

# **Literacy Alliance of Northeast Florida, Inc.**

**(a non-profit organization)**

**Jacksonville, Florida**

**Financial Statements**

**June 30, 2020 and 2019**

**Literacy Alliance of Northeast Florida, Inc.**  
**(a non-profit organization)**  
**Index to Financial Statements**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2020 and 2019, 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 Literacy Alliance of Northeast Florida, Inc. as of June 30, 2020 and 2019, 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 13 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 24, 2020

**Literacy Alliance of Northeast Florida, Inc.**  
**(a non-profit organization)**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

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	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 441,487	\$ 340,430
Accounts receivable	6,396	8,878
Reading materials supplies	17,864	16,368
Prepaid expenses	3,356	2,696
Property and equipment, net of accumulated depreciation of \$20,253 and \$15,090	<u>4,815</u>	<u>9,979</u>
Total assets	<u><u>\$ 473,918</u></u>	<u><u>\$ 378,351</u></u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Liabilities		
Accrued payroll and payroll taxes	\$ 8,941	\$ 9,754
Note payable	<u>38,690</u>	<u>-</u>
Total liabilities	<u>47,631</u>	<u>9,754</u>
Net assets		
Without donor restrictions	<u>426,287</u>	<u>368,597</u>
Total liabilities and net assets	<u><u>\$ 473,918</u></u>	<u><u>\$ 378,351</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions		
Public support and revenue		
Public support		
Contributions	\$ 188,396	\$ 138,102
City of Jacksonville	66,821	72,966
United Way of Jacksonville	44,661	44,661
Florida Department of Education	26,050	30,748
	<u>325,928</u>	<u>286,477</u>
Revenues		
Fund raisers, net of costs	15,551	5,037
Florida State College at Jacksonville	7,499	18,400
Interest	1,789	-
	<u>24,839</u>	<u>23,437</u>
Total public support and revenue	<u>350,767</u>	<u>309,914</u>
Expenses		
Program service	243,535	220,844
Supporting service		
Management and general	41,982	41,407
Fund raising	7,560	6,968
	<u>293,077</u>	<u>269,219</u>
Total expenses	<u>293,077</u>	<u>269,219</u>
Increase in net assets without donor restrictions	57,690	40,695
Net assets, beginning of year	<u>368,597</u>	<u>327,902</u>
Net assets, end of year	<u><u>\$ 426,287</u></u>	<u><u>\$ 368,597</u></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, 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)**  
**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	12,845	1,142	285	14,272
Employee benefits	68	6	2	75
Total salaries and related expenses	180,394	16,035	4,009	200,438
Rent	7,330	7,181	449	14,960
Training and education	6,109	5,984	374	12,467
Professional fees	3,479	3,408	213	7,099
Technology	5,027	112	447	5,585
Insurance	3,695	1,056	528	5,278
Rental and maintenance of equipment	3,332	296	74	3,702
Travel and transportation	2,206	788	158	3,151
Telephone	2,166	193	48	2,407
Printing and publications	706	691	43	1,440
Membership dues	923	330	66	1,319
Supplies	723	258	52	1,033
Conferences and conventions	44	609	218	870
Postage and shipping	239	86	17	342
Miscellaneous expenses	1,942	1,903	119	3,964
Total operating expenses	218,314	38,928	6,813	264,055
Depreciation	2,530	2,479	155	5,164
Total functional expenses	\$ 220,844	\$ 41,407	\$ 6,968	\$ 269,219

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, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 57,690	\$ 40,695
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,164	5,164
Change in accounts receivable	2,482	37,633
Change in reading materials supplies	(1,496)	2,418
Change in prepaid expenses	(660)	465
Change in accrued payroll and payroll taxes	(813)	1,476
	<u>62,367</u>	<u>87,851</u>
Net cash provided by operating activities		
Cash flows from financing activities		
Loan issuance	<u>38,690</u>	<u>-</u>
Net cash provided by financing activities	<u>38,690</u>	<u>-</u>
Increase in cash	101,057	87,851
Cash, beginning of year	<u>340,430</u>	<u>252,579</u>
Cash, end of year	<u><u>\$ 441,487</u></u>	<u><u>\$ 340,430</u></u>
<b><u>Supplemental Disclosure</u></b>		
Cash paid during the year for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>N/A</u></u>	<u><u>N/A</u></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, 2020 and 2019**

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**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.

The Organization changed its name from Learn To Read, Inc. during the year ended June 30, 2020 to better reflect its current mission statement.

**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*. During 2018, the Organization 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).

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.

**Literacy Alliance of Northeast Florida, Inc.**  
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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, 2020 and 2019.

Accounting Pronouncement Adopted

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, 2020 and 2019 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.

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.

For the years ended June 30, 2020 and 2019, 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, 2017.

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.

**Literacy Alliance of Northeast Florida, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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Income Recognition

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.

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, 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>2020</u>	<u>2019</u>
Cash	\$ 441,487	\$ 340,430
Accounts receivable	<u>6,396</u>	<u>8,878</u>
Total financial assets as of year end	<u>\$ 447,883</u>	<u>\$ 349,308</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 447,883</u>	<u>\$ 349,308</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.

**Literacy Alliance of Northeast Florida, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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**5. Note Payable**

On May 7, 2020, the Organization received loan proceeds of \$38,690 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.

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.

	\$ 38,690
	<u>38,690</u>
Less: current portion	(14,858)
	<u><u>\$ 23,832</u></u>

Maturities of long-term debt are as follows:

June 30, 2020	\$ 14,858
June 30, 2021	23,832
	<u><u>\$ 38,690</u></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 is for its office location.

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

2021	\$ 7,800
2022	-
2023	-
2024	-
2025	-
	<u><u>\$ 7,800</u></u>

**Literacy Alliance of Northeast Florida, Inc.**  
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**Notes to the Financial Statements**  
**June 30, 2020 and 2019**

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**7. Fund Raisers**

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

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

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>

**8. Subsequent Events**

Subsequent events were evaluated through September 24, 2020, 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, 2020**

**CITY OF JACKSONVILLE PUBLIC SERVICE GRANT FOR FISCAL YEAR 2019 / 2020**

**Receipt from City Funds**

	City FY 2018 - 2019 <u>Grant #1</u>	City FY 2019 - 2020 <u>Grant #2</u>
Amount of award	\$ 69,558	\$ 64,310
Actual funds received from city in last audit period	63,826	-
Actual amount received this period	<u>5,732</u>	<u>58,934</u>
Amount remaining to be distributed	<u>\$ -</u>	<u>\$ 5,376</u>

**Expenditures of City Funds**

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	\$ 69,558	\$ 63,826	\$ 5,732	\$ 69,558	\$ -
Total	<u>\$ 69,558</u>	<u>\$ 63,826</u>	<u>\$ 5,732</u>	<u>\$ 69,558</u>	<u>\$ -</u>

City FY 2019-2020 Grant Jax Reads Low Income - \$69,558

<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	\$ 58,934	\$ -	\$ 58,934	\$ 5,376
Total	<u>\$ 64,310</u>	<u>\$ 58,934</u>	<u>\$ -</u>	<u>\$ 58,934</u>	<u>\$ 5,376</u>