



Literacy Council of Northern Virginia, Inc.

Financial Statements
and
Independent Auditor's Report

June 30, 2020



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Independent Auditor's Report

To the Board of Directors
Literacy Council of Northern Virginia, Inc.
Falls Church, Virginia

We have audited the accompanying financial statements of Literacy Council of Northern Virginia, Inc. (the Council), which comprise the statement of financial position as of June 30, 2020, 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 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 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 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 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 the Council as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Revenue Recognition

As discussed in Note 2 to the financial statements, the Council adopted the provisions of Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU did not result in a change to the accounting for any of the Council's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion has not been modified with respect to this matter.

Emphasis-of-Matter Regarding Restatement of Prior Period Financial Statements

As discussed in Note 11 to the financial statements, the June 30, 2019 financial statements have been restated to recognize contributed rent receivable. Our opinion is not modified respect to that matter.

Sikich LLP

Alexandria, Virginia
November 12, 2020

Literacy Council of Northern Virginia, Inc.
Statement of Financial Position
June 30, 2020

Assets

Current assets:

Cash	\$ 194,221
Contributions and grants receivable	52,503
Accounts receivable	8,404
Inventory	19,711
Prepaid expenses	5,161
Investments	541,055
Contributed rent receivable	<u>162,000</u>

Total current assets 983,055

Property and equipment, net 10,157

Total assets \$ 993,212

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 11,031
Accrued payroll	55,224
Accrued vacation	<u>43,725</u>

Total current liabilities 109,980

Refundable advance 160,600

Total liabilities 270,580

Net assets:

Without donor restrictions	550,787
With donor restrictions	<u>171,845</u>

Total net assets 722,632

Total liabilities and net assets \$ 993,212

Literacy Council of Northern Virginia, Inc.

Statement of Activities

For the Year Ended June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 514,346	\$ 303,610	\$ 817,956
Contributed services and materials	526,667	-	526,667
Grant revenue	23,457	139,093	162,550
Contributed rent	-	162,000	162,000
Workshop and student fees	140,686	-	140,686
Special fundraising events	54,316	-	54,316
Investment income, net	40,361	-	40,361
Loss on disposal of assets	(1,418)	-	(1,418)
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>532,208</u>	<u>(532,208)</u>	<u>-</u>
Total revenues	<u>1,830,623</u>	<u>72,495</u>	<u>1,903,118</u>
Expenses:			
Program services:			
Distance learning	155,406	-	155,406
Destination workforce	349,958	-	349,958
English language learners basic literacy	470,379	-	470,379
Family learning	164,162	-	164,162
Other program services	<u>439,260</u>	<u>-</u>	<u>439,260</u>
Total program services	<u>1,579,165</u>	<u>-</u>	<u>1,579,165</u>
Support services:			
Management and general	180,745	-	180,745
Fundraising	<u>107,050</u>	<u>-</u>	<u>107,050</u>
Total support services	<u>287,795</u>	<u>-</u>	<u>287,795</u>
Total expenses	<u>1,866,960</u>	<u>-</u>	<u>1,866,960</u>
Change in net assets	<u>(36,337)</u>	<u>72,495</u>	<u>36,158</u>
Net assets, beginning of year, as previously reported	587,124	18,350	605,474
Net asset restatement	<u>-</u>	<u>81,000</u>	<u>81,000</u>
Net assets, beginning of year, as restated	<u>587,124</u>	<u>99,350</u>	<u>686,474</u>
Net assets, end of year	<u>\$ 550,787</u>	<u>\$ 171,845</u>	<u>\$ 722,632</u>

See accompanying notes to the financial statements.

Literacy Council of Northern Virginia, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Distance learning	Destination workforce	English language learners basic literacy	Family learning	Other program services	Total program services	Management and general	Fundraising	Total support services	Total expenses
Depreciation and amortization	\$ 510	\$ 853	\$ 2,384	\$ 681	\$ 1,703	\$ 6,131	\$ 339	\$ 341	\$ 680	\$ 6,811
Dues and memberships	52	94	104	33	418	701	60	419	479	1,180
Employee benefits	6,770	16,891	17,084	4,718	22,177	67,640	11,151	7,387	18,538	86,178
Employee relations	-	227	400	-	242	869	2,576	-	2,576	3,445
In-kind supplies and equipment	380	762	1,333	571	761	3,807	-	-	-	3,807
In-kind volunteer tutoring and other services	52,286	104,572	183,001	78,429	104,572	522,860	-	-	-	522,860
Insurance	873	1,288	1,400	411	2,076	6,048	989	705	1,694	7,742
Other expenses	325	1,161	1,542	400	2,497	5,925	656	493	1,149	7,074
Payroll taxes	4,964	12,296	12,446	3,440	16,182	49,328	8,131	5,391	13,522	62,850
Postage and shipping	1	70	222	61	998	1,352	3,525	2,058	5,583	6,935
Printing and publications	6	817	1,006	502	205	2,536	1,377	2,256	3,633	6,169
Professional fees	3,103	7,066	10,145	3,693	9,661	33,668	24,893	1,444	26,337	60,005
Program books and supplies	225	9,353	20,443	4,354	6,899	41,274	-	-	-	41,274
Rent	6,075	10,125	28,350	14,115	20,250	78,915	4,050	4,050	8,100	87,015
Repairs and maintenance	342	570	1,596	456	1,140	4,104	228	228	456	4,560
Salaries	75,907	176,793	179,910	50,020	237,192	719,822	118,465	79,196	197,661	917,483
Supplies	2,894	4,320	5,766	1,619	7,859	22,458	3,121	2,325	5,446	27,904
Telephone	661	1,727	2,001	478	2,234	7,101	1,128	743	1,871	8,972
Travel	32	973	1,246	181	2,194	4,626	56	14	70	4,696
Total expenses	<u>\$ 155,406</u>	<u>\$ 349,958</u>	<u>\$ 470,379</u>	<u>\$164,162</u>	<u>\$ 439,260</u>	<u>\$ 1,579,165</u>	<u>\$ 180,745</u>	<u>\$ 107,050</u>	<u>\$ 287,795</u>	<u>\$ 1,866,960</u>

See accompanying notes to the financial statements.

Literacy Council of Northern Virginia, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ <u>36,158</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,811
Net realized and unrealized gains on investments	(30,482)
Donated stock	(10,151)
Loss on disposal of assets	1,418
Decrease (increase) in assets:	
Contributions and grants receivable	(12,688)
Contributed rent receivable	(81,000)
Accounts receivable	9,941
Inventory	(2,057)
Prepaid expenses	(239)
Increase (decrease) in liabilities:	
Accounts payable	(11,907)
Accrued payroll	12,279
Accrued vacation	17,631
Deferred revenue	(3,570)
Refundable advance	<u>160,600</u>
Total adjustments	<u>56,586</u>
Net cash provided by operating activities	<u>92,744</u>
Cash flows from investing activities:	
Purchases of property and equipment	(1,600)
Purchases of investments	(149,137)
Proceeds from sales of investments	<u>189,139</u>
Net cash provided by investing activities	<u>38,402</u>
Net increase in cash	131,146
Cash, beginning of year	<u>63,075</u>
Cash, end of year	<u><u>\$ 194,221</u></u>

See accompanying notes to the financial statements.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

1. Organization

The Literacy Council of Northern Virginia, Inc. (the Council) is an adult educational organization whose mission is to teach adults the basics of reading, writing, speaking and understanding English so they can access employment and education opportunities and more fully and equitably participate in their community. The Council teaches primarily foreign-born adults through classroom programs with the help of trained volunteers.

2. Summary of Significant Accounting Policies

a. Basis of presentation

The Council's financial statements are presented in accordance with accounting principles generally accepted accounting in the United States of America (US GAAP) for nonprofit organizations. Under those principles, the Council is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.
- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statement of activities.

b. Basis of accounting

The Council's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

c. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

d. Fair value measurements

US GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. US GAAP requires the Council to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation technique

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2020.

- Mutual funds and corporate bonds: Valued at the closing quoted price in an active market.
- Equity securities: Valued at the closing quoted price in an active market.
- Exchange traded funds: Valued at the closing quoted price in an active market.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

e. Income taxes

The Council is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Council is not classified as a private foundation.

f. Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2020, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

g. Contributions and grants receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Grants receivable are conditional contributions that are recognized when qualifying expenses are incurred. At June 30, 2020, grants receivable in the amount of \$42,658 originated from cost reimbursement grants in which the expenses have already been incurred during the year ended June 30, 2020. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2020, no allowance for doubtful accounts had been recognized.

h. Inventory

Inventory consists of textbooks and is stated at the lower of cost or market by the average cost method.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

i. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by the donor or by law. The Council invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements. Donated securities are recorded at their fair value on the date of the donation. Investment income is reported net of external and direct internal investment expenses.

j. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Library	3 years
Office equipment	5 years
Furniture	5 years

The Council's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

k. Revenue recognition

Contributions and grant revenue: The Council recognizes contributions, grant, and special fundraising events revenue 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. The Council reports gifts of cash and other assets as donor restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Council's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Program service fees: Workshop and student fees are recognized as revenue in the period the events take place. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

In-kind contributions: Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

l. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

The expenses that are allocated include the following:

<u>Method of Allocation</u>	<u>Expense</u>
Time and effort	Salaries, payroll taxes, employee benefits, professional fees, dues and memberships, supplies, telephone, insurance, events, and other expenses
Program expenses	In-kind supplies and equipment, and in-kind volunteer tutoring and other services
Square footage	Rent, repairs and maintenance, and depreciation and amortization

m. Adoption of new accounting standard

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. This standard is intended to address questions stemming from ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, regarding its implications on grants and contracts of not-for-profit organizations. The change in accounting principle was adopted on a modified prospective basis as of July 1, 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019.

n. New pronouncements

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. On June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, to defer the effective date of FASB ASC 606 to fiscal years beginning after December 15, 2019 for certain entities that have not yet issued financial statements due to the COVID-19 pandemic. The Council has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosure about leasing arrangements. ASU No. 2016-02, as amended by 2020-05, is effective for nonprofit entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the consolidated financial statements.

In July 2018, FASB issued ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Council is currently assessing the impacts of this new standard, including the two optional transition methods.

The Council plans to adopt the new ASUs at the respective required implementation dates.

3. Liquidity and Availability

The following represents the Council's financial assets at June 30:

Financial assets at year end:	<u>2020</u>
Cash	\$ 194,221
Contributions and grants receivable	52,503
Accounts receivable	8,404
Investments	<u>541,055</u>
Total financial assets	<u>796,183</u>
Less amounts not available within one year:	
Net assets with donor restrictions	<u>(9,845)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 786,338</u>

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

The Council's goal is to maintain sufficient liquidity to support its on-going operations. For the year ended on June 30, 2020, the Council held approximately \$198,024 in liquid assets, or 27% of total cash and investable assets, on average each month. Liquid assets includes cash on deposit, money-market accounts, and other near-cash instruments. The Council invests cash in excess of operating needs prudently in liquid assets and/or other investable assets, depending on anticipated cash flow needs. The Council is actively managing its investment portfolio to reflect the Council's measurement and management of liquidity needs and resources.

4. Investments and Fair Value Measurements

The table below presents the Council's fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds-equity funds	\$ 52,423	\$ -	\$ -	\$ 52,423
Exchange traded funds-bond funds	15,125	-	-	15,125
Equities-common stock	208,971	-	-	208,971
Equities-preferred stock	15,188	-	-	15,188
Bonds-corporate	-	81,040	-	81,040
Mutual Funds	<u>154,890</u>	<u>-</u>	<u>-</u>	<u>154,890</u>
Total investments measured at fair value	<u>\$ 446,597</u>	<u>\$ 81,040</u>	<u>\$ -</u>	<u>527,637</u>
Money market funds, measured at amortized cost				<u>13,418</u>
Total investments				<u>\$ 541,055</u>

5. Property and Equipment, Net

The following is a summary of property and equipment held at June 30:

	<u>2020</u>
Library	\$ 31,526
Office equipment	30,939
Furniture	<u>1,900</u>
Property and equipment	64,365
Accumulated depreciation and amortization	<u>(54,208)</u>
Total property and equipment, net	<u>\$ 10,157</u>

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

6. Net Assets with Donor Restrictions

Net assets were released from donor restrictions during the year ended June 30, 2020 for the following purposes:

Scholarship program services	\$ 9,070
Destination workforce	315,780
Adult basic literacy and Beginning English	116,358
Family learning	10,000
Time restrictions	<u>81,000</u>
Total net assets released from restrictions	<u>\$ 532,208</u>

At June 30, 2020, net assets with donor restrictions were available for the following programs:

Scholarship program services	\$ 9,845
Time restriction	<u>162,000</u>
Total net assets with donor restrictions	<u>\$ 171,845</u>

7. In-Kind Contributions

Volunteers provide the majority of the tutoring and teaching services provided by the Council along with other classroom services. For the year ended June 30, 2020, the number of hours contributed were 17,318. These hours are multiplied by the value of volunteer time based on the Virginia Employment Commission average hourly earnings. The Virginia average hourly value of volunteer time for the year ended June 30, 2020 was \$28.46, which represents an increase of \$.96 over the prior year. The value of these services for the year ended June 30, 2020 totaled \$492,870, and is included in contributed services and materials revenue and program services expense in the accompanying statements of activities.

The Council receives 4,050 square feet of donated space from the county government in which to operate. The space is valued at \$20 per square foot for each year. The space donated during the year ended June 30, 2019 was for the year ended June 30, 2020 totaled \$81,000 and was recognized as contributed rent in prior years and as rent expense allocated on a functional basis in the accompanying statements of activities. The Council received notice of donated space committed for the years ending June 30, 2021 and 2022. This donation totaled \$162,000 and is included in contributed rent and contributed rent receivable in the accompanying financial statements.

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

The Council received contributed professional services during the year ended June 30, 2020, with a fair value of \$29,990. The amount is included in contributed services and materials revenue and has been allocated on a functional basis in the accompanying statements of activities.

The Council receives donated equipment, supplies and other items which are recorded at fair value on the date of donation. The total value of the donated equipment, supplies and other items for the year ended June 30, 2020 was \$3,807, and is included in contributed services and materials revenue and has been allocated on a functional basis in the accompanying statements of activities.

8. Commitments

Operating leases

In June 2016, the Council entered into a 63 month lease agreement for a postage meter and scale. The lease requires a monthly rent payments of \$127 and will expire in September 2022. After the end of the lease, the Council has the option of purchasing the postage meter and scale at fair value. Rent expense for the year ended June 30, 2020 was \$1,521.

The Council also entered into a 27 month lease agreement for office space beginning in July 2014 and ending in September 2016. The lease has been extended until November 2020 and requires a monthly payment of \$448. In May 2020 the lease was amended and the monthly payment reduced to \$149. Office rent expense for the year ended June 30, 2020 was \$6,015.

Aggregate future minimum lease payments are as follows for the years ending June 30:

	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2021	\$ 1,521	\$ 746	\$ 2,267
2022	<u>380</u>	<u>-</u>	<u>380</u>
Total	<u>\$ 1,901</u>	<u>\$ 746</u>	<u>\$ 2,647</u>

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

9. Retirement Plan

The Council maintains a qualified Simple Retirement Plan where qualified employees can make pre-tax contributions up to statutory limits. All employees who have earned at least \$5,000 in annual compensation in any two preceding years are eligible for enrollment in the Council's Plan. The Council makes matching contributions up to three percent of the participating employee's salary for any employees who work 30 hours or more per week.

Retirement plan expense for the year ended June 30, 2020 was \$19,352.

10. Refundable Advance

The Paycheck Protection Program is a low-interest Small Business Administration (SBA) loan and generally covers two and a half months of payroll costs and may be forgiven entirely if the borrower maintains certain staffing levels and spends a certain amount of funds on salaries and other qualifying expenditures during the qualified period. The Council was approved for a loan in April 2020 under this program in the amount of \$160,600, with an interest rate of 1% and a maturity date of April, 2022. The balance of the loan is included on the accompanying statement of financial position as of June 30, 2020 as a refundable grant advance until forgiveness is approved. On November 4, 2020 the SBA approved the forgiveness of the loan and paid off the loan balance.

11. Restatement

Subsequent to the year ended June 30, 2019, management determined that contributed rent and contributed rent receivable were understated by \$81,000 for the year ended June 30, 2019. Accordingly, management restated the 2019 financial statements, increasing contributed rent, contributed rent receivable and net assets with donor restrictions by \$81,000. The following table summarizes the restatement to the 2019 financial statements:

	As Previously Reported	Adjustment	Total
Contributed rent receivable	\$ -	\$ 81,000	\$ 81,000
Contributed rent	\$ 81,000	\$ 81,000	\$ 162,000
Net assets, end of the year	\$ 605,474	\$ 81,000	\$ 686,474

Literacy Council of Northern Virginia, Inc.

Notes to the Financial Statements

June 30, 2020

12. Subsequent Events

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through November 12, 2020, which is the date the financial statements were available to be issued. Except as noted in Note 10 and below, there were no subsequent events that require recognition of, or disclosure in, these financial statements.

In November 2020, the Council renewed the lease agreement for office space for one year.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic and it continues to spread rapidly as of the date of these financial statements. The Council's business continuity, programs and funding sources have been impacted; however, the Council took significant measures to mitigate the consequences of the pandemic. The Council converted all programming (classes offered) from in person classes to online virtual classes, successfully converted their main annual fundraising event and their other annual in-person events to online virtual events and successfully offered online registration options for their programs while also offering safe in person registration events utilizing precautions approved by the local jurisdictions where they were held. Management continues to carefully monitor the situation and evaluate its options during this time. The Council expects that it is reasonably possible that this matter will negatively impact its operating results going forward. However, the related financial impact and duration cannot be reasonably estimated at this time. No adjustments have been made to these financial statements as a result of this uncertainty.