

GASTON LITERACY COUNCIL, INC.

GASTONIA, NORTH CAROLINA

FINANCIAL STATEMENT

Years Ended

June 30, 2021 and 2020

GASTON LITERACY COUNCIL, INC.

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August 6, 2021

P.O. Box 2379
109 W. Third Ave.
Gastonia, NC 28053
704.864.8311
704.864.1716 (FAX)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gaston Literacy Council, Inc.
Gastonia, North Carolina

We have audited the accompanying financial statements of Gaston Literacy Council, Inc. (a nonprofit organization), which comprise the statements of revenues and expenses – modified cash basis for the years ended June 30, 2021 and 2020, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audits. We conducted our audits 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. 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 statements of revenues and expenses – modified cash basis for the years ended June 30, 2021 and 2020, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles accepted in the United States of America. Our opinion is not modified with respect to that matter.

Butler & Stone

GASTON LITERACY COUNCIL, INC.

STATEMENTS OF REVENUES AND EXPENSES- MODIFIED CASH BASIS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Grants	\$ 116,158	\$ 119,614
United Way	100,486	99,759
Donations	91,619	100,044
Special events	500	33,403
Investment income	190	913
Loan forgiveness under Cares Act	56,625	
Miscellaneous	1,575	1,053
	<u>367,153</u>	<u>354,786</u>
TOTAL REVENUES		
	<u>367,153</u>	<u>354,786</u>
EXPENSES		
Salaries	199,145	264,547
Payroll taxes	15,303	20,337
Independent contractor	-	6,815
Retirement plan	4,909	4,348
Advertising and marketing	5,628	25
Professional development	-	-
Dues	1,299	1,079
Literacy materials	21,389	32,673
Printing and publications	2,476	1,889
Professional fees	7,622	7,470
Special events expense	325	1,051
Insurance	24,441	21,444
Office expense	4,039	8,327
Telephone	4,357	3,752
Travel	-	403
Occupancy	21,664	24,879
Equipment expense	-	-
Depreciation expense	2,205	2,621
Interest expense	-	431
Miscellaneous	468	568
	<u>315,270</u>	<u>402,659</u>
TOTAL EXPENSES		
	<u>315,270</u>	<u>402,659</u>
NET INCOME (LOSS)	51,883	(47,873)
FUND BALANCE, beginning of year	<u>104,987</u>	<u>152,860</u>
FUND BALANCE, end of year	<u>\$ 156,870</u>	<u>\$ 104,987</u>

See accompanying notes to financial statements.

GASTON LITERACY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Gaston Literacy Council, Inc. (the Council) is a nonprofit organization whose purpose is to increase literacy in Gaston County by providing basic skills assessments, instruction, materials to students, tutor training and materials to volunteers.

Basis of accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. That basis differs from generally accepted accounting principles primarily because the Council has not recognized accounts receivable from third party agencies and accounts payable to vendors and their related effects on earnings in the accompanying financial statements.

Income tax status

The Council is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. In addition, the State of North Carolina has granted the Council tax-exempt status.

Accounting principles generally accepted in the United States of America require the Council's management to evaluate tax positions taken by the Council and disclose in the financial statements if the Council has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Council, and has concluded that as of June 30, 2021, there are no uncertain tax positions taken or expected to be taken that would require disclosure in the financial statements. The Council is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years ended prior to June 30, 2018.

Cash and cash equivalents

The Council classifies cash and cash equivalents as cash on hand, cash in checking and unrestricted savings accounts, all short-term, highly liquid investments that are both readily convertible into cash and so close to maturity that the risk of changes in value because of interest-rate fluctuations is insignificant and investments with original maturities of three months or less.

GASTON LITERACY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment is recorded at cost if purchased or fair value if donated. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets. It is the Council's policy to capitalize all assets over \$2,500.

Use of estimates

The preparation of financial statements in conformity with modified cash accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated services

The Council received certain donated services. No amounts have been reflected in the statement for such services because there is no objective basis available to measure the value of such services.

Subsequent events

Management has evaluated subsequent events through August 6, 2021, the date the financial statements were available to be issued.

NOTE 2: ENDOWMENT FUND

The Endowment Fund is with the Community Foundation of Gaston County. The Endowment Fund is maintained for the purpose of generating and distributing earnings.

The entire fund is available to the Council upon request by its Board of Directors and approval by the Foundation's Board of Directors.

Financial information on the fund for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance – fair market value	\$ 822,586	\$ 815,625
Withdrawals – grants		
Net earnings (loss)	<u>218,710</u>	<u>6,961</u>
Ending balance – fair market value	<u>\$ 1,041,296</u>	<u>\$ 822,586</u>

GASTON LITERACY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 3: DONATED FACILITIES, OCCUPANCY EXPENSES AND PROFESSIONAL SERVICES

The facilities have an estimated rental annual value of \$62,000 for the years ended June 30, 2021 and 2020. Support and rent have not been increased to reflect the estimated value of the contributed facilities in excess of the user fee paid discussed below.

The Council has entered into an agreement to pay the building's owner a fixed monthly user fee of \$900 per month. The Council also pays 100% of interior insurance costs. The Council pays all of the utility costs with the exception of water which is included in rent. The agreement expires December 2023. The Council paid user fees of \$10,800 and \$10,800 for the years ended June 30, 2021 and 2020, respectively.

Minimum monthly user fees remaining under the agreement are as follows:

Years Ended <u>June 30,</u>	
2022	\$ 10,800
2023	10,800
2024	5,400

The Council also receives donated services from a vendor who provides internet website creation and webhosting services. The estimated annual value of these services was \$360 for the years ended June 30, 2021 and 2020, respectively. Support and professional fees have not been increased to reflect the estimated value of these contributed services.

GASTON LITERACY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 48,296	\$ 48,296
Equipment	19,291	19,291
Leasehold improvements	52,115	4,321
Computer equipment	<u>47,989</u>	<u>47,989</u>
	167,691	119,897
Less: accumulated depreciation	<u>(114,074)</u>	<u>(111,869)</u>
	<u>\$ 53,617</u>	<u>\$ 8,028</u>

Depreciation expense for property and equipment totaled \$2,205 and \$2,621 for the years ended June 30, 2021 and 2020, respectively.

NOTE 5: CAPITAL LEASE OBLIGATION

The Council has entered into the following capital lease for a copier:

Capital lease payable to an equipment leasing company for acquisition of equipment, payable in 48 monthly payments of \$96, including interest imputed at 12.188%. Matures May 2023.	\$ 1,960
Less current portion	<u>856</u>
	<u>\$ 1,104</u>

Obligations under the capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments. The capitalized cost and accumulated depreciation of this equipment at June 30, 2021 was \$3,633 and \$757, respectively.

Future minimum payments under the capital lease is as follows:

2022	\$ 1,152
2023	<u>1,152</u>
	2,304
Less amount representing interest	<u>344</u>
Present value of net minimum capital lease payments	<u>\$ 1,960</u>

GASTON LITERACY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

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NOTE 6: DEFINED CONTRIBUTION PLAN

The Council has a defined contribution plan covering all eligible employees who have completed at least six months of continuous service and are a minimum of 21 years old. Contributions to the plan totaled \$4,909 and \$4,348 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7: SCHOLARSHIPS

The Endowment Fund has a balance of \$1,041,296 (See Note 2). This balance includes \$10,008 that is restricted for scholarships at June 30, 2021.

NOTE 8: CONCENTRATION OF FUNDING

Two donors provided approximately \$216,000 and \$219,000 in funding to the Council in 2021 and 2020, respectively. Funding received from these donors constituted approximately 59% and 63% of total revenues for the years ended June 30, 2021 and 2020, respectively.

NOTE 9: PAYCHECK PROTECTION PROGRAM (PPP LOAN)

On May 1, 2020, the Council received \$56,625 from the Paycheck Protection Program in the form of a loan with an interest rate of 1%. Under the guidelines established by The Small Business Administration (SBA), this loan was eligible for forgiveness if the proceeds are used to pay certain qualified expenses and an application for forgiveness was timely and correctly filed with the lending institution and the SBA.

On June 1, 2021 the Council was granted forgiveness for the PPP loan in the amount of \$56,625. This amount is included as income in the statement of revenues and expenses for 2021.