

**LITERACY COUNCIL
OF NORTHERN VIRGINIA, INC.**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2021



**Literacy Council
of Northern Virginia**

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.

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REPORT OF INDEPENDENT AUDITORS

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, 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 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 Literacy Council of Northern Virginia, Inc. as of June 30, 2021 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 Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The adoption of this ASC 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.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly stylized font.

Columbia, Maryland
November 15, 2021

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 327,396
Contributions and grants receivable	100,623
Accounts receivable	1,400
Inventory	59,968
Prepaid expenses	3,317
Investments	726,353
Contributed rent receivable	<u>81,000</u>
Total current assets	1,300,057

PROPERTY AND EQUIPMENT, NET

5,507

Total assets

\$ 1,305,564

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 14,763
Accrued payroll	7,633
Accrued vacation	30,040
Refundable advance	<u>185,900</u>

Total current liabilities

238,336

NET ASSETS

Without donor restrictions	966,228
With donor restrictions	<u>101,000</u>

Total net assets

1,067,228

Total liabilities and net assets

\$ 1,305,564

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 597,845	\$ 333,983	\$ 931,828
Contributed services	465,146	-	465,146
Grant revenue	23,457	111,653	135,110
Workshop and student fees	84,253	-	84,253
Special fundraising events	80,859	-	80,859
Paycheck protection program grant	160,600	-	160,600
Investment income, net	157,321	-	157,321
Net assets released from restrictions:			
Satisfaction of donor restrictions	516,481	(516,481)	-
	<u>2,085,962</u>	<u>(70,845)</u>	<u>2,015,117</u>
Total support and revenue			
Expenses			
Program services:			
Distance learning	58,930	-	58,930
Destination workforce	179,477	-	179,477
English language learners basic literacy	454,437	-	454,437
Family learning	46,669	-	46,669
Other program services	592,125	-	592,125
	<u>1,331,638</u>	<u>-</u>	<u>1,331,638</u>
Total program services			
Support services:			
Management and general	210,799	-	210,799
Fundraising	128,084	-	128,084
	<u>338,883</u>	<u>-</u>	<u>338,883</u>
Total support services			
Total expenses	<u>1,670,521</u>	<u>-</u>	<u>1,670,521</u>
Change in Net Assets	415,441	(70,845)	344,596
Net assets, beginning of year	<u>550,787</u>	<u>171,845</u>	<u>722,632</u>
Net assets, end of year	<u>\$ 966,228</u>	<u>\$ 101,000</u>	<u>\$ 1,067,228</u>

LITERACY COUNCIL OF NORTHERN VIRGINIA INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	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
Salaries	\$ 44,918	\$ 95,130	\$ 108,011	\$ 26,069	\$ 334,600	\$ 608,728	\$ 109,879	\$ 90,120	\$ 199,999	\$ 808,727
Payroll taxes	2,766	7,011	7,996	1,924	24,195	43,892	12,829	6,538	19,367	63,259
Employee benefits	4,708	11,847	13,646	3,277	40,943	74,421	13,825	11,059	24,884	99,305
	52,392	113,988	129,653	31,270	399,738	727,041	136,533	107,717	244,250	971,291
Depreciation and amortization	250	534	637	144	1,930	3,495	628	527	1,155	4,650
Dues and memberships	6	23	30	10	589	658	167	943	1,110	1,768
Employee relations	217	779	1,104	245	2,626	4,971	1,135	881	2,016	6,987
In-kind supplies and equipment	-	-	-	-	-	-	-	-	-	-
In-kind volunteer tutoring and other services	-	20,007	275,284	8,652	161,203	465,146	-	-	-	465,146
Insurance	162	471	585	153	1,761	3,132	(1,579)	513	(1,066)	2,066
Miscellaneous	41	172	784	67	7,250	8,314	9,163	1,640	10,803	19,117
Other expenses	-	2	2	-	6	10	105	2	107	117
Postage and shipping	78	337	2,011	45	1,132	3,603	496	1,565	2,061	5,664
Printing and publications	10	103	1,564	12	162	1,851	451	1,888	2,339	4,190
Professional fees	1,028	1,970	2,329	482	8,998	14,807	43,097	2,016	45,113	59,920
Program books and supplies	-	1,400	18,622	1,291	16	21,329	460	-	460	21,789
Rent	2,493	11,648	9,216	3,651	34,823	61,831	12,865	8,126	20,991	82,822
Repairs and maintenance	240	528	623	142	1,893	3,426	618	516	1,134	4,560
Supplies	1,648	26,779	10,434	319	7,081	46,261	4,126	1,080	5,206	51,467
Telephone	365	736	1,484	186	3,075	5,846	2,529	670	3,199	9,045
Travel	-	-	75	-	100	175	5	-	5	180
Cost of goods sold inventory adjustment	-	-	-	-	(40,258)	(40,258)	-	-	-	(40,258)
Total expenses	\$ 58,930	\$ 179,477	\$ 454,437	\$ 46,669	\$ 592,125	\$ 1,331,638	\$ 210,799	\$ 128,084	\$ 338,883	\$ 1,670,521

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

Cash Flows from Operating Activities

Change in net assets	\$ 344,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,650
Net realized and unrealized gains on investments	(147,052)
Decrease (increase) in assets:	
Contributions and grants receivable	(48,120)
Contributed rent receivable	81,000
Accounts receivable	7,004
Inventory	(40,257)
Prepaid expenses	1,844
Increase (decrease) in liabilities:	
Accounts payable	3,732
Accrued payroll	(47,591)
Accrued vacation	(13,685)
Refundable advance	25,300
	<hr/>
Net cash provided by operating activities	171,421

Cash Flows from Investing Activities:

Purchases of investments	(123,555)
Proceeds from sales of investments	85,309
	<hr/>
Net cash used for investing activities	(38,246)

Net Increase in Cash	133,175
Cash, Beginning of Year	<hr/> 194,221
Cash, End of Year	<hr/> <hr/> \$ 327,396

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 revenue and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates and be significantly affected by the severity and duration of the COVID-19 pandemic.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The 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, 2021.

- Mutual funds, equity securities and exchange traded funds: Valued at the closing quoted price in an active market.
- Corporate bonds: Valued at their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2.

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.

The income tax positions taken by the Council for any years open under the various statutes of limitations are that the Council continues to be exempt from income taxes. The Council believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reported date. None of the Council's federal or state income tax returns are currently under examination.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable that are due in less than one year are 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, 2021, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

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, 2021, grants receivable in the amount of \$85,623 originated from cost reimbursement grants in which the expenses have already been incurred during the year ended June 30, 2021. 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, 2021, no allowance for doubtful accounts had been recognized.

Inventory

Inventory consists of textbooks and is stated at the lower of cost or market by the most recent information available near the year end.

Investments

Investments are reported at fair value. 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.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are 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.

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.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, rent, repairs and maintenance, depreciation and amortization and other expenses
Program expenses	In-kind supplies and equipment, and in-kind volunteer tutoring and other services

Adoption of New Accounting Standard

The FASB issued ASU No. ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The FASB has deferred the effective date of this ASU to reporting periods beginning after December 15, 2019. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

The Council adopted ASU 2014-09 during the year ended June 30, 2021 using the full retrospective method. There were no material effects on the financial statements as a result of implementation.

New Pronouncements Not Yet Adopted

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 financial statements.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements Not Yet Adopted (Continued)

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.

NOTE 3 - CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Council to significant concentrations of credit risk consist of cash and investments. Such investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements. The Council maintains cash and investment accounts with financial institutions that from time to time may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The Council has not experienced any credit losses on its cash and investments to date, as it relates to FDIC and SIPC insurance limits. Management assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Customers

The Council received grants of \$287,874 from local and state governments, which represents 27% of its contributions and grant revenue during the year ended June 30, 2021. The Council also has grants receivable of \$85,623 from local and state governments, which represents 85% of its contributions and grants receivable at June 30, 2021.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following represents the Council's financial assets as of June 30, 2021:

Financial assets at year end:

Cash	\$ 327,396
Contributions and grants receivable	100,623
Accounts receivable	1,400
Investments	<u>726,353</u>
Total financial assets	1,155,772
Less amounts not available within one year:	
Net assets with donor purpose restrictions	<u>(20,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,135,772</u>

The Council's goal is to maintain sufficient liquidity to support its on-going operations. For the year ended June 30, 2021, the Council held approximately \$252,566 in liquid assets, or 22% of total cash and investable assets, on average each month. Liquid assets include 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 investments, depending on anticipated cash flow needs. The Council's investment portfolio is managed by professional investment advisors.

NOTE 5 - 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds-equity funds	\$ 32,112	\$ -	\$ -	\$ 32,112
Exchange traded funds-bond funds	21,682	-	-	21,682
Equities-common and preferred stock	286,076	-	-	286,076
Bonds-corporate	-	81,786	-	81,786
Mutual Funds	<u>297,211</u>	<u>-</u>	<u>-</u>	<u>297,211</u>
Total investments measured at fair value	<u>\$ 637,081</u>	<u>\$ 81,786</u>	<u>\$ -</u>	\$ 718,867
Money market funds, at cost				<u>7,486</u>
Total investments				<u>\$ 726,353</u>

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

For the year ended June 30, 2021, net investment income consisted of the following:

Interest, dividends and capital gains	\$ 14,889
Unrealized gains in fair value of investments	109,541
Realized gains on investments	37,511
Investment management fees	<u>(4,620)</u>
Net investment income	<u>\$ 157,321</u>

NOTE 6 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment held as of June 30, 2021:

Library	\$ 31,526
Office equipment	30,939
Furniture	<u>1,900</u>
Property and equipment	64,365
Accumulated depreciation and amortization	<u>(58,858)</u>
Total property and equipment, net	<u>\$ 5,507</u>

For the year ended June 30, 2021, depreciation and amortization expense totaled \$4,650.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021, net assets with donor restrictions were available for the following programs:

Purpose restriction - Community Foundation of Anne Arundel County	\$ 20,000
Time restriction – Contributed rent	<u>81,000</u>
Total net assets with donor restrictions	<u>\$ 101,000</u>

Net assets were released from donor restrictions during the year ended June 30, 2021 for the following purposes:

Scholarship program services	\$ 10,748
Destination workforce	99,338
Adult basic literacy and Beginning English	86,653
Family learning	10,000
Integrated English Literacy and Civics Education	150,000
CARES Act	63,523
Purchases – Computers and peripherals	15,219
Time restriction	<u>81,000</u>
Total net assets released from restrictions	<u>\$ 516,481</u>

NOTE 8 - 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, 2021, the number of hours contributed totaled approximately 15,300. 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, 2021 was \$28.54, which represents an increase of \$.08 over the prior year. The value of these services for the year ended June 30, 2021 totaled approximately \$436,700, and is included in contributed services and materials revenue and program services expense in the accompanying statement 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. In June 2020, the Council received notice of donated space committed for the years ending June 30, 2021 and 2022. This donation totaled \$162,000 and was included in contributed rent and contributed rent receivable in prior year. As of June 30, 2021, contributed rent receivable was \$81,000. For the year ended June 30, 2021, \$81,000 was recognized as rent expense in the accompanying statement of activities.

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - IN-KIND CONTRIBUTIONS (Continued)

The Council received contributed professional services during the year ended June 30, 2021, with a fair value of \$28,446. The amount is included in contributed services and materials revenue and has been allocated on a functional basis in the accompanying statement of activities.

NOTE 9 - 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 payment of \$127 and will expire in September 2022. In November of 2020, the old equipment under the lease was replaced with new equipment of the same caliber. The Council was able to renegotiate the terms of the lease for a new monthly rent of \$99, but the lease period was extended for another 63 months with a new expiration date of February of 2026. 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, 2021 was \$2,231.

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, 2021 was \$1,822.

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

2022	\$ 1,188
2023	1,188
2024	1,188
2025	1,188
2026	<u>792</u>
Total	<u>\$ 5,544</u>

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 10 - 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, 2021 totaled \$19,623.

NOTE 11 - REFUNDABLE ADVANCE

The Paycheck Protection Program (PPP) provides for 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 Council recorded the loan as a refundable grant advance in FY2020. During the year ended June 30, 2021, the entire loan amount was recognized as PPP grant revenue following forgiveness notice provided by the SBA on November 2, 2020.

On January 26, 2021, the Council was granted a second draw on the Paycheck Protection Program in the amount of \$185,900, with an interest rate of 1% and a maturity date of January 2026. The balance of the loan is included in the accompanying statement of financial position as of June 30, 2021 as a refundable grant advance until forgiveness is approved. In September 2021, the SBA granted a partial forgiveness on the second draw in the amount of \$165,992. The remainder of the loan was fully paid by the Council and the second PPP loan was considered fully forgiven and paid as of September 10, 2021.

According to the rules of the SBA, the Council is required to retain documentation for six years after the date of the refundable advance is forgiven or repaid in full and permit authorized representatives of the SBA to access such files upon request.

NOTE 12 - SUBSEQUENT EVENTS

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through November 15, 2021, which is the date the financial statements were available to be issued. Except as noted in Note 11, there were no other subsequent events that require recognition of, or disclosure in, these financial statements.