

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Jacksonville, Florida

Financial Statements
June 30, 2021 and 2020

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
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R. BRUCE SHEALY
KEVIN M. FRITZ
JON E. CORNAIRE
MICHAEL R. RITCH
GREGORY S. LACINA

ROBERT E. RALSTON
(1921 - 1986)

BERT J. PITTMAN, JR.
(1944 - 2019)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Literacy Alliance of Northeast Florida, Inc.
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of Literacy Alliance of Northeast Florida, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, statements of functional expenses, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Alliance of Northeast Florida, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Literacy Alliance of Northeast Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Alliance of Northeast Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Alliance of Northeast Florida, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Source and Expenditures of City Grant Funds on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



October 22, 2021

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Statements of Financial Position
June 30, 2021 and 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 531,280	\$ 441,487
Accounts receivable	26,136	6,396
Reading materials supplies	16,969	17,864
Prepaid expenses	3,361	3,356
Property and equipment, net of accumulated depreciation of \$23,855 and \$20,253	<u>1,213</u>	<u>4,815</u>
Total assets	<u><u>\$ 578,959</u></u>	<u><u>\$ 473,918</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities		
Accrued payroll and payroll taxes	\$ 10,703	\$ 8,941
Note payable	<u>43,269</u>	<u>38,690</u>
Total liabilities	<u><u>53,972</u></u>	<u><u>47,631</u></u>
Net assets		
Without donor restrictions	<u>524,987</u>	<u>426,287</u>
Total liabilities and net assets	<u><u>\$ 578,959</u></u>	<u><u>\$ 473,918</u></u>

The accompanying notes are an integral part of this statement.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Statements of Activities
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions		
Public support and revenue		
Public support		
Contributions	\$ 174,030	\$ 188,396
City of Jacksonville	64,821	66,821
Florida Commission on Community Service	53,546	-
United Way of Jacksonville	44,661	44,661
Florida Department of Education	7,600	26,050
	<u>344,658</u>	<u>325,928</u>
Revenues		
Paycheck Protection Plan forgiveness	38,690	-
Fund raisers, net of costs	(2,865)	15,551
Florida State College at Jacksonville	10,400	7,499
Interest	334	1,789
	<u>46,559</u>	<u>24,839</u>
Total public support and revenue	<u>391,217</u>	<u>350,767</u>
Expenses		
Program service	242,683	243,535
Supporting service		
Management and general	42,322	41,982
Fund raising	7,512	7,560
	<u>292,517</u>	<u>293,077</u>
Total expenses	<u>292,517</u>	<u>293,077</u>
Increase in net assets without donor restrictions	98,700	57,690
Net assets, beginning of year	<u>426,287</u>	<u>368,597</u>
Net assets, end of year	<u>\$ 524,987</u>	<u>\$ 426,287</u>

The accompanying notes are an integral part of this statement.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Statement of Functional Expenses
For the year ended June 30, 2021

	Program Services	Supporting Services		Total Program and Supporting Services
		Mgmt. & General	Fund Raising	2021
Salaries	\$ 180,536	\$ 16,048	\$ 4,012	\$ 200,596
Payroll taxes	13,082	1,163	291	14,535
Employee benefits	5,891	524	131	6,545
Total salaries and related expenses	199,508	17,734	4,434	221,676
Rent	7,722	7,565	473	15,760
Professional fees	5,439	5,328	333	11,100
Supplies	4,254	1,519	304	6,077
Travel and transportation	4,125	1,473	295	5,893
Rental and maintenance of equipment	5,013	446	111	5,570
Insurance	3,450	986	493	4,928
Technology	3,670	82	326	4,078
Printing and publications	1,635	1,602	100	3,337
Training and education	1,334	1,307	82	2,723
Membership dues	1,668	596	119	2,383
Telephone	1,436	128	32	1,595
Conferences and conventions	40	554	198	792
Postage and shipping	508	181	36	725
Miscellaneous expenses	1,116	1,093	68	2,278
Total operating expenses	240,918	40,593	7,404	288,915
Depreciation	1,765	1,729	108	3,602
Total functional expenses	\$ 242,683	\$ 42,322	\$ 7,512	\$ 292,517

The accompanying notes are an integral part of this statement.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Statement of Functional Expenses
For the year ended June 30, 2020

	Program Services	Supporting Services		Total Program and Supporting Services
		Mgmt. & General	Fund Raising	2020
Salaries	\$ 179,825	\$ 15,984	\$ 3,996	\$ 199,805
Payroll taxes	12,585	1,119	280	13,983
Employee benefits	6,021	535	134	6,690
Total salaries and related expenses	198,430	17,638	4,410	220,478
Rent	7,644	7,488	468	15,600
Professional fees	3,887	3,807	238	7,932
Technology	6,926	154	616	7,696
Insurance	4,224	1,207	603	6,034
Supplies	3,872	1,383	277	5,531
Rental and maintenance of equipment	4,862	432	108	5,402
Printing and publications	2,277	2,230	139	4,646
Travel and transportation	2,113	755	151	3,018
Training and education	1,454	1,425	89	2,968
Telephone	1,512	134	34	1,680
Membership dues	941	336	67	1,344
Postage and shipping	574	205	41	820
Conferences and conventions	5	70	25	100
Miscellaneous expenses	2,285	2,239	140	4,664
Total operating expenses	241,005	39,503	7,405	287,913
Depreciation	2,530	2,479	155	5,164
Total functional expenses	\$ 243,535	\$ 41,982	\$ 7,560	\$ 293,077

The accompanying notes are an integral part of this statement.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Statements of Cash Flows
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 98,700	\$ 57,690
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Payroll Protection loan forgiveness	(38,690)	
Depreciation	3,602	5,164
Change in accounts receivable	(19,740)	2,482
Change in reading materials supplies	895	(1,496)
Change in prepaid expenses	(5)	(660)
Change in accrued payroll and payroll taxes	1,762	(813)
	<u>46,524</u>	<u>62,367</u>
Net cash provided by operating activities		
Cash flows from financing activities		
Proceeds from loan issued	<u>43,269</u>	<u>38,690</u>
Net cash provided by financing activities	<u>43,269</u>	<u>38,690</u>
Increase in cash	89,793	101,057
Cash, beginning of year	<u>441,487</u>	<u>340,430</u>
Cash, end of year	<u>\$ 531,280</u>	<u>\$ 441,487</u>
 <u>Supplemental Disclosure</u>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>N/A</u>	<u>N/A</u>

The accompanying notes are an integral part of this statement.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2021 and 2020

1. Nature of Entity

Organization

Literacy Alliance of Northeast Florida, Inc. is a non-profit organization located in the Jacksonville, Florida area whose mission is to create literacy awareness and to teach reading to individuals and families. Reading is taught by training volunteers to tutor adults and older youths.

2. Summary of Significant Accounting Policies

The financial statements of Literacy Alliance of Northeast Florida, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. The Organization has adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: *Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization’s liquidity, financial performance, and cash flows. Accordingly, the accounts of the Organization are reported in the following net asset categories:

Net Assets with Donor Restrictions – the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions – the part of net assets of the Organization that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Revenue Recognition

As of July 1, 2019, the Organization adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending June 30, 2021 and 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Literacy Alliance of Northeast Florida, Inc. receives substantially all of its grant and contract revenue from State and City agencies. It recognizes contract revenue either to the extent of reimbursable expenditures or on a pro-rata basis over the contract period. Revenue recognition depends on the contract.

Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances and considers them to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to the program when the determination is made.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2021 and 2020

Reading Materials Supplies

Educational materials are valued at the lower of cost or market, on a first-in, first-out basis.

Property and Equipment

The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Expenditures of less than \$500 are expensed. Ordinary repairs and maintenance are charged to expense when incurred. Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Equipment is depreciated over estimated useful lives of five to ten years by the straight-line method.

Long-lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less the cost to sell. Long-lived assets were measured for impairment and no adjustments were deemed necessary during the periods ended June 30, 2021 and 2020.

Contributions

Contributions received are recorded as with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are with restriction by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with restriction are reclassified to without restriction and are reported in the Statements of Activities as net assets released from restriction.

Donated Materials, Long-lived Assets, Facilities & Services

Donated materials are recorded as contributions at their estimated fair value at the date of donation. Long-lived assets or the use of facilities are recorded as contributions in the period received at fair value. Contribution of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills and are provided by individuals possessing those skills.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Income Tax

Literacy Alliance of Northeast Florida, Inc. is a tax-exempt organization as defined by section 501(c)(3) of the Internal Revenue Code; therefore, no provision for federal or state income taxes has been established.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2021 and 2020

For the years ended June 30, 2021 and 2020, there were no interest or penalties recorded or included in its financial statements. The Organization is no longer subject to U.S. federal income tax examinations by the tax authorities for years before June 30, 2019.

Expense Allocation

Allocation of functional expenses between program services and support services is determined on a percentage basis according to the nature and purpose of the expense.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Pronouncements Issued but Not Yet Adopted

Leases

In February 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-02, *Leases (Topic 842)*. This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. The standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the alternative methods of adoption and the impact it will have on its financial statements and related disclosures.

3. Liquidity and Availability of Funds

The Organization’s financial assets available for general expenditure that are without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 531,280	\$ 441,487
Accounts receivable	<u>26,136</u>	<u>6,396</u>
Total financial assets as of year end	<u>\$ 557,416</u>	<u>\$ 447,883</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 557,416</u>	<u>\$ 447,883</u>

As part of the Organization’s liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Property and Equipment

Property and equipment consists principally of office furniture and equipment, which are depreciated over useful lives of five to ten years by the straight-line method.

Literacy Alliance of Northeast Florida, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2021 and 2020

5. Note Payable

On May 7, 2020 and March 3, 2021, the Organization received loan proceeds of \$38,690 and \$43,269, respectively, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the loan may be forgiven by the Small Business Administration, provided the loan proceeds are used to pay qualifying expenses during a certain period of time such as payroll costs, rent, utilities, and mortgage interest. The Organization intends to use the entire proceeds for qualifying expenses and therefore expects the loan to be forgiven in full. Upon forgiveness, the Organization will record a gain on extinguishment of debt equal to the amount forgiven.

	<u>2021</u>	<u>2020</u>
Note issued in connection with the Paycheck Protection Program Phase 2, interest at 1.00%, payable in monthly installments of \$929 including interest beginning April 3, 2022, due in April 2026.	\$ 43,269	\$ -
Note issued in connection with the Paycheck Protection Program, interest at 1.00%, payable in monthly installments of \$2,178 including interest, beginning December 7, 2020, due in full May 2022. All requirements were met and the loan was fully forgiven in the current year.	-	38,690
	<u>43,269</u>	<u>38,690</u>
Less: current portion	<u>(2,246)</u>	<u>(14,858)</u>
	<u>\$ 41,023</u>	<u>\$ 23,832</u>

Maturities of long-term debt are as follows:

June 30, 2022	\$ 2,246
June 30, 2023	10,790
June 30, 2024	10,898
June 30, 2025	11,007
June 30, 2026	8,328
	<u>\$ 43,269</u>

6. Lease Agreement

The Organization entered into a real property lease of one year, \$1,300 per month, expiring December 2018. The lease was renewed for one year expiring December 2019, then renewed an additional year through December 2020. The lease converted to month to month, through June 2021. The Organization entered into a new real property lease for one year, \$2,154 per month expiring June 30, 2022. The lease is for its office location.

Literacy Alliance of Northeast Florida, Inc.
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Notes to the Financial Statements
June 30, 2021 and 2020

The minimum lease payments over the next five years and in the aggregate are as follows:

2022	<u>\$ 25,815</u>
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7. Fundraisers

A detail of the net fund raising revenue for June 30, 2021 is as follows:

<u>Event</u>	<u>Gross Revenue</u>	<u>Direct Costs</u>	<u>Net</u>
Various	\$ 1,861	\$ 4,726	\$ (2,865)
	<u>\$ 1,861</u>	<u>\$ 4,726</u>	<u>\$ (2,865)</u>

COVID-19 restricted fundraisers in the year ending June 30, 2021.

A detail of the net fund raising revenue for June 30, 2020 is as follows:

<u>Event</u>	<u>Revenue</u>	<u>Costs</u>	<u>Net</u>
Golf Tournament	\$ 24,310	\$ 12,672	\$ 11,638
Various	3,913	-	\$ 3,913
	<u>\$ 28,223</u>	<u>\$ 12,672</u>	<u>\$ 15,551</u>

8. Commitments and Contingencies

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” COVID-19 subsequently forced cancellation and restricted in-person gatherings for a period of time and continues to have the potential for periodic cancellations and restrictions. However, the extent of the impact of the COVID-19 on the Organization’s operations and financial performance cannot be reasonably estimated at this time.

9. Concentration of Credit Risk

The Organization places its cash into FDIC insured financial institutions. At June 30, 2021, the cash balances were \$273,931 in excess of the balances which were federally insured.

10. Subsequent Events

Subsequent events were evaluated through October 22, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Literacy Alliance of Northeast Florida, Inc.

(a non-profit organization)

Per Ordinance Code Chapter 118.205(e)

For the year ended June 30, 2021

CITY OF JACKSONVILLE PUBLIC SERVICE GRANT FOR FISCAL YEAR 2020 / 2021

Receipt from City Funds

	City FY 2019 - 2020 <u>Grant #1</u>	City FY 2020 - 2021 <u>Grant #2</u>
Amount of award	\$ 64,310	\$ 70,810
Actual funds received from city in last audit period	58,672	-
Actual amount received this period	<u>5,376</u>	<u>44,904</u>
Amount remaining to be distributed	<u>\$ 262</u>	<u>\$ 25,906</u>

Expenditures of City Funds

City FY 2019-2020 Grant Jax Reads Low Income - \$64,310

<u>Item</u>	<u>Budgeted</u>	Actual 10/1/2019 - <u>6/30/2020</u>	Actual 7/1/2020 - <u>9/30/2020</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Compensation	\$ 64,310	\$ 64,048	\$ -	\$ 64,048	\$ 262
Total	<u>\$ 64,310</u>	<u>\$ 64,048</u>	<u>\$ -</u>	<u>\$ 64,048</u>	<u>\$ 262</u>

City FY 2020-2021 Grant Jax Reads Low Income - \$64,821

<u>Item</u>	<u>Budgeted</u>	Actual 10/1/2020 - <u>6/30/2021</u>	Actual 7/1/2021 - <u>9/30/2021</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Compensation	\$ 70,810	\$ 64,821	\$ -	\$ 64,821	\$ 5,989
Total	<u>\$ 70,810</u>	<u>\$ 64,821</u>	<u>\$ -</u>	<u>\$ 64,821</u>	<u>\$ 5,989</u>