

SPREAD THE WORD NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2021

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FINANCIAL STATEMENTS
JUNE 30, 2021**

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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, 2021, 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, 2021, 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 26, 2021



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SPREAD THE WORD NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$	661,276
Certificates of deposit		741,977
Investments		217,421
Inventory		2,063,317
Prepaid expenses		23,596
Total current assets		<u>3,707,587</u>

Property and Equipment, net 157,536

Other Assets:

Refundable deposits		<u>8,552</u>
Total Assets	\$	<u><u>3,873,675</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	4,901
Accrued expenses		76,976
Deferred revenue		61,800
Current maturities of long-term debt		39,197
Total current liabilities		<u>182,874</u>

Long-Term Liabilities:

Long-term debt, net of current maturities		<u>175,325</u>
Total Liabilities		358,199

Net Assets:

Without donor restrictions		<u>3,515,476</u>
Total Liabilities and Net Assets	\$	<u><u>3,873,675</u></u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Assets without Donor Restrictions

Revenue and other support:	
Donations	\$ 1,178,409
Grant income	42,160
In-kind contributions	2,127,413
Interest income	22,041
	<u>3,370,023</u>
Expenses:	
Program services:	
Kids to Kids	2,416,970
Breakfast with Books	384,999
Books & Buddies	163,597
Books on Break	136,066
	<u>3,101,632</u>
Supporting services:	
Management and general	239,029
Fundraising	174,960
	<u>413,989</u>
	<u>3,515,621</u>
Other increases (decreases):	
Unrealized and realized loss on investments	(1,109)
Gain on disposal of property and equipment	6,000
Gain on extinguishment of debt	208,800
	<u>213,691</u>
Increase in Net Assets	68,093
Net Assets, Beginning of Year	<u>3,447,383</u>
Net Assets, End of Year	<u><u>\$ 3,515,476</u></u>

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services					Management and General	Fundraising	Total
	Kids to Kids	Breakfast with Books	Books & Buddies	Books on Break	Total Program			
Advertising	\$ 2,648	\$ -	\$ -	\$ -	\$ 2,648	\$ -	\$ 222	\$ 2,870
Automobile expense	10,102	-	-	-	10,102	-	-	10,102
Depreciation	21,002	3,231	3,231	1,616	29,080	3,231	-	32,311
Fundraising expenses	-	-	-	-	-	-	24,287	24,287
Insurance	9,792	2,798	8,394	2,798	23,782	4,197	-	27,979
Meals and entertainment	207	-	-	-	207	914	114	1,235
Merchant fees	573	-	-	-	573	311	2,964	3,848
Mileage reimbursement	203	-	180	29	412	147	134	693
Office expense and other	37,222	3,226	3,531	2,852	46,831	22,654	10,244	79,729
Outside services	31,138	13,839	13,839	10,380	69,196	-	-	69,196
Payroll related expenses	44,411	22,593	11,125	9,301	87,430	17,314	15,795	120,539
Professional services	-	-	-	-	-	24,974	-	24,974
Program expenses	1,766,615	165,927	37,196	36,873	2,006,611	-	-	2,006,611
Rent expense	144,870	-	-	-	144,870	29,672	-	174,542
Salaries and wages	338,011	171,953	84,669	70,785	665,418	131,778	120,214	917,410
Telephone expense	1,432	1,432	1,432	1,432	5,728	955	956	7,639
Travel	98	-	-	-	98	-	30	128
Utilities	8,646	-	-	-	8,646	2,882	-	11,528
	<u>\$ 2,416,970</u>	<u>\$ 384,999</u>	<u>\$ 163,597</u>	<u>\$ 136,066</u>	<u>\$ 3,101,632</u>	<u>\$ 239,029</u>	<u>\$ 174,960</u>	<u>\$ 3,515,621</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities

Increase in net assets	\$ 68,093
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation expense	32,311
Noncash contribution of property and equipment	(7,000)
Unrealized and realized loss on investments	1,109
Gain on disposal of property and equipment	(6,000)
Gain on extinguishment of debt	(208,800)
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	(162,485)
(Increase) decrease in prepaid expenses	5,762
Increase (decrease) in accounts payable	(17,930)
Increase (decrease) in accrued expenses	8,135
Increase (decrease) in deferred revenue	61,800
Net cash used in operating activities	<u>(225,005)</u>

Cash Flows from Investing Activities

Net change in certificates of deposit	408,429
Purchase of investments	(218,530)
Proceeds from disposal of property and equipment	6,000
Purchase of property and equipment	(85,471)
Net cash provided by investing activities	<u>110,428</u>

Cash Flows From Financing Activities:

Proceeds from debt borrowings	214,522
Net cash provided by financing activities	<u>214,522</u>

Net Increase in Cash and Cash Equivalents 99,945

Cash and Cash Equivalents, Beginning of Year 561,331

Cash and Cash Equivalents, End of Year \$ 661,276

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.

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.

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.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

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.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In August 2015 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 (Topic 606) pertaining to revenue from contracts with customers. This pronouncement was amended by ASU 2020-05 to extend the effective date of this pronouncement for non-public companies to become effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization's financial statements were not impacted by the adoption of Topic 606.

Contributions that are restricted by the donor are reported as increases in net assets without 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.

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

Books	\$ 1,961,759
Other donations	158,654
Property and equipment	<u>7,000</u>
	<u>\$ 2,127,413</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, 2021, the tax years that remain subject to potential examination by taxing authorities begin with 2018.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2021 was \$2,870.

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 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, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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 \$1,620,674 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of \$661,276 of cash and cash equivalents, \$741,977 of certificates of deposit and \$217,421 of investments. 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 – FAIR VALUE MEASUREMENTS

The Organization measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.

Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Fair values of assets measured as of June 30, 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring fair value measurements:				
Securities	\$ 112,453	\$ 112,453	\$ -	\$ -
Bonds	104,968	-	104,968	-
	<u>\$ 217,421</u>	<u>\$ 112,453</u>	<u>\$ 104,968</u>	<u>\$ -</u>

NOTE 4 – PROPERTY AND EQUIPMENT

As of June 30, 2021, property and equipment consisted of the following:

Furniture and fixtures	\$ 15,912
Leasehold improvements	115,168
Office equipment	11,506
Vehicles	163,450
Warehouse equipment	130,085
	<u>436,121</u>
Less: accumulated depreciation	<u>(278,585)</u>
	<u>\$ 157,536</u>

Depreciation expense for the year ended June 30, 2021 was \$32,311.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2021

NOTE 5 – LONG-TERM LIABILITIES

On February 3, 2021, the Organization was granted a 2nd PPP loan from a financial institution in the aggregate amount of \$214,522, 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 February 3, 2026 and bears interest at a fixed rate of 1% per annum, payable monthly commencing on September 3, 2021. 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.

	\$ 214,522
Less: Current maturities:	<u>(39,197)</u>
	<u><u>\$ 175,325</u></u>

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

2022	\$	39,197
2023		47,470
2024		47,947
2025		48,428
2026		<u>31,480</u>
	\$	<u><u>214,522</u></u>

NOTE 6 – 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:

2022	\$	151,212
2023		67,832
2024		25,666
2025		<u>4,294</u>
	\$	<u><u>249,004</u></u>

Total rent expense for the year ended June 30, 2021 was \$174,542, which includes common area maintenance fees, taxes, and other related expenses.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2021

NOTE 7 – RISKS AND CONTINGENCIES

Management is currently responding to the existing effects of the global pandemic and planning for the potential future effects that the pandemic may have on the 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 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 26, 2021, which is the date the financial statements were available to be issued.