



**Literacy Services of  
Indian River County, Inc.**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2021**

# Literacy Services of Indian River County, Inc.

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## INDEPENDENT AUDITORS' REPORT

October 14, 2021

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 AND 2020

### ASSETS

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 412,550	\$ 416,499
Prepaid expenses	3,857	4,662
Net property and equipment	<u>2,656</u>	<u>1,899</u>
<b>Total assets</b>	<u><u>\$ 419,063</u></u>	<u><u>\$ 423,060</u></u>

### LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable	\$ 400	\$ 700
Accrued payroll	5,113	10,812
Deferred revenue	<u>-</u>	<u>29,816</u>
<b>Total liabilities</b>	<u>5,513</u>	<u>41,328</u>
<b>Net assets</b>		
Without donor restriction	404,436	381,732
With donor restriction	<u>9,114</u>	<u>-</u>
<b>Total net assets</b>	<u>413,550</u>	<u>381,732</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 419,063</u></u>	<u><u>\$ 423,060</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, 2021 AND 2020

	2021			2020
	Without donor restriction	With donor restriction	Total	Total
<b>Revenues and grants</b>				
Contributions and grants	\$ 141,367	\$ 66,365	\$ 207,732	\$ 280,728
Special events	14,139	-	14,139	68,368
Interest and dividend income	360	-	360	2,087
In-kind donation	4,500	-	4,500	7,475
Other Income - PPP Funds	29,816	-	29,816	574
Net assets released from donor restrictions	57,251	(57,251)	-	-
<b>Total public support and revenue</b>	<b>247,433</b>	<b>9,114</b>	<b>256,547</b>	<b>359,232</b>
<b>Expenses</b>				
<b>Program services</b>				
Literacy program	174,679	-	174,679	157,331
<b>Total program services</b>	174,679	-	174,679	157,331
<b>Support services</b>				
Management and general	47,997	-	47,997	47,670
Fundraising expenses	2,053	-	2,053	8,563
<b>Total support services</b>	50,050	-	50,050	56,233
<b>Total expenses</b>	<b>224,729</b>	<b>-</b>	<b>224,729</b>	<b>213,564</b>
<b>Other income (expense)</b>				
Gain/(loss) on disposal of assets	-	-	-	(6,066)
<b>Total other income (expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,066)</b>
<b>Change in net assets</b>	<b>22,704</b>	<b>9,114</b>	<b>31,818</b>	<b>139,602</b>
<b>Net assets, beginning of year</b>	<b>381,732</b>	<b>-</b>	<b>381,732</b>	<b>242,130</b>
<b>Net assets, end of year</b>	<b>\$ 404,436</b>	<b>\$ 9,114</b>	<b>\$ 413,550</b>	<b>\$ 381,732</b>

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, 2021 AND 2020

	2021				2020
	Program Services	Support Services			
	Literacy	Management and General	Fundraising	Total	Total
Compensation					
Salaries	\$ 138,314	\$ 14,774	\$ -	\$ 153,088	\$ 143,770
Payroll taxes & fringes	15,505	1,207	-	16,712	11,019
Total compensation	153,819	15,981	-	169,800	154,789
Bank service fees	-	16	-	16	27
Business licenses and permits	-	296	-	296	200
Contract labor	-	-	-	-	1,000
Depreciation	-	833	-	833	870
Donation	-	100	-	100	100
Dues and subscriptions	2,644	3,613	-	6,257	4,301
Equipment leased	-	3,896	-	3,896	3,055
Fundraising	-	-	522	522	7,254
Insurance	-	2,479	-	2,479	2,600
Office expenses	-	4,410	1,531	5,941	2,581
Postage & shipping	-	577	-	577	402
Professional fees	-	11,296	-	11,296	11,501
Marketing	-	1,965	-	1,965	5,538
Meals	177	76	-	253	1,934
Miscellaneous	-	-	-	-	211
Rent expense	4,400	900	-	5,300	5,700
Supplies and skill books	9,543	-	-	9,543	8,043
Telephone and internet	2,006	1,559	-	3,565	1,886
Travel and seminars	2,090	-	-	2,090	1,572
<b>Total expenses</b>	<b>\$ 174,679</b>	<b>\$ 47,997</b>	<b>\$ 2,053</b>	<b>\$ 224,729</b>	<b>\$ 213,564</b>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 31,818	\$ 139,602
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	833	870
Loss on sale of assets	-	6,066
Changes in operating assets and liabilities which (used) provided cash:		
Prepaid insurance	805	(2,887)
Accounts payable	(300)	400
Accrued payroll	(5,699)	1,700
Deferred revenue	(29,816)	29,816
<b>Net cash provided/used by operating activities</b>	<u>(2,359)</u>	<u>175,567</u>
<b>Cash flows from investing activities</b>		
Purchase of furniture	(1,590)	-
<b>Net cash used in investing activities</b>	<u>(1,590)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	(3,949)	175,567
Cash and cash equivalents, beginning of year	<u>416,499</u>	<u>240,932</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 412,550</u></u>	<u><u>\$ 416,499</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 deliver comprehensive and innovative learning opportunities to local adults seeking English language and literacy skills to achieve their goals. The Organization's vision is that all adults are empowered with the literacy skills they need to thrive in our community. 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 2018 through 2021, the years which remain subject to examination by major tax jurisdictions as of June 30, 2021. 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, 2021, 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, 2021 is due on November 15, 2021, and it 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, 2021, the most recent statement of financial position presented herein, through October 14, 2021, 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 \$0 and \$155,544 for the years ended June 30, 2021 and 2020, 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, 2021:

	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2021</b>
Equipment	\$ 15,499	\$ -	\$ -	\$ 15,499
Furniture and fixtures	<u>6,030</u>	<u>1,590</u>	<u>-</u>	<u>7,620</u>
Total property and equipment	21,529	1,590	-	23,119
Less: Accumulated depreciation	<u>(19,630)</u>	<u>(833)</u>	<u>-</u>	<u>(20,463)</u>
Net property and equipment	<u>\$ 1,899</u>	<u>\$ 757</u>	<u>\$ -</u>	<u>\$ 2,656</u>

Depreciation expense was \$833 and \$870 for the years ended June 30, 2021 and 2020, 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. On December 23, 2020, the PPP loan was fully forgiven since the funds were used for proper expenses and requirements were met.

### 5. OPERATING LEASES

The Organization leases a copier under a non-cancelable operating lease expiring June 2023. Lease expense was \$3,896 and \$3,055 for the years ended June 30, 2021 and 2020, respectively.

<b>Year ended June 30,</b>	<b>Non- cancelable Operating leases</b>
2022	\$ 2,148
2023	<u>2,148</u>
Total minimum payments due	<u>\$ 4,296</u>

# Literacy Services of Indian River County, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 6. 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, 2021 and 2020.

### 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, 2021 were \$66,365 of which \$57,251 was expended and released during the fiscal year. The Organization had net assets with donor restrictions balance of \$9,114 and \$0 for the years ended June 30, 2021 and 2020.

### 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, 2021 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.