

**SPREAD THE WORD NEVADA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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FINANCIAL STATEMENTS  
JUNE 30, 2010**

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Certified Public Accountants & Consultants

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*Independent Auditors' Report*

To the Board of Directors  
Spread the Word Nevada

We have audited the accompanying statement of financial position of Spread the Word Nevada (a nonprofit organization) (the Organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ellsworth Gilman Johnson & Stout, LLC*

Las Vegas, Nevada  
October 13, 2010



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**SPREAD THE WORD NEVADA**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010**

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**ASSETS**

**Current Assets:**

Cash	\$	196,417
Accounts receivable		4,356
Inventory		461,408
Prepaid expenses		1,997
Total current assets		<u>664,178</u>

**Property and Equipment, net** 10,763

**Other Assets:**

Utility deposit		<u>500</u>
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**Total Assets** \$ 675,441

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable	\$	4,638
Accrued expenses		3,517
Total current liabilities		<u>8,155</u>

**Net Assets:**

Unrestricted net assets		<u>667,286</u>
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**Total Liabilities and Net Assets** \$ 675,441

*See accompanying notes to the financial statements.*

**SPREAD THE WORD NEVADA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

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**Unrestricted Net Assets**

Unrestricted revenue and other support:

Donations	\$ 221,686
Grant income	25,000
In-kind contributions	1,534,284
Special events, net of expenses of \$43,091	115,234
Interest income	1,495
	<u>1,897,699</u>

Expenses:

Program services:

Kids to Kids	1,204,192
Breakfast with Books	186,362
Books and Buddies	33,264
	<u>1,423,818</u>

Supporting services:

Fundraising	72,775
Management and general	185,648
	<u>258,423</u>

1,682,241

**Increase in Unrestricted Net Assets** 215,458

**Net Assets, Beginning, as previously reported** 264,927

**Prior Period Adjustments (Note 6)** 186,901

**Net Assets, Beginning, as restated** 451,828

**Net Assets, End of Year** \$ 667,286

*See accompanying notes to the financial statements.*

**SPREAD THE WORD NEVADA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

	Program Services				Fundraising	Management and and General	Total
	Kids to Kids	Breakfast with Books	Books & Buddies	Total Program			
Salaries and Related Expenses:							
Salaries	\$ 75,727	\$ 30,582	\$ 22,533	\$ 128,842	\$ -	\$ 78,142	\$ 206,984
Payroll expenses	7,209	2,911	2,145	12,265	-	7,439	19,704
	<u>82,936</u>	<u>33,493</u>	<u>24,678</u>	<u>141,107</u>	<u>-</u>	<u>85,581</u>	<u>226,688</u>
Other Expenses:							
Advertising	899	-	-	899	-	695	1,594
Automobile expense	6,552	-	-	6,552	-	1,130	7,682
In-kind expenses	1,067,574	137,042	5,464	1,210,080	70,812	48,107	1,328,999
Insurance	-	-	-	-	-	6,003	6,003
Meals and entertainment	306	6	30	342	89	350	781
Merchant fees	-	-	-	-	-	2,892	2,892
Mileage reimbursement	3,245	2,071	2,173	7,489	-	4,380	11,869
Miscellaneous	521	-	-	521	60	2,929	3,510
Office expense	5,286	2,803	366	8,455	1,648	11,017	21,120
Professional services	185	-	-	185	-	14,959	15,144
Program expenses	27,864	10,522	477	38,863	-	-	38,863
Rent expense	-	-	-	-	-	3,300	3,300
Storage expense	6,081	-	-	6,081	-	-	6,081
Telephone expense	-	-	-	-	-	3,882	3,882
	<u>1,118,513</u>	<u>152,444</u>	<u>8,510</u>	<u>1,279,467</u>	<u>72,609</u>	<u>99,644</u>	<u>1,451,720</u>
Total expense before depreciation	1,201,449	185,937	33,188	1,420,574	72,609	185,225	1,678,408
Depreciation	<u>2,743</u>	<u>425</u>	<u>76</u>	<u>3,244</u>	<u>166</u>	<u>423</u>	<u>3,833</u>
	<u>\$1,204,192</u>	<u>\$ 186,362</u>	<u>\$ 33,264</u>	<u>\$ 1,423,818</u>	<u>\$ 72,775</u>	<u>\$ 185,648</u>	<u>\$ 1,682,241</u>

See accompanying notes to the financial statements.

**SPREAD THE WORD NEVADA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2010**

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**Cash Flows from Operating Activities**

Increase in unrestricted net assets	\$	215,458
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation		3,833
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable		(2,783)
(Increase) decrease in inventory		(205,285)
(Increase) decrease in prepaid expenses		(1,997)
(Increase) decrease in utility deposit		(500)
Increase (decrease) in accounts payable		4,638
Increase (decrease) in accrued expenses		(6,806)
Net cash provided by operating activities		<u>6,558</u>

**Cash Flows from Investing Activities**

Purchase of property and equipment		<u>(7,061)</u>
Net cash used in investing activities		<u>(7,061)</u>

**Net Decrease in Cash** (503)

**Cash, Beginning of Year** 196,920

**Cash, End of Year** \$ 196,417

*See accompanying notes to the financial statements.*

**SPREAD THE WORD NEVADA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 1 – NATURE OF ORGANIZATION**

Spread the Word Nevada (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 reaches out to at-risk children (Pre-K through 5<sup>th</sup> 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.

Breakfast with Books is a family literacy program that helps instill the importance of reading with the children in partnership with their families.

Books & Buddies is our reading mentorship program which partners volunteers from senior centers, business and communities with the children attending at-risk elementary centers. The volunteers work individually with students to focus on further developing the child's reading proficiency, comprehension and verbal recitation skills on a weekly basis for 12 week intervals.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Spread the Word Nevada 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 generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting**

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.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.



**SPREAD THE WORD NEVADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2010**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

Inventories, which consist 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.

**Accounts Receivable**

Revenue and support are recorded when the related amounts are pledged or due. The Organization does not anticipate any collection losses with respect to the receivable balances. As a result, a zero allowance for doubtful accounts has been established as of June 30, 2010. If accounts become uncollectible, the balances will be charged to expense when that determination is made.

**Property and Equipment**

The Organization capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$1,000. 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 range between five to seven years.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period received are reported as unrestricted support.

**Contributed Services**

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 under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

**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). As such, the Organization is exempt from Federal income tax. Therefore, no provision for income taxes is made in the accompanying financial statements.

**Advertising**

Advertising costs are expensed as incurred.

**SPREAD THE WORD NEVADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2010**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Expenses**

The Organization directly allocates costs to the various programs and support services. Functional expenses are considered an expense in the year incurred and, accordingly, are charged to operations on a current basis.

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of June 30, 2010, property and equipment consisted of the following:

Furniture and fixtures	\$	17,955
Vehicles		12,309
		<u>30,264</u>
Less: accumulated depreciation		<u>(19,501)</u>
	\$	<u>10,763</u>

Depreciation expense for the year ending June 30, 2010 was \$3,833.

**NOTE 4 – IN-KIND CONTRIBUTIONS**

During the year ended June 30, 2010, the Organization received in-kind contributions, which consists mainly of donated books.

**NOTE 5 – LEASE AGREEMENTS**

The Organization has a cancelable operating lease for office space with a monthly rent of \$275 per month. Rent expense for the years ended June 30, 2010 was \$3,300.

**NOTE 6 – PRIOR PERIOD ADJUSTMENTS**

Net assets as of June 30, 2009 was adjusted for the understatement of inventory of \$184,877 and the overstatement of accumulated depreciation of \$2,024.

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 13, 2010, which is the date the financial statements were available to be issued.