

Learn To Read, Inc.

(a non-profit organization)

Jacksonville, Florida

Financial Statements

June 30, 2018 and 2017

Learn To Read, Inc.
(a non-profit organization)
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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, 2018 and 2017, 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, 2018 and 2017, 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.

Other Matter

Other 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 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.

Ralston & Company, PA
September 4, 2018

Learn To Read, Inc.
(a non-profit organization)
Statements of Financial Position
June 30, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Cash	\$ 252,579	\$ 242,145
Accounts receivable	46,511	11,290
Reading materials supplies	18,786	20,516
Prepaid expenses	3,161	6,397
Property and equipment, net of accumulated depreciation of \$9,926 and \$15,961	<u>15,142</u>	<u>6,925</u>
Total assets	<u><u>\$ 336,179</u></u>	<u><u>\$ 287,273</u></u>

<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accrued payroll and payroll taxes	<u>\$ 8,277</u>	<u>\$ 8,332</u>
Total liabilities	<u>8,277</u>	<u>8,332</u>
Net assets		
Unrestricted:		
Undesignated	<u>327,902</u>	<u>278,941</u>
Total net assets	<u>327,902</u>	<u>278,941</u>
Total liabilities and net assets	<u><u>\$ 336,179</u></u>	<u><u>\$ 287,273</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets		
Public support and revenue		
Public support		
Contributions	\$ 131,654	\$ 99,772
City of Jacksonville	64,768	57,092
United Way of Jacksonville	43,598	46,233
Florida Department of Education	35,853	-
	<u>275,873</u>	<u>203,097</u>
Revenues		
Fund raisers, net of costs	22,282	16,441
Florida State College at Jacksonville	14,400	48,000
	<u>36,682</u>	<u>64,441</u>
Total public support and revenue	<u>312,555</u>	<u>267,538</u>
Expenses		
Program service	220,737	224,535
Supporting service		
Management and general	36,145	37,621
Fund raising	6,712	6,540
	<u>263,594</u>	<u>268,696</u>
Total expenses	<u>263,594</u>	<u>268,696</u>
Increase (decrease) in net assets	48,961	(1,158)
Net assets, beginning of year	<u>278,941</u>	<u>280,099</u>
Net assets, end of year	<u><u>\$ 327,902</u></u>	<u><u>\$ 278,941</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, 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)
Statement of Functional Expenses
For the year ended June 30, 2017

	Program Services	Supporting Services		Total Program and Supporting Services
		Mgmt. & General	Fund Raising	2017
Salaries	\$ 178,848	\$ 15,898	\$ 3,974	\$ 198,720
Payroll taxes	13,537	1,203	301	15,041
Total salaries and related expenses	192,385	17,101	4,275	213,761
Professional fees	4,966	4,864	304	10,134
Printing and publications	4,348	4,259	266	8,873
Training and education	3,641	3,566	223	7,430
Technology	4,555	101	405	5,061
Insurance	3,439	1,109	260	4,808
Rent	2,058	2,016	126	4,200
Travel and transportation	1,638	585	117	2,340
Membership dues	1,029	367	73	1,469
Rental and maintenance of equipment	1,187	106	26	1,319
Telephone	1,168	104	26	1,298
Supplies	614	219	44	877
Conferences and conventions	32	444	159	635
Postage and shipping	394	141	28	563
Awards and grants	388	-	43	431
Miscellaneous expenses	1,939	1,900	119	3,958
Total operating expenses	223,781	36,882	6,494	267,157
Depreciation	754	739	46	1,539
Total functional expenses	\$ 224,535	\$ 37,621	\$ 6,540	\$ 268,696

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 48,961	\$ (1,158)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,029	1,539
Change in accounts receivable	(35,221)	18,412
Change in reading materials supplies	1,729	3,036
Change in prepaid expenses - other	3,235	(294)
Change in accrued payroll and payroll taxes	<u>(53)</u>	<u>(1,595)</u>
Net cash provided by operating activities	<u>21,680</u>	<u>19,940</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(11,246)</u>	-
Net cash used in investing activities	<u>(11,246)</u>	-
Increase in cash	10,434	19,940
Cash, beginning of year	<u>242,145</u>	<u>222,205</u>
Cash, end of year	<u>\$ 252,579</u>	<u>\$ 242,145</u>
 <u>Supplemental Disclosure</u>		
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, 2018 and 2017

1. 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.

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.

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, 2018 and 2017.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Learn to Read, Inc. has no restricted net assets.

Learn To Read, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, 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, 2015.

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

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 beginning January 2019. The Organization is currently evaluating the alternative methods of adoption and the impact it will have on its financial statements and related disclosures.

Learn To Read, Inc.
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Notes to the Financial Statements
June 30, 2018 and 2017

Financial Statement Presentation of Not-for-Profit Entities

In August of 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. These amendments will have an impact on the Organization's financial statement presentation. These amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of this ASU on its financial statements and related disclosures.

2. Property and Equipment

Property and equipment consists principally of office furniture and equipment.

3. 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 has an option to renew.

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

2019	\$ 7,800
2020	-
2021	-
2022	-
2023	-
	<u>\$ 7,800</u>

4. Fund Raisers

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>

Learn To Read, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2018 and 2017

A detail of the net fund raising revenue for June 30, 2017 is as follows:

<u>Event</u>	<u>Gross Revenue</u>	<u>Direct Costs</u>	<u>Net</u>
Night at the Library	\$ 27,186	\$ 10,745	\$ 16,441
	<u>\$ 27,186</u>	<u>\$ 10,745</u>	<u>\$ 16,441</u>

5. Subsequent Events

Subsequent events were evaluated through September 4, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL 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, 2018

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 2016 - 2017 <u>Grant #2</u>
Amount of award	\$ 66,250	\$ 58,662
Actual funds received from city in last audit period	-	50,927
Actual amount received this period	<u>50,465</u>	<u>7,735</u>
Amount remaining to be distributed	<u>\$ 15,785</u>	<u>\$ -</u>

Expenditures of City Funds

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

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

City FY 2016-2017 Grant Jax Reads Low Income - \$58,662

<u>Item</u>	<u>Budgeted</u>	Actual 7/1/2016 - <u>9/30/2017</u>	Actual 10/1/2017 - <u>6/30/2018</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Compensation	\$ 58,662	\$ 50,927	\$ 7,735	\$ 58,662	\$ -
Total	<u>\$ 58,662</u>	<u>\$ 50,927</u>	<u>\$ 7,735</u>	<u>\$ 58,662</u>	<u>\$ -</u>