

Project Literacy of Greater Bergen County Inc.

Financial Statements

June 30, 2022

Project Literacy of Greater Bergen County Inc.

Financial Statements
June 30, 2022

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Independent Auditors' Report

**Board of Directors
Project Literacy of Greater Bergen County Inc.**

Opinion

We have audited the accompanying financial statements of Project Literacy of Greater Bergen County Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Literacy of Greater Bergen County Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project Literacy of Greater Bergen County Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Literacy of Greater Bergen County Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Project Literacy of Greater Bergen County Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Literacy of Greater Bergen County Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 22, 2023

Project Literacy of Greater Bergen County Inc.

Statement of Financial Position
June 30, 2022

ASSETS

Current Assets

Cash	\$ 105,801
Prepaid insurance	<u>1,530</u>
Total Current Assets	<u>107,331</u>

Property and Equipment, at Cost

Equipment	6,037
Software	<u>5,590</u>
	11,627
Less: Accumulated depreciation	<u>9,044</u>
Property and equipment, Net	<u>2,583</u>

\$ 109,914

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$ 5,000</u>
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Net Assets

Without donor restrictions	96,413
With donor restrictions	<u>8,501</u>
Total Net Assets	<u>104,914</u>

\$ 109,914

Project Literacy of Greater Bergen County Inc.

Statement of Activities
Year Ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 41,728	\$ 20	\$ 41,748
Other income	12,842	-	12,842
Donated services	268,024	-	268,024
Donations in-kind	14,000	-	14,000
Fundraising events	16,044	-	16,044
Interest income	34	-	34
Net Assets Released From Restriction			
Restrictions satisfied by payments	<u>420</u>	<u>(420)</u>	<u>-</u>
Total Support and Revenue	<u>353,092</u>	<u>(400)</u>	<u>352,692</u>
EXPENSES			
Program services	278,342	-	278,342
Management and general	60,739	-	60,739
Fundraising	<u>11,937</u>	<u>-</u>	<u>11,937</u>
Total Expenses	<u>351,017</u>	<u>-</u>	<u>351,017</u>
Change in Net Assets	2,075	(400)	1,675
NET ASSETS			
Beginning of year	<u>94,338</u>	<u>8,901</u>	<u>103,239</u>
End of year	<u>\$ 96,413</u>	<u>\$ 8,501</u>	<u>\$ 104,914</u>

See Notes to Financial Statements

Project Literacy of Greater Bergen County Inc.

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Awards and grants	\$ 420	\$ -	\$ -	\$ 420
Printing and postage	844	-	844	1,687
Donated services	268,024	-	-	268,024
Donated facilities and utilities	-	14,000	-	14,000
Professional fees-other	-	8,000	-	8,000
Licenses and dues	1,037	145	-	1,182
Program supplies	6,692	-	-	6,692
Salaries and payroll tax	-	35,819	-	35,819
Insurance	-	2,266	-	2,266
Miscellaneous expenses	-	315	300	615
Bank fees	-	194	-	194
Website	325	-	323	648
Depreciation	1,000	-	-	1,000
Fundraising event expenses	-	-	10,470	10,470
	<u>\$ 278,342</u>	<u>\$ 60,739</u>	<u>\$ 11,937</u>	<u>\$ 351,017</u>

Project Literacy of Greater Bergen County Inc.

Statement of Cash Flows
Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,675
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	\$ 1,000
Forgiveness of Paycheck Protection Program Loan	<u>(12,842)</u>
Net Cash from Operating Activities	(10,167)

CASH

Beginning of year	<u>115,968</u>
End of year	<u>\$ 115,968</u>

NONCASH FINANCING ACTIVITIES

Forgiveness of Paycheck Protection Program loan	\$ (12,842)
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Project Literacy of Greater Bergen County Inc.

Notes to Financial Statements
June 30, 2022

1. Nature of Organization

Project Literacy of Greater Bergen County Inc. (the "Organization") is a non-profit organization established to increase the level of public consciousness on the issue of adult illiteracy. Through the combination of corporations, literacy providers, small businesses, social service agencies, community groups, and the media, the Organization addresses the problems of adult illiteracy by:

- Implementing new literacy incentives
- Developing on-site basic skills programs in the workplace
- Directing clients and volunteers to appropriate basic skills programs
- Providing one-to-one basic skills tutoring to adults in crisis
- Rewarding literacy efforts

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Adoption of Accounting Principle

As of July 1, 2021, COA adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts in-kind. The standard does not change the accounting for gifts-in-kind, however provides matters related to presentation and disclosure.

Project Literacy of Greater Bergen County Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (*continued*)

Cash

The Organization maintains cash at various financial institutions, is cognizant of, and usually maintains those accounts within the federally insured maximum. Those accounts may at times, and for short periods, exceed those maximums. At June 30, 2022 there were no cash balances that exceeded the insured maximum.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until conditions are met. As of June 30, 2022, the Organization had no contributions receivable.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets which is 3-5 years. The Organization policy is to capitalize renewals and betterments acquired for greater than \$2,500 and expense normal repairs and maintenance as incurred.

Donated Services

Donated services are reported as income and expense at their fair value if such services create value or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. Individuals volunteer their time by performing a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. These volunteer hours are not recognized in the financial statements because (i) the principal donors of such services do not seek such recognition and (ii) they did not meet the criteria for recognition which states that in order to record the value of services, the services must either (a) create or enhance non-financial assets or (b) the service must require specialized skills. However, certain other contributed services that required specialized skills, were provided by individuals that needed to undergo a training process.

Project Literacy of Greater Bergen County Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Donated Services (continued)

Project Literacy of Greater Bergen County Inc. received donated services for the years ended June 30, as follows:

	<u>2022</u>	<u>Usage in Program/Activities</u>	<u>Donor Restriction</u>	<u>Fair Value Techniques</u>
Facilities and utilities	\$ 14,000	Management and General	None	Estimated based on current rates of facilities and utilities provided by vendor.
Donated services	<u>268,024</u>	Program Services	None	Estimated based on current rates of donated services provided by 2022 average tutoring rates.
	<u>\$ 282,024</u>			

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3).

Liquidity

The Organization regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designation, the nature of the underlying assets, external limitation exposed by donors or contracts with others. Financial assets available for general expenditure within one year are as follows as of June 30, 2022:

Cash	<u>\$ 115,968</u>
Financial Assets Available to Meet General Expenditures Within the Year	<u>\$ 115,968</u>

As part of its liquidity management, the Organization has a goal to maintain financial assets at a level equal to 90-180 days of its operational expenses. All restrictions associated with the financial assets reported above are expected to be released in the coming year as these amounts are utilized for general expenditures.

Project Literacy of Greater Bergen County Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies *(continued)*

Use of Estimates

The preparation of financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Revenue and Revenue Recognition

Revenue is recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Unconditional contributions are recorded as net assets without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 substantially met.

Functional Allocation of Expense

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as salaries have been allocated among program and supporting services classification on the time and effort.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2022 was \$300.

Subsequent Events

Management has evaluated subsequent events through March 22, 2023, which is the date the financial statements were available to be issued.

3. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the amounts not distributed yet to recipients of the Carmen Pichardo Scholarship. Net assets released from donor restrictions for the year ended June 30, 2022 was \$420. The balance as of June 30, 2022 was \$8,501.

Project Literacy of Greater Bergen County Inc.

Notes to Financial Statements
June 30, 2022

4. Paycheck Protection Program Loan

In March 2021, the Organization received loan proceeds in the amount of \$12,842 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from

the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.

In January 2022, the SBA reviewed and approved the Organization's PPP forgiveness application and no loan proceeds are to be returned. The forgiveness of the PPP loan was recorded as other income on the statement of activities.

5. Uncertain Tax Positions

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by applicable taxing jurisdictions for the period prior to 2019.

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