

SPREAD THE WORD NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2016

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FINANCIAL STATEMENTS
JUNE 30, 2016**

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Independent Auditor's Report

To the Board of Directors
Spread the Word Nevada

We have audited the accompanying financial statements of Spread the Word Nevada (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the 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 Spread the Word Nevada as of June 30, 2016, 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.

Ellsworth & Stout, LLC

Las Vegas, Nevada
September 7, 2016



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SPREAD THE WORD NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$	876,589
Certificates of deposit		251,559
Inventory		1,423,342
Prepaid expenses		13,424
Total current assets		<u>2,564,914</u>

Property and Equipment, net 116,010

Other Asset:

Refundable deposits		<u>6,552</u>
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Total Assets \$ 2,687,476

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	868
Accrued expenses		74,080
Total current liabilities		<u>74,948</u>

Net Assets:

Unrestricted net assets		<u>2,612,528</u>
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Total Liabilities and Net Assets \$ 2,687,476

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Unrestricted Net Assets

Unrestricted revenue and other support:

Donations	\$ 1,066,363
Grant income	62,330
In-kind contributions	1,707,527
Special events, net of expenses of \$108,175	166,970
Interest income	2,055
	<u>3,005,245</u>

Expenses:

Program services:

Kids to Kids	1,679,645
Breakfast with Books	346,056
Books & Buddies	197,953
Books on Break	134,567
	<u>2,358,221</u>

Supporting services:

Fundraising	235,465
Management and general	158,256
	<u>393,721</u>

2,751,942

Increase in Net Assets

253,303

Net Assets, Beginning of Year

2,359,225

Net Assets, End of Year

\$ 2,612,528

SPREAD THE WORD NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services					Fundraising	Management and General	Total
	Kids to Kids	Breakfast with Books	Books & Buddies	Books on Break	Total Program			
Advertising	\$ 2,312	\$ 2,311	\$ 2,311	\$ 2,311	\$ 9,245	\$ -	\$ -	\$ 9,245
Automobile expense	9,984	-	-	-	9,984	-	-	9,984
Depreciation	35,877	5,520	5,520	2,760	49,677	-	5,520	55,197
Fundraising expenses	-	-	-	-	-	154	-	154
In-kind expenses	1,206,557	220,628	46,422	63,733	1,537,340	106,312	824	1,644,476
Insurance	8,114	2,318	6,955	2,318	19,705	-	3,477	23,182
Meals and entertainment	-	-	-	-	-	834	835	1,669
Merchant fees	-	-	-	-	-	224	441	665
Mileage reimbursement	2,907	4,162	1,140	181	8,390	2,336	1,446	12,172
Miscellaneous	9,752	477	498	362	11,089	2,658	6,269	20,016
Office expense	5,565	3,966	5,589	1,780	16,900	5,714	11,292	33,906
Outside services	14,150	6,492	6,492	6,492	33,626	8,656	2,164	44,446
Payroll related expenses	19,446	5,861	9,857	3,729	38,893	7,992	18,513	65,398
Professional services	3,302	3,302	3,302	3,302	13,208	6,603	6,603	26,414
Program expenses	65,857	25,495	2,397	4,992	98,741	-	-	98,741
Rent expense	84,459	-	-	-	84,459	-	17,299	101,758
Salaries and wages	205,764	64,720	106,666	41,803	418,953	86,912	71,710	577,575
Telephone expense	805	804	804	804	3,217	1,609	1,609	6,435
Travel	-	-	-	-	-	5,461	5,460	10,921
Utilities	4,794	-	-	-	4,794	-	4,794	9,588
	<u>\$ 1,679,645</u>	<u>\$ 346,056</u>	<u>\$ 197,953</u>	<u>\$ 134,567</u>	<u>\$ 2,358,221</u>	<u>\$ 235,465</u>	<u>\$ 158,256</u>	<u>\$ 2,751,942</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

Cash Flows from Operating Activities

Increase in net assets	\$ 253,303
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	55,197
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	(63,076)
(Increase) decrease in prepaid expenses	(408)
Increase (decrease) in accounts payable	(12,144)
Increase (decrease) in accrued expenses	18,285
Net cash provided by operating activities	<u>251,157</u>

Cash Flows from Investing Activities

Net change in certificates of deposit	(1,559)
Purchase of property and equipment	<u>(25,617)</u>
Net cash used in investing activities	<u>(27,176)</u>

Net Change in Cash and Cash Equivalents 223,981

Cash and Cash Equivalents, Beginning of Year 652,608

Cash and Cash Equivalents, End of Year \$ 876,589

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Spread the Word Nevada (the Organization) is a Nevada nonprofit organization that is dedicated to advancing early childhood literacy by placing books into the hands and homes of children within Southern Nevada’s at-risk, low income communities. Through community collaboration, mentorship and family partnership programs, the Organization fosters reading and language development opportunities ultimately leading to brighter academic and economic futures for these children.

Kids to Kids reaches out to at-risk children (Pre-K through 5th grade) in low income areas by providing them with new and gently used books to develop their very own “keep at home” library of books to learn from and share with their families.

Breakfast with Books is a family literacy program that helps instill the importance of reading with the children in partnership with their families.

Books & Buddies is our reading mentorship program which partners volunteers from senior centers, business and communities with the children attending at-risk elementary centers. The volunteers work individually with students to focus on further developing the child’s reading proficiency, comprehension and verbal recitation skills on a weekly basis for 16 week intervals.

Books on Break is a summer reading program with modeled story time and a distribution of “keep at home” books that promote summer reading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Spread the Word Nevada is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States applicable to not-for-profit organizations, principally Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Agency is required to report information regarding its financial position and changes in financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

At various times throughout the year, the Organization maintained deposits in financial institutions which exceeded federally insured amounts. The Organization has not experienced any losses in these accounts.

Inventory

Inventories, which consist of books to be distributed, are valued at the lower of cost or market value. Donated items are recorded at estimated fair value at the date of donation.

Property and Equipment

The Organization capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$2,500. Property and equipment that are contributed to the Organization are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three to seven years.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All 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 by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period received are reported as unrestricted support. As of June 30, 2016, the Organization did not have restricted net assets.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed Services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, capitalized in property and equipment, or an increase in inventory.

The Organization received the following in-kind contributions in the current year:

Books	\$ 1,474,946
Other donations	199,025
Professional fees	<u>33,556</u>
	<u>\$ 1,707,527</u>

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

In addition, a number of volunteers have donated their time to the Organization and its programs. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Income Taxes

In December 2001, the Organization received notification from the Internal Revenue Service that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes is made in the accompanying financial statements.

Management has evaluated the tax positions taken within their tax returns and does not believe there are any significant uncertain positions taken on the returns.

As of June 30, 2016, the tax years that remain subject to potential examination by taxing authorities begin with 2013.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2016 was \$9,245.

Functional Expenses

The Organization directly allocates costs to the various programs and support services. Functional expenses are considered an expense in the year incurred and, accordingly, are charged to operations on a current basis.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2016, property and equipment consisted of the following:

Leasehold improvements	\$	115,168
Vehicles		95,915
Office equipment		19,323
Furniture and fixtures		15,912
Warehouse equipment		12,639
		<u>258,957</u>
Less: accumulated depreciation		<u>(142,947)</u>
	\$	<u><u>116,010</u></u>

Depreciation expense for the year ending June 30, 2016 was \$55,197.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 4 – LEASE AGREEMENT

The Organization entered into a non-cancelable operating lease agreement for both office and warehouse. The lease commenced in October 2014, requires monthly lease payments of \$6,351 and expires in September 2019.

Future minimum rental payments are as follows, as of June 30:

2017	\$	77,931
2018		80,268
2019		82,674
2020		<u>20,820</u>
	\$	<u><u>261,693</u></u>

Total rent expense for the year ended June 30, 2016 was \$101,758.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 7, 2016, which is the date the financial statements were available to be issued.