

# **Learn To Read, Inc.**

**(a non-profit organization)**

**Jacksonville, Florida**

**Financial Statements**

**June 30, 2019 and 2018**

**Learn To Read, Inc.**  
**(a non-profit organization)**  
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**RALSTON & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
8777 SAN JOSE BOULEVARD, SUITE 600  
JACKSONVILLE, FLORIDA 32217-4213

R. BRUCE SHEALY  
MICHAEL R. RITCH  
KEVIN M. FRITZ  
JON E. CORNAIRE

ROBERT E. RALSTON  
(1921 - 1986)

BERT J. PITTMAN, JR.  
(1944 - 2018)

TELEPHONE (904) 730-0440  
FAX (904) 730-0993  
EMAIL cpas@ralstonco.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Learn To Read, Inc.  
Jacksonville, Florida

We have audited the accompanying financial statements of Learn To Read, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

**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 audits. We conducted our audits 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 Learn To Read, Inc. as of June 30, 2019 and 2018, 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.

## **Report on 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 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, 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.

*Ralston + Company, PA*

September 5, 2019

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

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	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
Cash	\$ 340,430	\$ 252,579
Accounts receivable	8,878	46,511
Reading materials supplies	16,368	18,786
Prepaid expenses	2,696	3,161
Property and equipment, net of accumulated depreciation of \$15,090 and \$9,926	<u>9,979</u>	<u>15,142</u>
Total assets	<u><u>\$ 378,351</u></u>	<u><u>\$ 336,179</u></u>

	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities		
Accrued payroll and payroll taxes	<u>\$ 9,754</u>	<u>\$ 8,277</u>
Total liabilities	<u>9,754</u>	<u>8,277</u>
Net assets		
Without donor restrictions	<u>368,597</u>	<u>327,902</u>
Total net assets	<u>368,597</u>	<u>327,902</u>
Total liabilities and net assets	<u><u>\$ 378,351</u></u>	<u><u>\$ 336,179</u></u>

The accompanying notes are an integral part of this statement.

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Statements of Activities**  
**For the years ended June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions		
Public support and revenue		
Public support		
Contributions	\$ 138,102	\$ 131,654
City of Jacksonville	72,966	64,768
United Way of Jacksonville	44,661	43,598
Florida Department of Education	30,748	35,853
	<u>286,477</u>	<u>275,873</u>
Revenues		
Fund raisers, net of costs	5,037	22,282
Florida State College at Jacksonville	18,400	14,400
	<u>23,437</u>	<u>36,682</u>
Total public support and revenue	<u>309,914</u>	<u>312,555</u>
Expenses		
Program service	220,600	220,737
Supporting service		
Management and general	41,924	36,145
Fund raising	6,695	6,712
	<u>269,219</u>	<u>263,594</u>
Total expenses	<u>269,219</u>	<u>263,594</u>
Increase in net assets without donor restrictions	40,695	48,961
Net assets, beginning of year	<u>327,902</u>	<u>278,941</u>
Net assets, end of year	<u><u>\$ 368,597</u></u>	<u><u>\$ 327,902</u></u>

The accompanying notes are an integral part of this statement.

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2019**

	Program Services	Supporting Services		Total Program and Supporting Services
		Mgmt. & General	Fund Raising	2019
Salaries	\$ 167,482	\$ 14,887	\$ 3,722	\$ 186,091
Payroll taxes	12,912	1,148	287	14,347
Total salaries and related expenses	180,394	16,035	4,009	200,438
Rent	7,329	7,181	449	14,960
Training and education	7,272	7,124	445	14,841
Professional fees	3,478	3,408	213	7,099
Technology	5,026	112	447	5,585
Insurance	3,868	1,124	286	5,278
Rental and maintenance of equipment	3,332	296	74	3,702
Telephone	2,166	193	48	2,407
Printing and publications	706	691	43	1,440
Membership dues	923	330	66	1,319
Travel and transportation	693	248	50	991
Conferences and conventions	43	609	218	870
Supplies	573	205	41	819
Postage and shipping	239	86	17	342
Awards and grants	187	-	21	208
Miscellaneous expenses	1,840	1,803	113	3,756
Total operating expenses	218,070	39,445	6,540	264,055
Depreciation	2,530	2,479	155	5,164
Total functional expenses	\$ 220,600	\$ 41,924	\$ 6,695	\$ 269,219

The accompanying notes are an integral part of this statement.

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2018**

	Program Services	Supporting Services		Total Program and Supporting Services
		Mgmt. & General	Fund Raising	2018
Salaries	\$ 173,245	\$ 15,400	\$ 3,850	\$ 192,495
Payroll taxes	13,594	1,208	302	15,104
Total salaries and related expenses	186,839	16,608	4,152	207,599
Rent	5,659	5,544	347	11,550
Professional fees	4,490	4,398	275	9,163
Technology	7,847	174	697	8,718
Insurance	4,012	1,210	304	5,526
Training and education	2,691	2,636	165	5,492
Printing and publications	1,691	1,657	104	3,452
Travel and transportation	1,544	552	110	2,206
Rental and maintenance of equipment	1,254	112	28	1,394
Membership dues	815	291	58	1,164
Supplies	704	251	50	1,005
Conferences and conventions	48	681	243	972
Telephone	686	61	15	762
Postage and shipping	454	163	33	650
Awards and grants	159	-	18	177
Miscellaneous expenses	360	353	22	735
Total operating expenses	219,253	34,691	6,621	260,565
Depreciation	1,484	1,454	91	3,029
Total functional expenses	<u>\$ 220,737</u>	<u>\$ 36,145</u>	<u>\$ 6,712</u>	<u>\$ 263,594</u>

The accompanying notes are an integral part of this statement.



**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Statements of Cash Flows**  
**For the years ended June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 40,695	\$ 48,961
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,164	3,029
Change in accounts receivable	37,633	(35,221)
Change in reading materials supplies	2,418	1,729
Change in prepaid expenses	466	3,235
Change in accrued payroll and payroll taxes	<u>1,475</u>	<u>(53)</u>
Net cash provided by operating activities	<u>87,851</u>	<u>21,680</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>-</u>	<u>(11,246)</u>
Net cash used in investing activities	<u>-</u>	<u>(11,246)</u>
Increase in cash	87,851	10,434
Cash, beginning of year	<u>252,579</u>	<u>242,145</u>
Cash, end of year	<u>\$ 340,430</u>	<u>\$ 252,579</u>
 <b><u>Supplemental Disclosure</u></b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

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**1. Nature of Entity**

Organization

Learn To Read, Inc. is a non-profit organization located in Jacksonville, Florida 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 Learn To Read, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below.

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.

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. 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, 2019 and 2018.

New Accounting Standard

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 guidance simplifies the current net asset classification requirements from three net asset classifications to two. The amendment also improves the information presented in the financial statements and notes regarding liquidity, financial performance, and cash flows. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2017. Total net assets did not change as a result of adoption of this ASU.

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

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

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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

Learn To Read, 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.

For the years ended June 30, 2019 and 2018, 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, 2016.

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.

Income Recognition

Learn To Read, 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.

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

*Revenues from Contracts with Customers*

In May 2014, the FASB issued ASU No. 2014-09, Revenues from Contracts with Customers (Topic 606) and has modified the standard thereafter. The standard replaces existing revenue recognition rules with comprehensive revenue measurement and recognition standards and expanded disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), which changed the effective dates of ASU 2014-09. The provisions of ASU 2014-09 are now effective for annual reporting periods beginning after December 31, 2018. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

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*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, 2020. 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>2018</u>	<u>2017</u>
Cash	\$ 340,430	\$ 252,579
Accounts receivable	<u>8,878</u>	<u>46,511</u>
Total financial assets as of year end	<u>\$ 349,308</u>	<u>\$ 299,090</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 349,308</u>	<u>\$ 299,090</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.

**5. Lease Agreement**

The Organization formerly entered into an agreement with the City of Jacksonville on February 2, 2010 for the use of two cubicles and equipment in the Jacksonville Public Library’s Center for Adult Learning. The agreement expired at the end of one year, with the option to extend the terms if mutually agreed by both parties. Both parties agreed to extend the agreement in February 2015. The parties negotiated a three year, \$350 a month agreement. The lease expired in February 2018 and the Organization relocated. As part of the relocation, the Organization entered into a 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.

**Learn To Read, Inc.**  
**(a non-profit organization)**  
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The minimum lease payments over the next five years and in the aggregate are as follows:

2020	\$ 15,600
2021	7,800
2022	-
2023	-
2024	-
	<u>\$ 23,400</u>

**6. Fund Raisers**

A detail of the net fund raising revenue for June 30, 2019 is as follows:

<u>Event</u>	<u>Gross Revenue</u>	<u>Direct Costs</u>	<u>Net</u>
Night at the Library	\$ 7,463	\$ 2,286	\$ 5,177
Kiss the Pig	660	800	(140)
	<u>\$ 8,123</u>	<u>\$ 3,086</u>	<u>\$ 5,037</u>

A detail of the net fund raising revenue for June 30, 2018 is as follows:

<u>Event</u>	<u>Gross Revenue</u>	<u>Direct Costs</u>	<u>Net</u>
Night at the Library	\$ 29,725	\$ 10,838	\$ 18,887
Give and Go	3,395	-	3,395
	<u>\$ 33,120</u>	<u>\$ 10,838</u>	<u>\$ 22,282</u>

**7. Subsequent Events**

Subsequent events were evaluated through September 5, 2019, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**Learn To Read, Inc.**  
**(a non-profit organization)**  
**Schedule of Source and Expenditures of City Grant Funds**  
**Per Ordinance Code Chapter 118.205(e)**  
**For the year ended June 30, 2019**

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**CITY OF JACKSONVILLE PUBLIC SERVICE GRANT FOR FISCAL YEAR 2017 / 2018**

**Receipt from City Funds**

	City FY 2017 - 2018 <u>Grant #1</u>	City FY 2018 - 2019 <u>Grant #2</u>
Amount of award	\$ 66,250	\$ 69,558
Actual funds received from city in last audit period	50,465	-
Actual amount received this period	<u>15,785</u>	<u>63,826</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 5,732</u>

**Expenditures of City Funds**

City FY 2017-2018 Grant Jax Reads Low Income - \$66,250

<u>Item</u>	<u>Budgeted</u>	Actual 10/1/2017 - <u>6/30/2018</u>	Actual 7/1/2018 - <u>9/30/2018</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Compensation	\$ 66,250	\$ 50,465	\$ 15,785	\$ 66,250	\$ -
Total	<u>\$ 66,250</u>	<u>\$ 50,465</u>	<u>\$ 15,785</u>	<u>\$ 66,250</u>	<u>\$ -</u>

City FY 2018-2019 Grant Jax Reads Low Income - \$69,558

<u>Item</u>	<u>Budgeted</u>	Actual 10/1/2018 - <u>6/30/2019</u>	Actual 7/1/2019 - <u>9/30/2019</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Compensation	\$ 69,556	\$ 63,826	\$ -	\$ 63,826	\$ 5,730
Total	<u>\$ 69,556</u>	<u>\$ 63,826</u>	<u>\$ -</u>	<u>\$ 63,826</u>	<u>\$ 5,730</u>