SPREAD THE WORD NEVADA

FINANCIAL STATEMENTS

JUNE 30, 2023

ELLSWORTH • STOUT
CPAs and Consultants

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Independent Auditor's Report

To the Board of Directors of
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, 2023, 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 (the "Organization") as of June 30, 2023, 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 the Organization 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 whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Organization'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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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 the Organization'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 the Organization'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 27, 2023

SPREAD THE WORD NEVADA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 334,403
Certificates of deposit	266,260
Investments	620,871
Pledges and grants receivable	185,615
Inventory	1,347,891
Prepaid expenses	19,732
Total current assets	2,774,772
Property and Equipment, net	79,045
Other Assets:	
ROU assets for operating leases, net	264,797
Refundable deposits	8,552
Total other assets	273,349
Total Assets	$ 3,127,166
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 57,438
Accrued expenses	77,633
Deferred revenue	142,500
Current operating lease liability	189,391
Total current liabilities	466,962
Long-Term Liabilities:	
Liability for operating leases, net	78,360
Total Liabilities	545,322
Net Assets:	
Without donor restrictions	2,581,844
Total Liabilities and Net Assets	$ 3,127,166

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Assets without Donor Restrictions	
Revenue and other support:	
Donations	$ 1,286,400
In-kind contributions	2,177,635
Government grants	771,284
Special events, net of expenses of $409,409 of which $132,584 are in-kind	429,268
Interest income	18,367
	4,682,954
Expenses:	
Program services:	
Kids to Kids	3,048,348
Books & Buddies	916,156
Family Literacy	490,570
Readers in Training	239,490
	4,694,564
Supporting services:	
Management and general	315,537
Fundraising	325,114
	5,335,215
Other increases (decreases):	
Unrealized gain on investments	15,229
Decrease in Net Assets	(637,032)
Net Assets, Beginning of Year	3,218,876
Net Assets, End of Year	$ 2,581,844

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services							
	Kids to Kids	Books & Buddies	Family Literacy	Readers in Training	Total Program	Management and General	Fundraising	Total
Advertising	$ 1,375	$ 2,982	$ -	$ 2,242	$ 6,599	$ -	$ -	$ 6,599
Automobile expense	11,361	-	-	-	11,361	-	-	11,361
Depreciation	31,743	4,617	4,617	582	41,559	4,617	-	46,176
Fundraising expenses	-	-	-	-	-	-	17,576	17,576
Insurance	20,651	1,639	1,639	3,278	27,207	3,278	2,295	32,780
Mileage reimbursement	768	3,352	1,142	479	5,741	1,043	1,012	7,796
Office expense and other	74,153	47,037	8,659	23,473	153,322	49,091	25,340	227,753
Outside services	17,100	17,100	17,100	17,100	68,400	-	-	68,400
Payroll related expenses	36,455	71,683	25,076	12,601	145,815	32,748	30,070	208,633
Professional services	226,632	3,260	3,260	6,520	239,672	7,068	6,264	253,004
Program expenses	2,214,415	211,898	228,640	56,060	2,711,013	-	-	2,711,013
Rent expense	127,500	10,119	10,119	20,238	167,976	20,238	14,167	202,381
Salaries and wages	275,442	541,616	189,465	95,210	1,101,733	195,747	227,195	1,524,675
Utilities	10,753	853	853	1,707	14,166	1,707	1,195	17,068
	$ 3,048,348	$ 916,156	$ 490,570	$ 239,490	$ 4,694,564	$ 315,537	$ 325,114	$ 5,335,215

See accompanying notes to the financial statements.

SPREAD THE WORD NEVADA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities		
Decrease in net assets	$	(637,032)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		46,176
Unrealized gain on investments		(15,229)
Lease accretion		2,954
Changes in operating assets and liabilities:		
(Increase) decrease in pledges and grants receivable		(167,845)
(Increase) decrease in inventory		421,803
(Increase) decrease in prepaid expenses		(5,284)
Increase (decrease) in accounts payable		47,882
Increase (decrease) in accrued expenses		(24,759)
Increase (decrease) in deferred revenue		67,500
Net cash used in operating activities		(263,834)
Cash Flows from Investing Activities		
Net change in certificates of deposit		212,584
Purchase of investments		(10,800)
Purchase of property and equipment		(13,405)
Net cash provided by investing activities		188,379
Net Change in Cash and Cash Equivalents		(75,455)
Cash and Cash Equivalents, Beginning of Year		409,858
Cash and Cash Equivalents, End of Year	$	334,403

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of 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.

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.

Our Family Literacy Program helps instill the importance of reading with the children in partnership with their families. Bi-monthly, students and their parents, grandparents, guardians, and siblings are invited to share in a light snack and story reading at elementary schools we serve. Every family who attends receives a brand-new copy of the book of the month for their family to share, and a simple outlined literacy expansion activity to take home and implement which reinforces the concepts presented during the program. In addition, every person who attends receives a book of their choice to take home and continue to build their home library.

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 or 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.

Pledges and Grants Receivable

Certain Nevada businesses and individuals have made pledges in support of the Organization. In accordance with ASC 958, *Not-for-Profit Entities*, the promises to give are recorded at their present value when difference from cash value is considered material. As of June 30, 2023, no discount on pledges was deemed necessary.

Grants receivable represent unreimbursed costs and outstanding grant award balances. It is the Organization's policy to charge off uncollectible receivables when management determines that receivables will not be collected. As of June 30, 2023, no allowances for doubtful grant receivable were deemed necessary.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Leases

In February 2016, the FASB issued *ASU 2016-02, Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued additional ASU's, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for finance and operating leases on the statement of financial position.

The Organization elected to adopt Topic 842 effective July 1, 2022 using transition method B. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Organization has elected to apply the portfolio approach to account for ROU assets and liabilities, where applicable.

The Organization has elected the practical expedient that does not require the Organization to separate lease and non-lease components for its leases.

The Organization has elected to use the risk-free rate as the discount rate for its operating leases.

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise, are not recorded on the statement of financial position.

The Organization has elected to use the package of transition practical expedients.

The Organization leases office space and a copier. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term using the applicable rate. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. For the year ended June 30, 2023, lease commencements resulted in an increase in operating leases ROU assets of $437,144 and an increase in operating lease liabilities of $437,144.

Revenue Recognition

Contributions may be considered conditional or unconditional. A conditional contribution exists if both a) one or more barriers exist and b) the right of return to the contributor for assets transferred (or a right of release of the promisor from its obligation) depends on overcoming the stated barriers before a recipient is entitled to the assets transferred or promised. In cases of ambiguous donor stipulations or stipulations that are not clearly unconditional, contributions are presumed to be conditional. Conditional contributions are recognized when conditions have been substantially met or waived by the donor. Unconditional contributions are recognized when received or when the right to receive is obtained through documentation.

Grant revenue may be considered a contribution, entirely an exchange transaction, or a combination of the two. If a grant is considered a contribution, it is recognized as described in the above paragraph. If a grant is considered an exchange transaction, it falls under the guidance of Topic 606 and additional steps are taken to ensure correct recording of revenue. The performance obligation is satisfied when the services outlined in the grant contract are rendered. For the year ended June 30, 2023, all exchange grant revenue was recognized at a point-in-time when services were performed.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair market value, provided the Organization has a clearly measurable and objective basis for determining the fair value. Donated books are valued based on the industry's leading donation centers per pound pricing rate that ranges from $1-$3. In the case of materials where such values cannot reasonably be determined, the donations are not recorded.

Donated professional services are recognized 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. Unpaid volunteers have donated their time to the Organization's programs. The value of such services has not been reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition as contributed services. Donated professional services consist of donated media press appearances and airtime which are allocated to the Kids to Kids class in program services.

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	$ 1,956,732
Services	187,730
Other donations	165,756
	$ 2,310,218

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.

The Organization is no longer subject to potential income tax examinations by tax authorities for years for which the statute of limitations has expired.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2023, was $6,599.

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, except for those expenditures that are considered direct expenses.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has $1,267,724 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of $191,903 of cash and cash equivalents, $266,260 of certificates of deposit, $620,871 of investments and $188,690 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.

Fair values of assets measured as of June 30, 2023 were as follows:

	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Securities	$ 620,871	$ 620,871	$ -	$ -

NOTE 4 – PROPERTY AND EQUIPMENT

As of June 30, 2023, property and equipment consisted of the following:

Furniture and fixtures	$ 15,912
Leasehold improvements	123,384
Office equipment	11,505
Vehicles	163,450
Warehouse equipment	135,274
	449,525
Less: accumulated depreciation	(370,480)
	$ 79,045

Depreciation expense for the year ended June 30, 2023 was $46,176.

NOTE 5 – LEASE AGREEMENTS

As of June 30, 2023, the following summarizes the line items on the statement of financial position, which include amounts for operating leases:

ROU asset for operating leases	$ 264,797
Cuurent operating lease liablity	$ 189,391
Long-term liability for operating leases	78,360
	$ 267,751

As of June 30, 2023, the following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	1.41 years
Weighted Average Discount Rate	4.3%

As of June 30, 2023, operating lease liabilities mature as follows:

2024	$ 196,612
2025	77,956
2026	1,007
Total lease payments	275,575
Less interest	(7,824)
Present value of lease liabilities	$ 267,751

For the year ended June 30, 2023, the following summarizes the line items in the statement of functional expenses, which include the components of lease expense:

Lease Costs (included in rent expense):	
Operating lease cost	$ 179,174
Short-term lease cost	23,207
Total lease costs	$ 202,381

NOTE 6 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through September 27, 2023, which is the date the financial statements were available to be issued. No additional events were identified that would require disclosure.