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. This category also includes net assets subject to donor imposed stipulations that neither expire by being used in accordance with a donor's restriction nor by the passage of time

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and time deposits with original maturities when purchased of less than three months. The market value of the fixed income securities and money market investments approximates cost.

Property and Equipment

Property and equipment acquisitions greater than \$500 are capitalized and stated at cost less accumulated depreciation. Donated property and equipment is capitalized at fair market value at the date of the gift. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 15 years.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded when received. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as without donor restriction.

Contributed property and equipment are recorded at fair market value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as with donor restriction support; otherwise, the contributions are recorded as without donor restriction support.

Functional Allocation of Expenses

Literacy Services of Indian River County, Inc. allocates expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are charged directly according to their natural expense classification. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities.

Donated Services

In accordance with SFAS 116, Literacy Services of Indian River County, Inc. does not record donated services for any volunteers working in a nonprofessional capacity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 income and expenses during the year. Accordingly, actual results may differ from those estimates. Significant estimates include but are not limited to allowance for bad debts, present value discounts, and the carrying value of assets required.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

Income Taxes

Literacy Services of Indian River County, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Although the Organization was granted income tax extension by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income. The Organization has been classified as not a private foundation. The Organization income tax filings are subject to audit by various taxing authorities.

In accordance with, Accounting Standards Codification (“ASC”) Topic 740 “*Accounting for Uncertainty in Income Taxes*,” the Organization analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Organization also treats interest and penalties attributable to income taxes, and reflects and charges for such, to the extent they arise as a component of its management and general expenses. The continued application of ASC Topic 740 has no impact on the Organization’s financial statements.

The Organization has evaluated the provisions of ASC Topic 740 regarding accounting for uncertainty in income taxes. The evaluation was performed for the fiscal years 2017 through 2020, the years which remain subject to examination by major tax jurisdictions as of June 30, 2020. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The Organization does not expect the total of unrecognized tax benefits (“UTB”) (e.g., tax deductions, exclusions, or credits claimed, or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2020, and it is not aware of any claims for such amounts by federal or state tax authorities other than listed in the preceding paragraph.

The Organization form 990 related to the year ended June 30, 2020 was due on November 15, 2020. The Organization requested a six month extension, so form 990 will be filed on a timely basis.

Subsequent Events

In preparing these financial statements, Literacy Services of Indian River County, Inc. has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2020, the most recent statement of financial position presented herein, through November 16, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. CREDIT RISK

Literacy Services of Indian River County, Inc. maintains its cash accounts at several financial institutions. Cash balances at each institution are insured by the FDIC up to \$250,000. Literacy Services of Indian River County, Inc. had uninsured cash of \$155,544 and \$0 for the years ended June 30, 2020 and 2019, respectively.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Equipment	\$ 15,499	\$ -	\$ -	\$ 15,499
Furniture and fixtures	6,030	-	-	6,030
Leasehold improvements	29,116	-	(29,116)	-
Total property and equipment	50,645	-	(29,116)	21,529
Less: Accumulated depreciation	(41,810)	(870)	23,050	(19,630)
Net property and equipment	<u>\$ 8,835</u>	<u>\$ (870)</u>	<u>\$ (6,066)</u>	<u>\$ 1,899</u>

Depreciation expense was \$870 and \$3,297 for the years ended June 30, 2020 and 2019, respectively.

4. DEFERRED REVENUE

Beginning in March 2020, a global pandemic of coronavirus affected the United States shutting down businesses and affecting equity markets globally. A federal aid, Coronavirus Aid, Relief, and Economic Security Act (CARES), was signed into law on March 27, 2020. With the Coronavirus shutting down much of the United States economy, Congress provided federal aid to assist millions of small business and non-profit organizations suddenly facing an uncertain future.

On May 12, 2020 the Organization received federal aid in the form of the Paycheck Protection Program (PPP) in the amount of \$29,816. The PPP will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities.

The Organization will apply for the forgiveness next fiscal year ended June 30, 2021, once the conditions have been substantially met or have been explicitly waived recognition of the funds will occur. The Organization expects to have all of the funds forgiven.

5. DONATED OFFICE SPACE

The Organization is provided with office space from the Indian River County Library, Brackett Library and North County Library in which to operate. The estimated fair market value of these in-kind contributions and offsetting rental expenses is \$4,500 for years ended June 30, 2020 and 2019.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

6. OPERATING LEASES

The Organization leases a copier under a non-cancelable operating lease expiring February 2021. Lease expense was \$3,055 and \$2,391 for the years ended June 30, 2020 and 2019, respectively.

7. 403(b) PLAN

The Organization initiated a 403(b) plan during fiscal year ending June 30, 2008. The plan is not subject to ERISA rules and regulations. Employees may make elective contributions to the plan. No contributions have been made to date by the Organization pursuant to the plan.

8. NET ASSETS WITH DONOR RESTRICTION

Donations with donor restrictions received during the fiscal year ended June 30, 2020 were \$72,521 and all of the funds were expended and released within the same fiscal year. There were not any net assets with donor restrictions for the years ended June 30, 2020 and 2019.

9. BOARD DESIGNATED RESTRICTED NET ASSETS

During June 2014, the board of directors voted to designate \$75,000 of unrestricted net assets as internally restricted for future operating reserves. During May 2015, the board of directors voted to increase the designation to \$100,000 for the board designated internally restricted future operating reserves. As of June 30, 2020 there are \$100,000 board designated restricted net assets. Because these funds are internally restricted and not donor restricted they are presented in the financial statements as part of the net assets without donor restriction.