



**LITERACY VOLUNTEERS
OF MORRIS COUNTY INC.**

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
YEAR ENDED DECEMBER 31, 2019

CONTENTS

Independent Accountant's Review Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

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, 2019, 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.

Emphasis of Matter

As disclosed in Note 7 to the financial statements, in January 2020 the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.

Olsen & Thompson, P.A.

Morristown, New Jersey
June 17, 2020

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash	\$136,022
Prepaid Expenses	4,348
Deposit	9,000
Equipment at cost, less accumulated depreciation of \$38,039	<u>4,199</u>
Total Assets	<u>\$153,569</u>

LIABILITIES AND NET ASSETS

Accrued Expenses	\$ 1,900
Total Liabilities	<u>1,900</u>
Commitments	
Net Assets – Without Donor Restrictions	\$146,669
Net Assets - With Donor Restrictions	<u>5,000</u>
Total Net Assets	<u>151,669</u>
Total Liabilities and Net Assets	<u>\$153,569</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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Foundation and corporate grants	\$109,666	\$ 5,000	\$114,666
Contributions	51,807	0	51,807
Program fees	1,144	0	1,144
Special events	59,667	0	59,667
Less direct costs for special events	<u>(5,773)</u>	<u>0</u>	<u>(5,773)</u>
Net special events	53,894	0	53,894
Net assets released from restrictions: Restrictions satisfied by payments	<u>0</u>	<u>0</u>	<u>0</u>
 Total Revenues	 <u>216,511</u>	 <u>5,000</u>	 <u>221,511</u>
EXPENSES			
Program	192,502	0	192,502
Management	25,277	0	25,277
Fund raising	<u>4,947</u>	<u>0</u>	<u>4,947</u>
 Total Expenses	 <u>222,726</u>	 <u>0</u>	 <u>222,726</u>
 Change in net assets	 (6,215)	 5,000	 (1,215)
 Net Assets, beginning of year	 <u>152,884</u>	 <u>0</u>	 <u>152,884</u>
 Net Assets, end of year	 <u>\$146,669</u>	 <u>\$ 5,000</u>	 <u>\$151,669</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, 2019**

	<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Management</u>	<u>Fund Raising</u>	<u>Total</u>
Compensation and related expenses:				
Salaries	\$115,497	\$11,550	\$ 1,283	\$128,330
Payroll taxes	<u>10,585</u>	<u>1,059</u>	<u>118</u>	<u>11,762</u>
	<u>126,082</u>	<u>12,609</u>	<u>1,401</u>	<u>140,092</u>
Professional fees	0	5,046	0	5,046
Depreciation	3,356	850	42	4,248
Equipment maintenance	7,608	1,926	96	9,630
Insurance	1,323	132	15	1,470
Miscellaneous	5,337	347	2,785	8,469
Supplies, Printing and Postage	9,686	2,763	207	12,656
Rent	38,084	1,604	401	40,089
Training	<u>1,026</u>	<u>0</u>	<u>0</u>	<u>1,026</u>
	<u>\$192,502</u>	<u>\$25,277</u>	<u>\$ 4,947</u>	<u>\$222,726</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (1,215)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,248
Changes in operating assets and liabilities:	
Decrease in contributions receivables	6,820
Increase in prepaid expenses	(1,640)
Increase in deposit	(9,000)
Increase in accrued expenses	<u>1,072</u>
Net Cash Provided by Operating Activities	<u>285</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Equipment	<u>(990)</u>
Net Cash (Used) by Investing Activities	<u>(990)</u>
 Net Change in Cash	 (705)
 Cash, beginning of year	 <u>136,727</u>
 Cash, end of year	 <u><u>\$136,022</u></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, 2019**

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 28% of LVMC's total revenues for the year ended December 31, 2019 were received from contributions from three 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.

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, 2019 and 2018, \$5,000 and \$0, 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, 2019**

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, 2019.

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 2019.

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, 2019 was \$4,248.

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 2016, 2017, 2018 and 2019 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 2019.

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

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.

See Accountant's Report.

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - LEASE COMMITMENTS

LVMC rents office space under a long-term lease; for 2019, rent expense for the office space was \$40,089. The following are the minimum future rental payments for the office space at December 31, 2019 for the years ending December 31:

2020	\$ 36,540
2021	37,260
2022	<u>9,360</u>
	<u>\$ 83,160</u>

NOTE 5 - LIQUIDITY

LVMC's financial assets available within one year of December 31, 2019 for general expenditures are as follows:

Cash and cash equivalents	<u>\$136,022</u>
Financial assets available to meet general expenditures over the next year	<u>\$136,022</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, 2019. These events were recorded in changes in net assets without donor restrictions:

Special Events Revenues	\$59,667
Less: Cost of Direct Benefits to Donors	<u>(5,773)</u>
Net Revenues from Special Events	<u>\$53,894</u>

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 17, 2020.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread through the world and has adversely affected global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruptions in global supply chains and adversely impacting many businesses, governments and not-for-profit organizations. Federal, state and local governments and private entities have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to LVMC, its operations, and its financial results. On May 7, 2020, LVMC's loan application was approved and the Organization borrowed \$28,830 under the Coronavirus Aid, Relief and Economic Security Act. The management of LVMC expects that substantially all of this amount will be forgiven under the terms of the loan agreement in 2020.

See Accountant's Report.