



**LITERACY VOLUNTEERS  
OF MORRIS COUNTY INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
YEAR ENDED DECEMBER 31, 2020

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Trustees of  
Literacy Volunteers of Morris County Inc.

We have reviewed the accompanying financial statements of Literacy Volunteers of Morris County Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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 the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Olsen & Thompson, P.A.*

Morristown, New Jersey  
June 28, 2021

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

ASSETS

Cash	\$201,658
Investments	25,880
Prepaid Expenses	3,569
Deposit	9,000
Equipment at cost, less accumulated depreciation of \$32,002	<u>8,539</u>
Total Assets	<u>\$248,646</u>

LIABILITIES AND NET ASSETS

Accrued Expenses	\$ <u>3,328</u>
Total Liabilities	<u>3,328</u>
Commitments	
Net Assets - Without Donor Restrictions	<u>\$245,318</u>
Total Net Assets	<u>245,318</u>
Total Liabilities and Net Assets	<u>\$248,646</u>

See Accountant's Report and Notes to Financial Statements.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES</b>			
Foundation and corporate grants	\$ 90,415	\$15,500	\$105,915
Contributions	44,549	0	44,549
Government grants	6,000	0	6,000
Bequest	79,397	0	79,397
Program fees	80	0	80
Special events	43,202	0	43,202
Less direct costs for special events	<u>(4,102)</u>	<u>0</u>	<u>(4,102)</u>
Net special events	39,100	0	39,100
Other income	2,210	0	2,210
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>49,330</u>	<u>(49,330)</u>	<u>0</u>
Total Revenues	<u>311,081</u>	<u>(33,830)</u>	<u>277,251</u>
Recognition of PPP loan forgiveness	<u>0</u>	<u>28,830</u>	<u>28,830</u>
Total Revenues and Forgiveness	<u>311,081</u>	<u>(5,000)</u>	<u>306,081</u>
<b>EXPENSES</b>			
Program	185,084	0	185,084
Management	23,789	0	23,789
Fund raising	<u>3,559</u>	<u>0</u>	<u>3,559</u>
Total Expenses	<u>212,432</u>	<u>0</u>	<u>212,432</u>
Change in Net Assets for Year	98,649	(5,000)	93,649
Net Assets, beginning of year	<u>146,669</u>	<u>5,000</u>	<u>151,669</u>
Net Assets, end of year	<u>\$245,318</u>	<u>\$ 0</u>	<u>\$245,318</u>

See Accountant's Report and Notes to Financial Statements.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	<u>Supporting Services</u>		Total
		<u>Management</u>	<u>Fund Raising</u>	
Compensation and related expenses:				
Salaries	\$116,060	\$11,606	\$ 1,290	\$128,956
Payroll taxes	<u>10,090</u>	<u>1,009</u>	<u>112</u>	<u>11,211</u>
	<u>126,150</u>	<u>12,615</u>	<u>1,402</u>	<u>140,167</u>
Professional fees	0	5,056	0	5,056
Depreciation	3,526	892	45	4,463
Equipment maintenance	6,585	1,668	83	8,336
Insurance	2,936	294	33	3,263
Miscellaneous	3,793	271	29	4,093
Supplies, Printing and Postage	5,718	1,524	1,600	8,842
Rent	34,884	1,469	367	36,720
Training	<u>1,492</u>	<u>0</u>	<u>0</u>	<u>1,492</u>
	<u>\$185,084</u>	<u>\$23,789</u>	<u>\$ 3,559</u>	<u>\$212,432</u>

See Accountant's Report and Notes to Financial Statements.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$93,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,463
Gains on sales of investments	(1,516)
PPP loan forgiveness	(28,830)
Changes in operating assets and liabilities:	
Decrease in prepaid expenses	779
Increase in accrued expenses	<u>1,428</u>
Net Cash Provided by Operating Activities	<u>69,973</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Sales of investments	22,107
Purchase of investments	(46,471)
Purchase of equipment	<u>(8,803)</u>
Net Cash (Used) by Investing Activities	<u>(33,167)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Receipt of PPP Loan	<u>28,830</u>
Net Cash Provided by Investing Activities	<u>28,830</u>
Net Change in Cash	65,636
Cash, beginning of year	<u>136,022</u>
Cash, end of year	<u>\$201,658</u>

See Accountant's Report and Notes to Financial Statements.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 - ORGANIZATION**

Literacy Volunteers of Morris County Inc. (LVMC) was founded in 1987 and is dedicated to decreasing adult illiteracy in this country. It currently provides trained tutors to approximately 600 adults in both basic reading instruction and English as a second language in the Morris County area of New Jersey. LVMC is supported primarily through donor contributions, grants and programs. Approximately 56% of LVMC's foundation and corporate grants for the year ended December 31, 2020 were received from three foundations. In addition, the bequest of \$79,397 was received from one estate.

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

**BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958.

Under provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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, where by the donor has stipulated the funds be maintained in perpetuity. At December 31, 2020 and 2019, \$0 and \$5,000, respectively, was donor restricted to operations in the subsequent year.

See Accountant's Report.



**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the financial statements. Accordingly, actual results could differ from those estimates.

**PROMISES TO GIVE**

Contributions are recognized when the donor makes a promise to give to LVMC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. LVMC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was required at December 31, 2020.

**CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, LVMC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There were no interest or tax payments in 2020.

**EQUIPMENT**

LVMC follows the practice of capitalizing all major expenditures for furniture and equipment at cost. Donated property and equipment are similarly capitalized but at fair market value at the time of donation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets (3 -5 years). The depreciation expense for the year ending December 31, 2020 was \$4,463.

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**TAX STATUS**

LVMC is a non-profit voluntary organization and is exempt from Federal income tax under Section 501(c)(3) and the U.S. Internal Revenue Code. LVMC has also been designated a publicly supported organization under Section 170(b)(1)(A)(vi) of the same code. The LVMC is also exempt from New Jersey State income taxes. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

**PENSION PLAN**

LVMC sponsors a 401(k) pension plan for eligible employees. The plan provides for LVMC to make annual matching contributions solely at its option. LVMC provided a matching contribution for 2020 of \$2,808.

**FUNCTIONAL EXPENSES**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and taxes	Time and Effort
Rent	Square Footage
Depreciation	Square Footage
Insurance	Square Footage

**NOTE 3 - INVESTMENTS**

Investments are comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Mutual Funds	\$25,880	\$0

The fair market value of the investments approximates their cost. The fair value is determined based on quoted prices for identical instruments in active markets. These investments are subject to market risks and are not insured nor guaranteed by an agency of the Federal government.

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 4 - CONTRIBUTED SERVICES**

Although not reflected in the accompanying financial statements, many individuals have donated significant amounts of their time and performed a variety of tasks to assist LVMC's program and service activities.

**NOTE 5 - LEASE COMMITMENTS**

LVMC rents office space under a long-term lease; for 2020, rent expense for the office space was \$34,867. The following are the minimum future rental payments for the office space at December 31, 2020 for the years ending December 31:

2021	\$37,260
2022	<u>9,360</u>
	<u>\$46,620</u>

**NOTE 6 - LIQUIDITY**

LVMC's financial assets available within one year of December 31, 2020 for general expenditures are as follows:

Cash and cash equivalents	\$201,658
Investments	<u>25,880</u>
Financial assets available to meet general expenditures over the next year	<u>\$227,538</u>

As part of LVMC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

**NOTE 7 - SPECIAL EVENTS**

Special events generate revenue as well as raise awareness about LVMC's mission. LVMC held several annual events during the year ended December 31, 2020. These events were recorded in changes in net assets without donor restrictions:

Special Events Revenues	\$43,202
Less: Cost of Direct Benefits to Donors	<u>(4,102)</u>
Net Revenues from Special Events	<u>\$39,100</u>

See Accountant's Report.

**LITERACY VOLUNTEERS OF MORRIS COUNTY INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 8 – PPP LOAN**

On May 7, 2020, LVMC was granted a loan from Affinity Federal Credit Association in the amount of \$28,830, pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, which was enacted March 27, 2020.

The PPP loan, which is in the form of a Note dated May 7, 2020 issued by LVMC, matures on May 7, 2022 and bears interest at the rate of 1% per annum. In 2021, LVMC intends to apply to the Small Business Administration for forgiveness under the terms of the loan. Management believes LVMC has paid sufficient payroll, benefits, rent and utilities in 2020 as described in the CARES Act that will support their request for forgiveness in 2021 of the entire PPP loan. The forgiveness of the loan has been recorded in the 2020 Statement of Activities.

**NOTE 9 – SUBSEQUENT EVENTS**

LVMC evaluates events or transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on June 28, 2021.

On February 18, 2021, LVMC applied for and was granted a second PPP loan from Affinity Federal Credit Association in the amount of \$25,696. This loan is also in the form of a Note dated February 18, 2021, matures on February 18, 2026 and bears interest at 1% per annum. Management intends to use the loan proceeds for allowed expenses and apply for forgiveness of this second PPP loan in 2021.

See Accountant’s Report.