

Beyond Literacy

Financial Statements
Year Ended June 30, 2021



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BEYOND LITERACY

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Beyond Literacy
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of Beyond Literacy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, 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 U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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 financial position of Beyond Literacy, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Beyond Literacy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBO, LLP.

**Philadelphia, Pennsylvania
March 23, 2021**

BEYOND LITERACY

STATEMENT OF FINANCIAL POSITION

June 30, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 486,724	\$ 604,294
Grants and contracts receivable	76,150	19,400
Due from Community Learning Center	704,836	-
Prepaid expenses and other assets	29,721	51,500
Investments	552,361	436,279
Equipment and leasehold improvements	<u>16,776</u>	<u>18,490</u>
Total assets	<u>\$ 1,866,568</u>	<u>\$ 1,129,963</u>
LIABILITIES		
Loan payable - Paycheck Protection Program	\$ -	\$ 285,400
Accounts payable and accrued expenses	236,754	42,336
Accrued salaries	107,083	128,722
Refundable advances	8,009	-
Deferred rent	<u>23,683</u>	<u>24,966</u>
Total liabilities	<u>375,529</u>	<u>481,424</u>
NET ASSETS		
Without donor restrictions		
Operating	541,849	121,319
Board designated reserves	<u>552,361</u>	<u>436,279</u>
Total without donor restrictions	1,094,210	557,598
With donor restrictions	<u>396,829</u>	<u>90,941</u>
Total net assets	<u>1,491,039</u>	<u>648,539</u>
Total liabilities and net assets	<u>\$ 1,866,568</u>	<u>\$ 1,129,963</u>

See accompanying notes

BEYOND LITERACY

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with comparative totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUE AND SUPPORT				
Grants and contracts	\$ 1,485,697	\$ 115,000	\$ 1,600,697	\$ 1,636,999
Contributions	177,303	5,000	182,303	234,146
In-kind contributions	94,515	-	94,515	109,943
Investment income	116,123	-	116,123	18,807
Gain on forgiveness of loan payable - Paycheck Protection Program	285,400	-	285,400	-
Net assets released from restrictions	<u>117,862</u>	<u>(117,862)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,276,900</u>	<u>2,138</u>	<u>2,279,038</u>	<u>1,999,895</u>
EXPENSES				
Program services	1,706,191	-	1,706,191	1,686,172
General and administrative	357,243	-	357,243	238,138
Fundraising	<u>115,437</u>	<u>-</u>	<u>115,437</u>	<u>153,190</u>
Total expenses	<u>2,178,871</u>	<u>-</u>	<u>2,178,871</u>	<u>2,077,500</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	98,029	2,138	100,167	(77,605)
OTHER CHANGES				
Merger with Community Learning Center (See Note 1)	<u>438,583</u>	<u>303,750</u>	<u>742,333</u>	<u>-</u>
CHANGE IN NET ASSETS	536,612	305,888	842,500	(77,605)
NET ASSETS				
Beginning of year	<u>557,598</u>	<u>90,941</u>	<u>648,539</u>	<u>726,144</u>
End of year	<u>\$ 1,094,210</u>	<u>\$ 396,829</u>	<u>\$ 1,491,039</u>	<u>\$ 648,539</u>

See accompanying notes

BEYOND LITERACY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021 with comparative totals for 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>	
	<u>Adult</u>	<u>General</u>		<u>2021</u>	<u>2020</u>
	<u>Education</u>	<u>and</u>	<u>Fundraising</u>		
		<u>Administrative</u>			
Salaries (using a professional employer organization)	\$ 1,436,813	\$ 70,998	\$ 92,641	\$ 1,600,452	\$ 1,541,928
Communications	3,590	3,102	189	6,881	8,355
Consulting services, professional fees and contracted program services	84,487	181,297	486	266,270	155,531
Depreciation	-	5,599	-	5,599	7,555
Equipment rental	23,372	6,285	-	29,657	29,466
Insurance	12,238	8,270	-	20,508	21,706
Instructional supplies	17,154	19,627	-	36,781	39,781
Office expenses	2,006	19,005	450	21,461	11,124
Other expenses	6,215	10,409	-	16,624	27,347
Rent	88,230	6,049	21,671	115,950	181,661
Technology upgrade and equipment	32,086	26,602	-	58,688	53,046
Total expenses	<u>\$ 1,706,191</u>	<u>\$ 357,243</u>	<u>\$ 115,437</u>	<u>\$ 2,178,871</u>	<u>\$ 2,077,500</u>

See accompanying notes

BEYOND LITERACY

STATEMENT OF CASH FLOWS

Year ended June 30, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 842,500	\$ (77,605)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	5,599	7,555
Unrealized gain on investments	(82,674)	(7,906)
Loss on disposal of equipment and leasehold improvements	-	1,220
Gain on forgiveness of loan payable - Paycheck Protection Program	(285,400)	-
(Increase) decrease in		
Grants and contracts receivable	(56,750)	147,634
Due from Community Learning Center	(704,836)	-
Prepaid expenses and other assets	21,779	(10,936)
Increase (decrease) in		
Accounts payable and accrued expenses	194,418	(1,251)
Accrued salaries	(21,639)	28,850
Refundable advances	8,009	
Deferred rent	(1,283)	24,966
Net cash provided by (used for) operating activities	<u>(80,277)</u>	<u>112,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(3,885)	(21,170)
Purchase of investments	(33,408)	(110,579)
Proceeds from sales of investments	-	137,076
Net cash provided by (used for) investing activities	<u>(37,293)</u>	<u>5,327</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable - Paycheck Protection Program	-	285,400
Change in cash	(117,570)	403,254
CASH		
Beginning of year	<u>604,294</u>	<u>201,040</u>
End of year	<u>\$ 486,724</u>	<u>\$ 604,294</u>

See accompanying notes

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) NATURE OF OPERATIONS

Beyond Literacy (the "**Organization**"), formerly known as The Center for Literacy, Inc., has been unleashing the power of literacy to change lives since 1968. The Organization is Philadelphia's oldest and largest adult literacy organization that not only teaches Philadelphians the Three R's of reading, writing and arithmetic, but also helps adults apply these skills to every aspect of their lives. Connecting our basic skills education program to the contexts of parenting, finance, health and work leads to stronger families, businesses and ultimately a stronger Philadelphia.

Effective June 14, 2021, Beyond Literacy is the surviving organization of a merger with Community Learning Center, a nonprofit organization founded in 1987 as an adult education organization serving students in Philadelphia. Beyond Literacy recorded a contribution of \$742,333 in connection with this merger.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("**GAAP**").

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions. The Board has designated a portion of its net assets without donor restriction for future operational purposes.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Organization to expend the income generated in accordance with the provisions of the contribution. The Organization did not have any net assets with donor restrictions to be maintained indefinitely at June 30, 2021 and 2020.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Investments and Investment Income

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Shares of mutual funds are valued at the net asset value of shares held by the Organization at year end. Dividend and interest income is recorded as earned. Donated securities are recorded at fair value at the date of receipt and sold as soon as possible.

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are carried at cost, net of accumulated depreciation, if purchased and at fair value at the date contributed if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The Organization capitalizes all equipment and leasehold improvements in excess of \$5,000.

Deferred Rent

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on the straight-line basis differ from the cash payments required.

In-Kind Contributions

The Organization recognizes revenue for donated services when they require specialized skills which would need to be purchased if they were not donated. Donated services are recorded as both revenue and expenses in the accompanying statement of activities at their estimated value at the date of receipt.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Functional Allocation of Expenses

The costs of providing various programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries, rent and consulting services, professional fees and contracted program services which were allocated based on estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in GAAP.

Concentration of Credit, Market and Revenue Risk

Cash and Grants and Contracts Receivable

Cash and grants and contracts receivable potentially subject the Organization to concentrations of credit risk. The Organization maintains its cash at high quality institutions. At times, such deposits may exceed federally-insured limits. Grants and contracts receivable are due from governmental agencies and are expected to be collected in 2022.

Investments

The Organization invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). One mutual fund investment represents approximately 94% of the investment balance at June 30, 2021. Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Revenue

The Organization received 59% and 71%, respectively, of its total revenue and support (not including in-kind contributions) from one funding source for the years ended June 30, 2021 and 2020.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

(3) GRANTS AND CONTRACTS RECEIVABLE

The Organization's grants and contracts receivable consisted of the following at June 30,:

	<u>2021</u>	<u>2020</u>
City of Philadelphia Department of Human Services	\$61,710	\$ -
Other	<u>14,440</u>	<u>19,400</u>
	<u>\$76,150</u>	<u>\$19,400</u>

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(4) INVESTMENTS

The fair value of investments at June 30, is summarized as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 16,031	\$ 5,381
Mutual funds		
Fixed income	164,348	148,006
Equities	<u>371,982</u>	<u>282,892</u>
	<u>\$552,361</u>	<u>\$436,279</u>

Investment income was comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 33,449	\$ 10,901
Unrealized gain	<u>82,674</u>	<u>7,906</u>
	<u>\$116,123</u>	<u>\$ 18,807</u>

Investments are measured at fair value using Level 1 (quoted prices in active markets) valuation inputs.

(5) EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 16,178	\$ 12,293
Furniture & Equipment	<u>18,670</u>	<u>18,670</u>
	34,848	30,963
Less: accumulated depreciation	<u>(18,072)</u>	<u>(12,473)</u>
	<u>\$ 16,776</u>	<u>\$ 18,490</u>

Depreciation was \$5,599 and \$7,555, respectively, for the years ended June 30, 2021 and 2020.

(6) LINE OF CREDIT

The Organization has an available line of credit in the amount of \$400,000, which bears interest at a variable rate per annum equal to 0.5% in excess of the Wall Street Prime Rate and expires December 1, 2022. The line of credit is secured by substantially all of the assets of the Organization. No advances were outstanding at June 30, 2021 and 2020.

(7) LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

In June 2020, the Organization received a \$285,400 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act in March 2020 and administered by the Small Business Administration. The loan was fully forgiven by the Small Business Administration in March 2021 and is recognized as gain in the statement of activities for the year ended June 30, 2021.

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes and periods:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2021</u>
Purpose restrictions				
Adult education	\$90,941	\$115,000	\$(111,185)	\$ 94,756
Education	-	153,580	(6,677)	146,903
SSP – Student Services Program	-	150,170	-	150,170
Available for future Periods	-	5,000	-	5,000
	<u>\$90,941</u>	<u>\$423,750</u>	<u>\$(117,862)</u>	<u>\$396,829</u>

(9) IN-KIND CONTRIBUTIONS

In-kind contributions for the year ended June 30, consisted of the following:

	<u>2021</u>	<u>2020</u>
Volunteer tutor services and intern services	\$ 6,174	\$ 13,943
Legal services	52,000	-
Computer equipment	10,626	-
Rent	<u>25,715</u>	<u>96,000</u>
	<u>\$94,515</u>	<u>\$109,943</u>

In-kind volunteer tutor services and intern services, legal services, computer equipment, and rent are included in expenses on the statement of functional expenses.

(10) OPERATING LEASES

The Organization leases facilities under non-cancelable operating leases expiring in August 2026. Rent expense for these facilities was \$100,801 for 2021 and \$85,661 for 2020. Minimum annual lease commitments under non-cancelable leases with initial or remaining terms in excess of one year are as follows:

<u>Years ending June 30,</u>	
2022	\$151,998
2023	160,810
2024	165,627
2025	64,983
2026	57,332
2027	<u>4,789</u>
	<u>\$605,539</u>

(11) EMPLOYEE 403b PLAN

The Organization has a 403b plan for all eligible employees. Employees may contribute a percentage of their salary, up to federal limits. The Organization does not make contributions to the plan.

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 486,724
Grants and contracts receivable	76,150
Due from Community Learning Center	704,836
Investments	<u>552,361</u>
Total financial assets	1,820,071
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(396,829)
Designated by Board of Directors	<u>(552,361)</u>
Total financial assets available within one year	<u>\$ 870,881</u>

Liquidity Management

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, money market funds, mutual funds and a line of credit.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2022, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.