

SPREAD THE WORD NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2020

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FINANCIAL STATEMENTS
JUNE 30, 2020**

Table of Contents

Independent Auditor’s Report	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-11

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, 2020, 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, 2020, 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 25, 2020



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SPREAD THE WORD NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$	561,331
Certificates of deposit		1,150,406
Inventory		1,900,832
Prepaid expenses		29,358
Total current assets		<u>3,641,927</u>

Property and Equipment, net 97,376

Other Assets:

Refundable deposits		<u>8,552</u>
Total Assets	\$	<u>3,747,855</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	22,831
Accrued expenses		66,902
Credit card payable		1,939
Current maturities of long-term debt		103,622
Total current liabilities		<u>195,294</u>

Long-Term Liabilities:

Long-term debt, net of current maturities		<u>105,178</u>
Total Liabilities		300,472

Net Assets:

Without donor restrictions		<u>3,447,383</u>
Total Liabilities and Net Assets	\$	<u>3,747,855</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Assets without Donor Restrictions

Revenue and other support:	
Donations	\$ 1,031,283
Grant income	40,000
In-kind contributions	2,865,833
Special events, net of expenses of \$155,531	330,179
Interest income	26,787
	<u>4,294,082</u>
Expenses:	
Program services:	
Kids to Kids	3,040,916
Breakfast with Books	407,189
Books & Buddies	300,249
Books on Break	135,788
	<u>3,884,142</u>
Supporting services:	
Management and general	238,463
Fundraising	458,971
	<u>697,434</u>
	<u>4,581,576</u>
Other increases:	
Gain on disposal of property and equipment	<u>1,537</u>
Decrease in Net Assets	(285,957)
Net Assets, Beginning of Year	<u>3,733,340</u>
Net Assets, End of Year	<u>\$ 3,447,383</u>

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services							Total
	Kids to Kids	Breakfast with Books	Books & Buddies	Books on Break	Total Program	Management and General	Fundraising	
Advertising	\$ 7,748	\$ -	\$ -	\$ -	\$ 7,748	\$ -	\$ 127	\$ 7,875
Automobile expense	11,777	-	-	-	11,777	-	-	11,777
Depreciation	22,945	3,530	3,530	1,765	31,770	3,530	-	35,300
Fundraising expenses	-	-	-	-	-	-	13,187	13,187
Insurance	10,778	3,079	9,238	3,079	26,174	4,620	-	30,794
Meals and entertainment	1,232	225	102	46	1,605	2,025	593	4,223
Merchant fees	1,019	146	-	-	1,165	794	1,935	3,894
Mileage reimbursement	428	4,145	1,603	36	6,212	502	905	7,619
Office expense and other	53,832	4,229	4,593	2,346	65,000	21,865	8,014	94,879
Outside services	25,158	12,286	12,287	8,776	58,507	-	10,000	68,507
Payroll related expenses	31,949	10,603	15,631	5,301	63,484	63,572	15,528	142,584
Professional services	8,756	8,756	8,756	8,756	35,024	5,835	5,837	46,696
Program expenses	2,334,582	239,289	91,373	50,685	2,715,929	4,763	225,481	2,946,173
Rent expense	129,828	-	-	-	129,828	26,591	-	156,419
Salaries and wages	381,861	119,663	151,898	53,760	707,182	99,325	176,445	982,952
Telephone expense	1,238	1,238	1,238	1,238	4,952	827	825	6,604
Travel	5,144	-	-	-	5,144	-	94	5,238
Utilities	12,641	-	-	-	12,641	4,214	-	16,855
	<u>\$ 3,040,916</u>	<u>\$ 407,189</u>	<u>\$ 300,249</u>	<u>\$ 135,788</u>	<u>\$ 3,884,142</u>	<u>\$ 238,463</u>	<u>\$ 458,971</u>	<u>\$ 4,581,576</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

Cash Flows from Operating Activities

Decrease in net assets	\$ (285,957)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation expense	35,300
Gain on disposal of property and equipment	(1,537)
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	25,720
(Increase) decrease in prepaid expenses	(18,523)
Increase (decrease) in accounts payable	19,880
Increase (decrease) in accrued expenses	(27,868)
Increase (decrease) in credit card payable	1,939
Net cash used in operating activities	<u>(251,046)</u>

Cash Flows from Investing Activities

Net change in certificates of deposit	(22,701)
Proceeds from disposal of property and equipment	16,337
Purchase of property and equipment	<u>(17,163)</u>
Net cash used in investing activities	<u>(23,527)</u>

Cash Flows From Financing Activities:

Proceeds from debt borrowings	<u>208,800</u>
Net cash provided by financing activities	<u>208,800</u>

Net Decrease in Cash and Cash Equivalents (65,773)

Cash and Cash Equivalents, Beginning of Year 627,104

Cash and Cash Equivalents, End of Year \$ 561,331

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Spread the Word Nevada (the Organization) 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.

Nature of the Organization

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 simple 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.

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.

Basis of Presentation

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. The Organization presents a classified statement of financial position with additional qualitative information about the availability of resources and liquidity in Note 2.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 (as amended by Accounting Standards Update (ASU) 2016-14), the Organization is required to report information regarding its financial position and changes in financial position according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. The classification of net assets is based on the existence or absence of donor-imposed restrictions. Net assets are released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other event specified by donors.

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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

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

Books	\$ 2,407,239
Other donations	<u>458,594</u>
	<u>\$ 2,865,833</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, 2020, the tax years that remain subject to potential examination by taxing authorities begin with 2017.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2020 was \$7,875.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on management's estimate of time and effort.

New Accounting Pronouncements

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. The Organization has implemented this new standard at the beginning of the fiscal year and management has determined that the effects of implementation did not materially impact the recognition of revenues.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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 January 1, 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 other Topics throughout the FASB ASC. Management has not yet evaluated the effects of this standard on the Organization’s financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$1,711,737 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of \$561,331 of cash and cash equivalents and \$1,150,406 of certificates of deposit. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – PROPERTY AND EQUIPMENT

As of June 30, 2020, property and equipment consisted of the following:

Warehouse equipment	\$	123,085
Leasehold improvements		115,168
Vehicles		110,478
Office equipment		19,248
Furniture and fixtures		15,912
		<u>383,891</u>
Less: accumulated depreciation		<u>(286,515)</u>
	\$	<u>97,376</u>

Depreciation expense for the year ended June 30, 2020 was \$35,300.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020

NOTE 4 – LONG-TERM LIABILITIES

On April 20, 2020, the Organization was granted a loan from a financial institution in the aggregate amount of \$208,800, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan matures on March 20, 2022 and bears interest at a fixed rate of 1% per annum, payable monthly commencing on October 20, 2020. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. The Organization’s intent is to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

	\$ 208,800
Less: Current maturities:	<u>(103,622)</u>
	<u><u>\$ 105,178</u></u>

As of June 30, long-term debt matures as follows:

2021	\$ 103,622
2022	<u>105,178</u>
	<u><u>\$ 208,800</u></u>

NOTE 5 – LEASE AGREEMENTS

The Organization leases office and warehouse space under various non-cancelable operating leases. On November 1, 2019, a 3-year lease with payments ranging from \$9,685 to \$10,688 was signed for office/warehouse space in Henderson, Nevada. On August 6, 2018, a 3-year lease with payments ranging from \$1,952 to \$2,050 was signed for office/warehouse space in Reno, Nevada.

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

2021	\$ 145,458
2022	130,712
2023	<u>42,752</u>
	<u><u>\$ 318,922</u></u>

Total rent expense for the year ended June 30, 2020 was \$156,419.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2020

NOTE 6 – RISKS AND CONTINGENCIES

In March 2020, the World Health Organization officially characterized a novel strain of the coronavirus (COVID-19) as a global pandemic. Management is currently responding to the existing effects and planning for the potential future effects that the COVID-19 pandemic may Organization’s operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Organization’s future financial statements.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 25, 2020, which is the date the financial statements were available to be issued.