

SPREAD THE WORD NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2018

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FINANCIAL STATEMENTS
JUNE 30, 2018**

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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, 2018, 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, 2018, 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
August 24, 2018



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SPREAD THE WORD NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	953,151
Certificates of deposit		761,818
Inventory		1,192,196
Prepaid expenses		8,713
Total current assets		<u>2,915,878</u>

Property and Equipment, net 35,618

Other Assets:

Refundable deposits		<u>6,552</u>
Total Assets	\$	<u>2,958,048</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	1,179
Accrued expenses		<u>81,454</u>
Total current liabilities		82,633

Net Assets:

Unrestricted net assets		<u>2,875,415</u>
Total Liabilities and Net Assets	\$	<u>2,958,048</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Unrestricted Net Assets

Unrestricted revenue and other support:

Donations	\$ 1,246,184
Grant income	39,245
In-kind contributions	1,891,898
Special events, net of expenses of \$136,759	356,502
Interest income	8,150
	<u>3,541,979</u>

Expenses:

Program services:

Kids to Kids	2,007,533
Breakfast with Books	552,971
Books & Buddies	255,395
Books on Break	162,388
	<u>2,978,287</u>

Supporting services:

Fundraising	348,016
Management and general	177,764
	<u>525,780</u>

3,504,067

Increase in Net Assets

37,912

Net Assets, Beginning of Year

2,837,503

Net Assets, End of Year

\$ 2,875,415

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services					Fundraising	Management and General	Total
	Kids to Kids	Breakfast with Books	Books & Buddies	Books on Break	Total Program			
Advertising	\$ 11,245	\$ -	\$ -	\$ -	\$ 11,245	\$ 511	\$ -	\$ 11,756
Automobile expense	9,892	-	-	-	9,892	-	-	9,892
Depreciation	22,495	3,461	3,461	1,730	31,147	-	3,461	34,608
Fundraising expenses	-	-	-	-	-	22,364	-	22,364
In-kind expenses	1,434,791	407,696	57,339	90,213	1,990,039	165,711	15,135	2,170,885
Insurance	7,737	2,211	6,632	2,211	18,791	-	3,316	22,107
Meals and entertainment	1,806	77	260	16	2,159	471	943	3,573
Merchant fees	-	-	-	-	-	1,341	1,199	2,540
Mileage reimbursement	2,518	3,414	2,671	80	8,683	2,517	1,479	12,679
Miscellaneous	20,131	1,623	1,623	1,623	25,000	4,379	4,215	33,594
Office expense	11,321	4,965	5,196	2,313	23,795	6,210	16,698	46,703
Outside services	23,008	10,085	10,235	8,166	51,494	-	-	51,494
Payroll related expenses	21,567	6,412	11,658	3,497	43,134	9,909	36,647	89,690
Professional services	4,505	4,505	4,505	4,505	18,020	3,004	3,004	24,028
Program expenses	62,016	22,433	1,950	1,960	88,359	-	-	88,359
Rent expense	86,330	-	-	-	86,330	-	17,682	104,012
Salaries and wages	278,434	84,521	148,297	44,506	555,758	129,812	70,120	755,690
Telephone expense	1,568	1,568	1,568	1,568	6,272	1,045	1,045	8,362
Travel	1,583	-	-	-	1,583	742	625	2,950
Utilities	6,586	-	-	-	6,586	-	2,195	8,781
	<u>\$ 2,007,533</u>	<u>\$ 552,971</u>	<u>\$ 255,395</u>	<u>\$ 162,388</u>	<u>\$ 2,978,287</u>	<u>\$ 348,016</u>	<u>\$ 177,764</u>	<u>\$ 3,504,067</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

Cash Flows from Operating Activities

Increase in net assets	\$ 37,912
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	34,608
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	278,986
(Increase) decrease in prepaid expenses	(147)
Increase (decrease) in accounts payable	(1,797)
Increase (decrease) in accrued expenses	3,659
Net cash provided by operating activities	<u>353,221</u>

Cash Flows from Investing Activities

Net change in certificates of deposit	(256,027)
Purchase of property and equipment	<u>(3,200)</u>
Net cash used in investing activities	<u>(259,227)</u>

Net Change in Cash and Cash Equivalents 93,994

Cash and Cash Equivalents, Beginning of Year 859,157

Cash and Cash Equivalents, End of Year \$ 953,151

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, our flagship program, 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. The program objective is to enhance the reading abilities of and instill a deep appreciation for reading during the formative stages of the at-risk student population.

Breakfast with Books helps instill the importance of reading with the children in partnership with their families. Each month, students and their parents, grandparents, guardians, and siblings are invited to share in a light breakfast and story reading at elementary schools we serve. Every person who attends receives not only breakfast, but a book to keep and simply outlined literacy expansion activity to take home and implement which reinforces the concepts presented during the program.

Books & Buddies is our reading mentorship program which partners our volunteers from Southern Nevada’s senior centers, businesses and communities with the children attending our at-risk elementary schools. Volunteers partner individually with students to focus on further developing the child’s reading proficiency, comprehension and verbal recitation skills. This program provides children with valuable one-on-one tutoring that is not available in the classroom or in the home.

Books on Break is a summer reading program inspiring continued learning to avoid the “summer slide” and partnered with existing sites to enrich literacy access. All attendees enjoy a modeled story time and receive a book to keep at home and are encouraged to turn in a reading log in exchange for a treasure box prize. This program reinforces the importance of reading during the summertime.

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 of America 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 primarily 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, 2018, 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, inventory and property and equipment.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

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

Books	\$ 1,337,889
Other donations	<u>554,009</u>
	<u>\$ 1,891,898</u>

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, 2018, the tax years that remain subject to potential examination by taxing authorities begin with 2015.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2018 was \$11,756.

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.

New Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU introduced a comprehensive, principles-based framework for recognizing revenue, and, when effective, will supersede the requirements in FASB ASC 605, Revenue Recognition, and virtually all industry-specific revenue recognition guidance in the FASB ASC. However, the standards for the recognition of revenue from contributions by nonprofit organizations will be retained in FASB ASC 958-605, which will be retitled Not-for-Profit Entities—Revenue Recognition—Contributions when ASU 2014-09 is effective. Subsequent to the issuance of ASU 2014-09, the FASB issued a number of ASUs clarifying certain matters in ASU 2014-09. Those subsequent ASUs have the same effective dates as ASU 2014-09 (see discussion in the following paragraph).

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. For most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. Alternatively, the ASU can be applied to annual reporting periods beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the year of initial adoption. Management has not yet evaluated the effects of this standard on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. When effective, the ASU will supersede FASB ASC 840, Leases, and add Topic 842, Leases, to the FASB ASC. The ASU is effective for most nonprofit organizations for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. In addition to replacing FASB ASC 840 with FASB ASC 842, the ASU amends and supersedes a number of other Topics throughout the FASB ASC. Management has not yet evaluated the effects of this standard on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which affects all nonprofit organizations. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. However, nonprofit organizations may only adopt the ASU for an annual fiscal period or in the first interim period within the first fiscal year of adoption. Management has not yet evaluated the effects of this standard on the Organization's financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2018, 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		15,839
		<u>262,157</u>
Less: accumulated depreciation		<u>(226,539)</u>
	\$	<u>35,618</u>

Depreciation expense for the year ending June 30, 2018 was \$34,608.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2018

NOTE 4 – LEASE AGREEMENTS

The Organization leases office and warehouse space under various non-cancelable operating leases. These leases commenced at various times beginning in October 2014, with monthly payments ranging from \$1,952 to \$6,940, and expiring at various times through September 2019.

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

2019	\$	102,194
2020		44,734
2021		24,502
2022		4,100
		<u> </u>
	\$	<u>175,530</u>

Total rent expense for the year ended June 30, 2018 was \$104,012.

NOTE 5 – SUBSEQUENT EVENTS

In August 2018, the Organization entered into a non-cancelable operating lease for office space in Reno, Nevada. Information about this lease, including future minimum rental payments is included in Note 4 of the notes to these financial statements.

Subsequent events have been evaluated through August 24, 2018, which is the date the financial statements were available to be issued.