

LITERACY ACTION, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of Literacy Action, Inc.

We have audited the accompanying financial statements of Literacy Action, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Literacy Action, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith and Howard

September 10, 2021

LITERACY ACTION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 820,412	\$ 438,323
Investments	282,663	209,870
Accounts receivable	13,516	2,151
Grants and pledges receivable	88,427	138,541
Prepaid expenses	25,248	17,995
Property and equipment, net	60,111	68,891
Other assets	<u>-</u>	<u>22,969</u>
 Total Assets	 <u><u>\$ 1,290,377</u></u>	 <u><u>\$ 898,740</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 48,072	\$ 31,880
Deferred sponsorships	31,150	13,650
Deferred rent	67,822	47,906
Paycheck Protection Program Loan (Note B)	<u>160,765</u>	<u>-</u>
 Total Liabilities	 <u><u>307,809</u></u>	 <u><u>93,436</u></u>
 Net Assets		
Without donor restrictions	791,612	665,276
With donor restrictions	<u>190,956</u>	<u>140,028</u>
 Total Net Assets	 <u><u>982,568</u></u>	 <u><u>805,304</u></u>
	 <u><u>\$ 1,290,377</u></u>	 <u><u>\$ 898,740</u></u>

The accompanying notes are an integral part of these financial statements.

LITERACY ACTION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2021 AND 2020

	<u>2021</u>			<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support						
Contributions and grants	\$ 1,199,281	\$ 171,808	\$ 1,371,089	\$ 1,039,627	\$ 139,886	\$ 1,179,513
Paycheck Protection Program grant (Note B)	-	-	-	169,407	-	169,407
Investment income (loss), net	63,557	-	63,557	(3,917)	-	(3,917)
Special events	-	-	-	27,225	-	27,225
Fees for service	43,909	-	43,909	11,427	-	11,427
Other income	91,471	-	91,471	71,922	-	71,922
Net assets released from restrictions	<u>120,880</u>	<u>(120,880)</u>	<u>-</u>	<u>197,979</u>	<u>(197,979)</u>	<u>-</u>
 Total Revenue, Gains, and Other Support	 <u>1,519,098</u>	 <u>50,928</u>	 <u>1,570,026</u>	 <u>1,513,670</u>	 <u>(58,093)</u>	 <u>1,455,577</u>
 Expenses						
Program services	927,686	-	927,686	1,147,988	-	1,147,988
Management and general	289,932	-	289,932	243,221	-	243,221
Fundraising	<u>175,144</u>	<u>-</u>	<u>175,144</u>	<u>184,406</u>	<u>-</u>	<u>184,406</u>
 Total Expenses	 <u>1,392,762</u>	 <u>-</u>	 <u>1,392,762</u>	 <u>1,575,615</u>	 <u>-</u>	 <u>1,575,615</u>
 Change in Net Assets	 126,336	 50,928	 177,264	 (61,945)	 (58,093)	 (120,038)
 Net Assets, Beginning of Year	 <u>665,276</u>	 <u>140,028</u>	 <u>805,304</u>	 <u>727,221</u>	 <u>198,121</u>	 <u>925,342</u>
 Net Assets, End of Year	 <u>\$ 791,612</u>	 <u>\$ 190,956</u>	 <u>\$ 982,568</u>	 <u>\$ 665,276</u>	 <u>\$ 140,028</u>	 <u>\$ 805,304</u>

The accompanying notes are an integral part of these financial statements.

LITERACY ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel and contract labor	\$ 532,032	\$ 151,991	\$ 78,710	\$ 762,733	\$ 704,142	\$ 103,291	\$ 109,480	\$ 916,913
Rent	280,953	20,231	5,486	306,670	272,112	28,652	5,903	306,667
Professional services	26,280	97,470	81,560	205,310	52,124	80,017	48,200	180,341
Supplies and instructional materials	22,131	183	73	22,387	17,290	1,480	86	18,856
Supporting services	3,925	-	-	3,925	37,378	-	-	37,378
Fundraising	-	-	-	-	-	-	11,337	11,337
Telephone and internet	10,158	4,904	747	15,809	10,675	4,934	777	16,386
Travel, entertainment, and meetings	2,743	815	79	3,637	4,650	1,248	50	5,948
Depreciation	15,250	3,234	296	18,780	15,250	4,258	296	19,804
Dues and subscriptions	1,309	3,188	2,974	7,471	901	3,606	3,045	7,552
Printing and production	38	56	1,007	1,101	399	283	2,666	3,348
Marketing	12,865	-	-	12,865	12,479	-	504	12,983
Insurance and compliance	8,582	2,192	591	11,365	820	9,005	10	9,835
Equipment rental and maintenance	5,050	1,556	-	6,606	313	1,526	-	1,839
Postage and shipping	10	93	1,919	2,022	183	79	1,631	1,893
Other expenses	6,360	4,019	1,702	12,081	19,272	4,842	421	24,535
Total Expenses	\$ 927,686	\$ 289,932	\$ 175,144	\$ 1,392,762	\$ 1,147,988	\$ 243,221	\$ 184,406	\$ 1,575,615

The accompanying notes are an integral part of these financial statements.

LITERACY ACTION, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 177,264	\$ (120,038)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Depreciation	18,780	19,804
Net realized and unrealized (gain) loss on investments	(58,764)	10,984
Change in operating assets and liabilities:		
Accounts receivable and other receivables	(11,365)	(1,153)
Grants and pledges receivable	50,114	61,236
Prepaid expenses and other assets	15,716	5,932
Accounts payable and accrued expenses	16,192	(61,275)
Deferred sponsorships	17,500	13,650
Deferred rent	19,916	3,204
Paycheck Protection Program Loan (Note B)	160,765	-
Net Cash Provided (Required) by Operating Activities	<u>406,118</u>	<u>(67,656)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(10,000)	-
Purchase of investments	(32,415)	(30,921)
Proceeds from sale of investments	<u>18,386</u>	<u>42,181</u>
Net Cash Provided (Required) by Investing Activities	<u>(24,029)</u>	<u>11,260</u>
Net Change in Cash and Cash Equivalents	382,089	(56,396)
Cash and Cash Equivalents at Beginning of Year	<u>438,323</u>	<u>494,719</u>
Cash and Cash Equivalents at End of Year	<u>\$ 820,412</u>	<u>\$ 438,323</u>

The accompanying notes are an integral part of these financial statements.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE A – DESCRIPTION OF THE ORGANIZATION

Literacy Action, Inc. (the “Organization”) was incorporated on June 12, 1968, for the purpose of teaching adults the basic skills they will need to reach their full potential as individuals and citizens. The Organization is supported primarily by donor contributions, government grants, and grants from various organizations and foundations. The Organization concentrates its services in the Atlanta, Georgia area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Presentation

In accordance with GAAP, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. The Organization did not have any net assets of a perpetual nature as of June 30, 2021 or 2020.

Contributions and Grants

In accordance with GAAP, all contributions, grants, and unconditional promises to give are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants (Continued)

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts on unconditional pledges is included in contributions and grants in the accompanying statement of activities and changes in net assets.

Conditional pledges are not included as support until the conditions are substantially met. In addition, the Organization elected the net asset release policy option for contributions with donor restrictions that were initially conditional contributions. As part of this election, the Organization reports contributions restricted by donors (that were conditional in nature) as increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

The Organization recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and presented in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

Fees for Service

The Organization's Fees for Service consist of various educational courses for basic adult education, English as a secondary language, and digital literacy. Additionally, the Organization has programs that help adults prepare for the workforce and citizenship education courses. These services are performed on a contract basis for other entities. Revenues for these fees are recognized over time as the services are rendered and generally do not include multiple performance obligations.

Paycheck Protection Program

In April 2020, the Organization obtained a Small Business Administration loan under the Paycheck Protection Program ("PPP") totaling \$169,407. The PPP loan bore interest at 1% and may have required repayment as outlined by the CARES Act and Payroll Protection Program Flexibility Act ("PPPFA"). As of June 30, 2020, management believes all the April 2020 PPP loan proceeds have been used to pay qualifying expenses as outlined within the Cares Act and has satisfied all conditions to recognize grant revenues ratably as the qualifying expenses were incurred. Accordingly, the Organization has recognized grant revenue for the full amount of PPP loan in accordance with ASU 2018-08. Management applied for and received full forgiveness in 2020.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program (Continued)

In March 2021, the Organization obtained a SBA loan under the second round of PPP in the amount of \$160,765. The PPP loan bears interest at 1% and will follow the repayment terms outlined by the CARES Act and PPPFA. The Organization may apply for PPP loan proceeds to be forgiven with its lending institution, provided the proceeds are used within a specified timeframe to cover certain payroll and other expenses as outlined in the CARES Act and the PPPFA. Initial repayments of the loan amount are deferred until the date the SBA remits the loan forgiveness funds to the lending institution, or until 16 months after the end of the forgiveness covered period if the Organization does not apply for forgiveness. The Organization intends to apply for complete loan forgiveness and anticipates forgiveness in November 2021..

Donated Services and In-Kind Support

The Organization receives services, equipment and other nonfinancial items without payment or compensation. Donated goods and services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers provide a significant amount of services to the Organization throughout the year that are not recognized as contributions since the recognition criteria under this standard were not met.

Donated services and in-kind support for the years ended June 30, 2021 and 2020 was approximately \$9,000 and \$14,000, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in checking, money market accounts, and all other highly liquid investments that mature within three months of the statement of financial position date.

Investments

Investments consist of bonds and equity securities. Investments are carried at their estimated fair values. Realized and unrealized gains and losses from investments are reflected in the accompanying statement of activities and changes in net assets.

Interest income and investment earnings available for use are recorded in net assets without donor restrictions. Interest income and investment earnings derived from contributions with donor restrictions are recorded in net assets with donor restrictions.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Donations of land, buildings, and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restriction support unless the donor has restricted the donated asset to a specific purpose. Purchased property and equipment are recorded at cost. Property and equipment are depreciated using accelerated and straight-line methods over their estimated useful lives, which range from five to ten years.

Fair Value Measurements

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis at June 30, 2021 and 2020 were as follows:

	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market:	\$ 7,000	\$ -	\$ -	\$ 7,000
Bonds:				
Corporate bonds	36,873	-	-	36,873
Government bonds	21,169	-	-	21,169
	<u>58,042</u>	<u>-</u>	<u>-</u>	<u>58,042</u>
Equities:				
Consumer goods	21,012	-	-	21,012
Preferred equities	5,513	-	-	5,513
Energy	10,172	-	-	10,172
Financials	26,106	-	-	26,106
Healthcare and industrials	34,356	-	-	34,356
Information technology	40,167	-	-	40,167
Industrials	27,142	-	-	27,142
Telecommunication services	28,782	-	-	28,782
Real estate	3,845	-	-	3,845
Materials and utilities	20,526	-	-	20,526
	<u>217,621</u>	<u>-</u>	<u>-</u>	<u>217,621</u>
Total Investments at Fair Value	<u>\$ 282,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,663</u>

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market:	\$ 7,000	\$ -	\$ -	\$ 7,000
Bonds:				
Corporate bonds	37,712	-	-	37,712
Government bonds	<u>21,747</u>	<u>-</u>	<u>-</u>	<u>21,747</u>
	<u>59,459</u>	<u>-</u>	<u>-</u>	<u>59,459</u>
Equities:				
Consumer goods	9,873	-	-	9,873
Preferred equities	4,894	-	-	4,894
Energy	5,369	-	-	5,369
Financials	13,817	-	-	13,817
Healthcare and industrials	37,316	-	-	37,316
Information technology	35,157	-	-	35,157
Telecommunication services	21,377	-	-	21,377
Real estate	2,267	-	-	2,267
Materials and utilities	<u>13,341</u>	<u>-</u>	<u>-</u>	<u>13,341</u>
	<u>143,411</u>	<u>-</u>	<u>-</u>	<u>143,411</u>
Total Investments at Fair Value	<u>\$ 209,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,870</u>

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of square footage, payroll, or other relevant bases.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and receivables. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization's cash accounts include both interest and non-interest-bearing accounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors investments and receivable balances, and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

The Organization has experienced a disruption of normal business operations caused from COVID-19. The overall financial impact cannot be determined, however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.

Income Taxes

The Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to income taxes.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In general, the Organization is no longer subject to tax examinations for tax years ending before June 30, 2018.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE C – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Gross grants and pledges receivable	\$ 89,026	\$ 140,307
Less: present value discount	<u>(599)</u>	<u>(1,766)</u>
Net grants and pledges receivable	<u>\$ 88,427</u>	<u>\$ 138,541</u>
Amounts due in:		
Less than one year	\$ 65,026	\$ 116,307
One to five years	<u>24,000</u>	<u>24,000</u>
	<u>\$ 89,026</u>	<u>\$ 140,307</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 5,648	\$ 5,648
Equipment and software	55,561	55,561
Leasehold improvements	105,129	105,129
Website	<u>10,000</u>	<u>-</u>
	176,338	166,338
Less: accumulated depreciation	<u>(116,227)</u>	<u>(97,447)</u>
	<u>\$ 60,111</u>	<u>\$ 68,891</u>

Depreciation expense totaled \$18,780 and \$19,804 for the years ending June 30, 2021 and 2020, respectively.

NOTE E – LINE OF CREDIT

The Organization has a line a credit bearing interest at the greater of 3.50% or the Prime Rate (an effective rate of 3.50% at June 30, 2021) which matures in October 2021. Maximum borrowings under this line of credit are \$150,000. At June 30, 2021 and 2020, there were no outstanding borrowings under this line of credit. The line of credit is collateralized by certain assets of the Organization.

**LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions includes assets subject to certain spending and appropriation policies. The components of these net assets at June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose:		
Adult Basic Education	\$ 1,014	\$ 1,014
Digital Literacy	4,179	2,800
ESL Curriculum	-	1,151
Family Literacy	5,587	6,960
GED Preparation	300	1,686
Student Success Center	24,000	36,000
Vision Clinic	1,131	2,849
Westside Works	82,282	87,568
Women's Empowerment	29,235	-
Technology Infrastructure	43,228	-
	<u>\$ 190,956</u>	<u>\$ 140,028</u>

NOTE G – OPERATING LEASES

The Organization has an operating lease for office space expiring on September 30, 2024. Approximate future payments on the office space lease agreement for the years ending June 30 are as follows:

2022	\$ 310,000
2023	319,000
2024	329,000
2025	<u>82,000</u>
	<u>\$ 1,040,000</u>

Rent expense under the aforementioned operating lease for the years ended June 30, 2021 and 2020 was approximately \$299,000 and \$307,000, respectively.

**LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE H – COMMUNITY FOUNDATION FOR GREATER ATLANTA RESTRICTED FUNDS

The Community Foundation for Greater Atlanta (the “Foundation”), as of June 30, 2021 and 2020, has a restricted fund with the Organization as the designated beneficiary for the use of the funds in the amount of approximately \$357,000 and \$305,000, respectively. The Foundation maintains variance power over the restricted funds, and therefore, the funds are not recorded on the financial statements of the Organization. The purpose of the restricted endowment fund is to aid and assist the Organization in carrying out its charitable programs and pursuing its long-term financial stability. This fund is subject to the Foundation’s governing instruments. It is the general policy of the Foundation that a substantial part of its restricted funds shall remain as an endowment of the Foundation and therefore classified as with donor restriction.

It also is a general policy of the Foundation that the net earnings of the fund shall be distributed annually during the fiscal year in which such earnings are realized or before the end of the next fiscal year, unless it is determined that it is in the best interest of the Foundation and the Organization to accumulate the net earnings for a specific project. Appropriation of earnings and principal of the fund are at the discretion of the Foundation and Organization, consistent with the policies of the Foundation.

If at any time, the Foundation and the Organization are unable to agree on distributions of principal, the Board of Directors of the Foundation shall make the final determination in its absolute discretion. During the years ended June 30, 2021 and 2020, \$14,881 and \$15,056, respectively, was received from the Foundation and was recorded in contributions in the accompanying statements of activities and changes in net assets.

NOTE I – LIQUIDITY AND AVAILABILITY

For purposes of analyzing resources available to meet general expenditures for 2022, the Organization considers financial assets that will be collected and available for 2022 programs to the Organization.

Financial assets available for general expenditures, within one year are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 820,412	\$ 438,323
Investments	282,663	209,870
Accounts receivable	13,516	2,151
Grants and pledges receivable	<u>88,427</u>	<u>138,541</u>
Total Financial Assets	1,205,018	788,885
Less those unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(190,956)</u>	<u>(140,028)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,014,062</u>	<u>\$ 648,857</u>

LITERACY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE I – LIQUIDITY AND AVAILABILITY (Continued)

The Organization is substantially supported by contributions and program service fees. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit totaling \$150,000, which it could draw upon.