



**LITERACY VOLUNTEERS
OF MORRIS COUNTY INC.**

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Literacy Volunteers of Morris County Inc.

We have reviewed the accompanying financial statements of Literacy Volunteers of Morris County Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting

As discussed in Note 2 to the accompanying financial statements, Literacy Volunteers of Morris County adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to this matter.

Olsen & Thompson, P.A.

Morristown, New Jersey
June 14, 2019

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash	\$136,727
Contributions Receivable	6,820
Prepaid Expenses	2,708
Equipment at cost, less accumulated depreciation of \$33,791	<u>7,457</u>
Total Assets	<u>\$153,712</u>

LIABILITIES AND NET ASSETS

Accrued Expenses	\$ 828
Total Liabilities	<u>828</u>
Commitments	
Net Assets - Without Donor Restrictions	<u>152,884</u>
Total Net Assets	<u>152,884</u>
Total Liabilities and Net Assets	<u>\$153,712</u>

See Accountant's Report and Notes to Financial Statements.

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES			
Foundation and corporate grants	\$ 70,222	\$ 0	\$ 70,222
Contributions	21,374	0	21,374
Program fees	3,873	0	3,873
Special events	63,788	0	63,788
Less direct costs for special events	<u>(9,193)</u>	<u>0</u>	<u>(9,193)</u>
Net special events	54,595	0	54,595
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>6,775</u>	<u>(6,775)</u>	<u>0</u>
 Total Revenues	 <u>156,839</u>	 <u>(6,775)</u>	 <u>150,064</u>
EXPENSES			
Program	147,664	0	147,664
Management	20,620	0	20,620
Fund raising	<u>5,689</u>	<u>0</u>	<u>5,689</u>
 Total Expenses	 <u>173,973</u>	 <u>0</u>	 <u>173,973</u>
 Change in net assets	 (17,134)	 (6,775)	 (23,909)
 Net Assets, beginning of year	 <u>170,018</u>	 <u>6,775</u>	 <u>176,793</u>
 Net Assets, end of year	 <u>\$152,884</u>	 <u>\$ 0</u>	 <u>\$152,884</u>

See Accountant's Report and Notes to Financial Statements.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	<u>Supporting Services</u>		Total
		<u>Management</u>	<u>Fund Raising</u>	
Compensation and related expenses:				
Salaries	\$ 92,925	\$ 9,292	\$ 1,032	\$103,249
Payroll taxes	<u>9,174</u>	<u>917</u>	<u>102</u>	<u>10,193</u>
	<u>102,099</u>	<u>10,209</u>	<u>1,134</u>	<u>113,442</u>
Professional fees	0	5,143	3,892	9,035
Depreciation	3,588	908	45	4,541
Equipment maintenance	5,850	1,481	74	7,405
Insurance	1,995	200	22	2,217
Miscellaneous	4,810	344	38	5,192
Supplies, Printing and Postage	4,431	1,314	229	5,974
Rent	24,244	1,021	255	25,520
Training	<u>647</u>	<u>0</u>	<u>0</u>	<u>647</u>
	<u>\$147,664</u>	<u>\$20,620</u>	<u>\$ 5,689</u>	<u>\$173,973</u>

See Accountant's Report and Notes to Financial Statements.

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (23,909)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,541
Changes in operating assets and liabilities:	
Decrease in contributions receivables	78,986
Increase in prepaid expenses	(730)
Decrease in accrued expenses	<u>(3,347)</u>
Net Cash Provided by Operating Activities	<u>55,541</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Equipment	<u>(3,100)</u>
Net Cash (Used) by Investing Activities	<u>(3,100)</u>
 Net Change in Cash	 52,441
 Cash, beginning of year	 <u>84,286</u>
 Cash, end of year	 <u>\$136,727</u>

See Accountant's Report and Notes to Financial Statements.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 - ORGANIZATION

Literacy Volunteers of Morris County Inc. (LVMC) was founded in 1987 and is dedicated to decreasing adult illiteracy in this country. It currently provides trained tutors to approximately 600 adults in both basic reading instruction and English as a second language in the Morris County area of New Jersey. LVMC is supported primarily through donor contributions, grants and programs. Approximately 23% of LVMC's total revenues for the year ended December 31, 2018 were received from contributions from two foundations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At December 31, 2018 and 2017, \$0 and \$6,775, respectively, was donor restricted to operations in the subsequent year.

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the financial statements. Accordingly, actual results could differ from those estimates.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to LVMC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. LVMC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was required at December 31, 2018.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, LVMC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There were no interest or tax payments in 2018.

EQUIPMENT

LVMC follows the practice of capitalizing all major expenditures for furniture and equipment at cost. Donated property and equipment are similarly capitalized but at fair market value at the time of donation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets (3 -5 years). The depreciation expense for the year ending December 31, 2018 was \$4,541.

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAX STATUS

LVMC is a non-profit voluntary organization and is exempt from Federal income tax under Section 501(c)(3) and the U.S. Internal Revenue Code. LVMC has also been designated a publicly supported organization under Section 170(b)(1)(A)(vi) of the same code. The LVMC is also exempt from New Jersey State income taxes. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

PENSION PLAN

LVMC sponsors a 401(k) pension plan for eligible employees. The plan provides for LVMC to make annual matching contributions solely at its option. LVMC opted to not provide a matching contribution for 2018.

FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and taxes	Time and Effort
Rent	Square Footage
Depreciation	Square Footage
Insurance	Square Footage

NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LVMC has adjusted the presentation in these statements accordingly. The ASU has been applied retrospectively to all periods presented.

See Accountant's Report.

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - CONTRIBUTED SERVICES

Although not reflected in the accompanying financial statements, many individuals have donated significant amounts of their time and performed a variety of tasks to assist LVMC's program and service activities.

NOTE 4 - LEASE COMMITMENTS

LVMC rents office space under a long-term lease; for 2018, rent expense for the office space was \$25,520. The following are the minimum future rental payments for the office space at December 31, 2018 for the years ending December 31:

2019	\$ 35,120
2020	36,540
2021	37,260
2022	<u>9,360</u>
	<u>\$118,280</u>

NOTE 5 - LIQUIDITY

LVMC's financial assets available within one year of December 31, 2018 for general expenditures are as follows:

Cash and cash equivalents	\$136,727
Grant receivables	<u>6,820</u>
Financial assets available to meet general expenditures over the next year	<u>\$143,547</u>

As part of LVMC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

NOTE 6 - SPECIAL EVENTS

Special events generate revenue as well as raise awareness about LVMC's mission. LVMC held several annual events during the year ended December 31, 2018. These events were recorded in changes in net assets without donor restrictions:

Special Events Revenues	\$63,788
Less: Cost of Direct Benefits to Donors	<u>(9,193)</u>
Net Revenues from Special Events	<u>\$54,595</u>

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 7 - SUBSEQUENT EVENTS

LVMC evaluates events or transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on June 14, 2019.

See Accountant's Report.