

SPREAD THE WORD NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2022

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FINANCIAL STATEMENTS
JUNE 30, 2022**

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Independent Auditor's Report

To the Board of Directors
Spread the Word Nevada

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Spread the Word Nevada and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate where there are conditions or events, considered in aggregate, that raise substantial doubt about Spread the Word Nevada's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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Acuity Financial Center
7881 W. Charleston Blvd., Ste. 155 • Las Vegas, NV 89117
p 702-871-2727 | 702-876-0040

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Spread the Word Nevada's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spread the Word Nevada's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ellsworth & Stout, LLC

Las Vegas, Nevada
September 6, 2022

SPREAD THE WORD NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

Current Assets:

Cash and cash equivalents	\$	409,858
Certificates of deposit		478,844
Investments		594,842
Accounts receivable		17,770
Inventory		1,769,694
Prepaid expenses		14,448
Total current assets		<u>3,285,456</u>

Property and Equipment, net

111,816

Other Assets:

Refundable deposits		<u>8,552</u>
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Total Assets

\$ 3,405,824

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	9,556
Accrued expenses		102,392
Deferred revenue		75,000
Total current liabilities		<u>186,948</u>

Net Assets:

Without donor restrictions		<u>3,218,876</u>
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Total Liabilities and Net Assets

\$ 3,405,824

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Assets without Donor Restrictions

Revenue and other support:	
Donations	\$ 1,015,910
In-kind contributions	1,217,978
Special events, net of expenses of \$492,897	516,743
Government grants	23,547
Interest income	19,258
	<u>2,793,436</u>
Expenses:	
Program services:	
Kids to Kids	2,058,274
Breakfast with Books	342,543
Books & Buddies	226,419
Books on Break	76,563
Readers in Training	73,478
	<u>2,777,277</u>
Supporting services:	
Management and general	344,874
Fundraising	87,010
	<u>431,884</u>
	<u>3,209,161</u>
Other increases (decreases):	
Unrealized loss on investments	(95,397)
Gain on extinguishment of debt	214,522
	<u>119,125</u>
Decrease in Net Assets	(296,600)
Net Assets, Beginning of Year	<u>3,515,476</u>
Net Assets, End of Year	<u>\$ 3,218,876</u>

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services						Management and General	Fundraising	Total
	Kids to Kids	Breakfast with Books	Books & Buddies	Books on Break	Readers in Training	Total Program			
Advertising	\$ 4,989	\$ 200	\$ -	\$ -	\$ 341	\$ 5,530	\$ -	\$ -	\$ 5,530
Automobile expense	8,589	-	-	-	-	8,589	-	-	8,589
Depreciation	29,718	4,572	4,572	-	2,286	41,148	4,572	-	45,720
Fundraising expenses	-	-	-	-	-	-	-	18,135	18,135
Insurance	11,272	3,221	9,662	-	3,221	27,376	4,831	-	32,207
Mileage reimbursement	313	1,502	1,334	-	192	3,341	1,005	-	4,346
Office expense and other	65,261	5,461	5,452	-	22,695	98,869	49,890	5,465	154,224
Outside services	33,216	14,134	14,134	-	9,995	71,479	-	114	71,593
Payroll related expenses	30,221	10,106	14,496	4,272	1,978	61,073	74,582	6,946	142,601
Professional services	7,095	7,094	7,094	-	7,094	28,377	10,156	4,729	43,262
Program expenses	1,363,881	135,303	45,148	-	4,791	1,549,123	-	-	1,549,123
Rent expense	151,697	-	-	-	-	151,697	31,070	-	182,767
Salaries and wages	341,736	160,950	124,527	72,291	20,885	720,389	165,340	51,621	937,350
Utilities	10,286	-	-	-	-	10,286	3,428	-	13,714
	<u>\$ 2,058,274</u>	<u>\$ 342,543</u>	<u>\$ 226,419</u>	<u>\$ 76,563</u>	<u>\$ 73,478</u>	<u>\$ 2,777,277</u>	<u>\$ 344,874</u>	<u>\$ 87,010</u>	<u>\$ 3,209,161</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

Cash Flows from Operating Activities

Decrease in net assets	\$ (296,600)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation expense	45,720
Unrealized loss on investments	95,397
Gain on extinguishment of debt	(214,522)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(17,583)
(Increase) decrease in inventory	293,623
(Increase) decrease in prepaid expenses	8,961
Increase (decrease) in accounts payable	4,655
Increase (decrease) in accrued expenses	25,416
Increase (decrease) in deferred revenue	13,200
Net cash used in operating activities	<u>(41,733)</u>

Cash Flows from Investing Activities

Net change in certificates of deposit	263,133
Purchase of investments	<u>(472,818)</u>
Net cash used in investing activities	<u>(209,685)</u>

Net Change in Cash and Cash Equivalents (251,418)

Cash and Cash Equivalents, Beginning of Year 661,276

Cash and Cash Equivalents, End of Year \$ 409,858

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 businesses and our community 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.

Readers in Training is a literacy-based program for children ages 0-5 years. It is designed to assist families in preparing children for preschool and kindergarten. Families who participate receive one new age-appropriate book mailed directly to their homes monthly, access to online content that specifically targets school readiness skills and helps families practice these skills in the home, and the opportunity to participate in quarterly in-person playgroups that will allow children practice school readiness skills in a classroom type setting.

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.

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.

Accounts receivable

All receivables as of June 30, 2022 are considered by management to be collectible and, accordingly, no allowance for uncollectible accounts has been recognized. Receivable balances at the beginning and end of the year were \$187 and \$17,770, respectively.

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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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	\$ 1,100,317
Other donations	<u>117,661</u>
	1,217,978
In-kind contributions included in special events	<u>181,309</u>
	<u>\$ 1,399,287</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, 2022, the tax years that remain subject to potential examination by taxing authorities begin with 2019.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2022 was \$5,530.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (Topic 842) pertaining to leases. This pronouncement is effective for nonprofit organizations for fiscal years beginning after December 15, 2021, with early adoption permitted. Management has not yet evaluated the effects of this standard on the Company's financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$1,426,314 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of \$334,858 of cash and cash equivalents, \$478,844 of certificates of deposit, \$594,842 of investments and \$17,770 of accounts receivable. Contractual or donor imposed restrictions are not available for general expenditure. 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.

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.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured as of June 30, 2022 were as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring fair value measurements:				
Securities	\$ 594,842	\$ 594,842	\$ -	\$ -
	<u>\$ 594,842</u>	<u>\$ 594,842</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – PROPERTY AND EQUIPMENT

As of June 30, 2022, 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>(324,305)</u>
	<u>\$ 111,816</u>

Depreciation expense for the year ended June 30, 2022 was \$45,720.

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:

2023	\$ 67,832
2024	25,666
2025	4,294
	<u>\$ 97,792</u>

Total rent expense for the year ended June 30, 2022 was \$182,767, which includes common area maintenance fees, taxes, and other related expenses.

SPREAD THE WORD NEVADA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 6, 2022, which is the date the financial statements were available to be issued.