

THE LITERACY ALLIANCE, INC.

FORT WAYNE, INDIANA

Financial Statements

as of August 31, 2020 and 2019

CONTENTS

	Page
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Net Assets	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-15

LEONARD J. ANDORFER & CO., LLP

Certified Public Accountants & Business Consultants

www.ljandorfer.com

110 W. Berry Street, Ste. 2202
Fort Wayne, Indiana 46802
(P) 260-423-9405 (F) 260-422-9206

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Literacy Alliance, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of The Literacy Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and 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.

Auditor's 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 audit 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 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 Alliance, Inc. as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leonard J. Andorfer & Co., LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants
Fort Wayne, Indiana

October 22, 2020

THE LITERACY ALLIANCE, INC.

Statements of Financial Position

ASSETS	<u>August 31 2020</u>	<u>August 31 2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 396,245	\$ 274,885
Grants and accounts receivable	34,971	42,870
Pledges receivable - current	15,000	-
Prepaid expenses	13,201	4,400
Accrued interest receivable	2,253	2,886
Total Current Assets	<u>461,670</u>	<u>325,041</u>
INVESTMENT - COMMUNITY FOUNDATION OF GREATER FORT WAYNE		
	73,286	69,130
PROPERTY AND EQUIPMENT		
Equipment	120,681	172,857
Leasehold improvements	57,634	57,634
Less accumulated depreciation	(<u>121,783</u>)	(<u>152,563</u>)
Total Property and Equipment (Net)	56,532	77,928
OTHER ASSETS		
Deposits	2,650	2,650
Pledges receivable - non current (net)	14,599	-
Total Other Assets	<u>17,249</u>	<u>2,650</u>
TOTAL ASSETS	<u><u>\$ 608,737</u></u>	<u><u>\$ 474,749</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 13,345	\$ 6,525
Current portion of long-term liabilities	5,283	5,113
Deferred revenue	20,010	36,140
Total Current Liabilities	<u>38,638</u>	<u>47,778</u>
NONCURRENT LIABILITIES		
Noncurrent portion of long-term liabilities	107,793	33,123
NET ASSETS		
Without donor restrictions	375,887	332,321
With donor restrictions	86,419	61,527
Total Net Assets	<u>462,306</u>	<u>393,848</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 608,737</u></u>	<u><u>\$ 474,749</u></u>

The Notes to Financial Statements
are an integral part of the statements.

THE LITERACY ALLIANCE, INC.

**Statements of Activities and Net Assets
For the Year Ended August 31, 2020**

(With Comparative Totals for the Year Ended August 31, 2019)

SUPPORT AND REVENUE	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Support				
Government grants	\$ 171,500	\$	\$ 171,500	\$ 207,957
Foundation grants	303,406	99,599	403,005	373,310
Business contributions	8,315		8,315	14,674
Individual contributions	43,050	6,192	49,242	41,764
Fund raising (net of direct benefit to donors of \$8,015 and \$9,800, respectively)	29,052		29,052	26,082
United Way			-	25,417
In-kind support	31,536		31,536	16,260
Revenue				
Investment income	4,999		4,999	6,383
Unrealized investment gain (loss)	2,004		2,004	(3,369)
Program service fees	10,476		10,476	13,751
Loss on disposition of fixed assets	(1,165)		(1,165)	-
Net assets released from restrictions				
Restrictions satisfied by payments	80,899	(80,899)	-	-
Total Support and Revenue and Net Assets Released from Restrictions	684,072	24,892	708,964	722,229
EXPENSES				
Program services	528,139		528,139	595,103
Supporting services				
Management and general	68,191		68,191	62,547
Fund raising	44,176		44,176	49,627
Total Expenses	<u>640,506</u>	<u>-</u>	<u>640,506</u>	<u>707,277</u>
CHANGE IN NET ASSETS	43,566	24,892	68,458	14,952
NET ASSETS - BEGINNING OF YEAR	<u>332,321</u>	<u>61,527</u>	<u>393,848</u>	<u>378,896</u>
NET ASSETS - END OF YEAR	<u>\$ 375,887</u>	<u>\$ 86,419</u>	<u>\$ 462,306</u>	<u>\$ 393,848</u>

The Notes to Financial Statements
are an integral part of the statements.

THE LITERACY ALLIANCE, INC.

**Statements of Activities and Net Assets
For the Year Ended August 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
SUPPORT AND REVENUE			
Support			
Government grants	\$ 207,957	\$	\$ 207,957
Foundation grants	277,560	95,750	373,310
Business contributions	14,674		14,674
Individual contributions	41,764		41,764
Fund raising (net of direct benefit to donors of \$9,800)	26,082		26,082
United Way	25,417		25,417
In-kind support	16,260		16,260
Revenue			
Investment income	6,383		6,383
Unrealized investment gain (loss)	(3,369)		(3,369)
Program service fees	13,751		13,751
Net assets released from restrictions			
Restrictions satisfied by payments	<u>85,252</u>	(<u>85,252</u>)	<u>-</u>
Total Support and Revenue and Net Assets Released from Restrictions	711,731	10,498	722,229
 EXPENSES			
Program services	595,103		595,103
Supporting services			
Management and general	62,547		62,547
Fund raising	49,627		49,627
Total Expenses	<u>707,277</u>	<u>-</u>	<u>707,277</u>
 CHANGE IN NET ASSETS	4,454	10,498	14,952
NET ASSETS - BEGINNING OF YEAR	<u>327,867</u>	<u>51,029</u>	<u>378,896</u>
 NET ASSETS - END OF YEAR	<u>\$ 332,321</u>	<u>\$ 61,527</u>	<u>\$ 393,848</u>

The Notes to Financial Statements
are an integral part of the statements.

THE LITERACY ALLIANCE, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2020
(With Comparative Totals for the Year Ended August 31, 2019)

	Program Services	Supporting Services		2020 Total Expenses	2019 Total Expenses
		Management and General	Fund Raising		
Salaries	\$ 314,962	\$ 38,712	\$ 16,282	\$ 369,956	\$ 412,378
Payroll taxes	26,661	3,940	1,357	31,958	33,247
Staff development	4,016	169	253	4,438	6,653
Workmens comp/medical insurance	2,251	300	450	3,001	2,008
Total Employee Expenses	<u>347,890</u>	<u>43,121</u>	<u>18,342</u>	<u>409,353</u>	<u>454,286</u>
Instruction	1,000			1,000	24,067
Resource material	13,647			13,647	3,123
Advertising and promotion	5,945	793	1,189	7,927	4,474
Professional services	40,760	11,126	10,019	61,905	81,754
Supplies	2,887	700	525	4,112	6,422
Telephone	3,323	443	665	4,431	3,250
Postage and shipping	985	1,311	197	2,493	2,282
Insurance	4,196	481	839	5,516	1,386
Occupancy	55,188	4,962	7,350	67,500	58,125
Equipment rental and maintenance	11,483	1,491	2,237	15,211	20,306
Travel	126			126	348
Printing and publications	4,925	1,928	1,829	8,682	8,741
Dues and subscriptions	2,550	434	483	3,467	3,023
Student expense	11,983			11,983	14,549
Special events	5,132	513	5,292	10,937	8,743
Total Before Depreciation	<u>512,020</u>	<u>67,303</u>	<u>48,967</u>	<u>628,290</u>	<u>694,879</u>
Depreciation	16,119	888	3,224	20,231	22,198
Total Expenses by Function	<u>528,139</u>	<u>68,191</u>	<u>52,191</u>	<u>648,521</u>	<u>717,077</u>
Less expenses included with support on the statement of activities			(8,015)	(8,015)	(9,800)
Total Expenses	<u>\$ 528,139</u>	<u>\$ 68,191</u>	<u>\$ 44,176</u>	<u>\$ 640,506</u>	<u>\$ 707,277</u>

The Notes to Financial Statements
are an integral part of the statements.

THE LITERACY ALLIANCE, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund Raising	
Salaries	\$ 352,040	\$ 39,465	\$ 20,873	\$ 412,378
Payroll taxes	28,143	3,353	1,751	33,247
Staff development	5,820	333	500	6,653
Medical insurance	1,506	201	301	2,008
Total Employee Expenses	<u>387,509</u>	<u>43,352</u>	<u>23,425</u>	<u>454,286</u>
Instruction	24,067			24,067
Resource material	2,963	64	96	3,123
Advertising and promotion	3,356	447	671	4,474
Professional services	61,593	7,910	12,251	81,754
Supplies	4,827	638	957	6,422
Telephone	2,438	325	487	3,250
Postage and shipping	1,712	228	342	2,282
Insurance	1,039	139	208	1,386
Occupancy	47,792	4,133	6,200	58,125
Equipment rental and maintenance	15,407	1,960	2,939	20,306
Travel	259	38	51	348
Printing and publications	6,799	777	1,165	8,741
Dues and subscriptions	2,420	241	362	3,023
Student expense	14,549			14,549
Special events	1,725	75	6,943	8,743
Total Before Depreciation	<u>578,455</u>	<u>60,327</u>	<u>56,097</u>	<u>694,879</u>
Depreciation	16,648	2,220	3,330	22,198
Total Expenses by Function	<u>595,103</u>	<u>62,547</u>	<u>59,427</u>	<u>717,077</u>
Less expenses included with support on the statement of activities			(9,800)	(9,800)
Total Expenses	<u>\$ 595,103</u>	<u>\$ 62,547</u>	<u>\$ 49,627</u>	<u>\$ 707,277</u>

The Notes to Financial Statements
are an integral part of the statements.

THE LITERACY ALLIANCE, INC.

Statements of Cash Flows

	Year Ended August 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 68,458	\$ 14,952
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,231	22,198
Unrealized investment (gain) loss	(2,004)	3,369
Loss on disposition of fixed assets	1,165	-
Decrease (increase) in grants and accounts receivable	7,899	(4,370)
Increase in pledges receivable	(29,599)	-
Increase in prepaid expenses	(8,801)	(2,850)
Increase (decrease) in accrued interest receivable	633	(1,510)
Increase (decrease) in accounts payable and accrued expenses	6,820	(1,002)
Increase (decrease) in deferred revenue	(16,130)	11,178
Net Cash Provided by Operating Activities	48,672	41,965
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(9,669)
Increase in investments	(2,152)	(2,299)
Net Cash Used For Investing Activities	(2,152)	(11,968)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	80,200	-
Payments on leasehold obligation	(5,360)	(5,565)
Net Cash Provided By (Used For) Financing Activities	74,840	(5,565)
NET INCREASE IN CASH AND CASH EQUIVALENTS	121,360	24,432
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	274,885	250,453
CASH AND CASH EQUIVALENTS- END OF YEAR	\$ 396,245	\$ 274,885

The Notes to Financial Statements
are an integral part of the statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The Literacy Alliance’s mission is “to end illiteracy by teaching adults through learning centers, literacy programs and tutoring services that empower individuals to succeed at work, at home and in the community.” In support of its mission, the organization provides instruction for adults through community-based high school equivalency (HSE) learning centers, pre-HSE classes held in internet-connected computer labs, small groups working on pre-reading skills and English for Speakers of Other Languages (ESOL) classes. The organization provides job certification training and career advising in its HSE classrooms and collaborates with local schools and community organizations to provide on-site instruction and mutual referrals. The Literacy Alliance places a family library in each new Habitat for Humanity home at the time of dedication. Volunteers are an essential part of the instruction team in all program areas.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Literacy Alliance, Inc. and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal 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. The Organization 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.

Contributions - The Organization has adopted FASB ASC 958-605-05. In accordance with FASB ASC 958-605-05, contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributed Services and Gifts in Kind - During the years ended August 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements in accordance with FASB ASC 958-605-05 was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization's program services. The Organization receives more than 3,400 volunteer hours per year.

The Organization also receives the use of facilities used in its programs. The value of the donated facilities amounted to \$22,560 and \$16,260 for the years ended August 31, 2020 and 2019, respectively. In addition, the Organization received good and services amounting to \$8,976 for the year ended August 31, 2020.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Equipment is depreciated using the straight-line method over a period of three to seven years. Leasehold improvements are being depreciated on a straight-line basis over the life of the lease which is ten years.

Functional Expenses - The Literacy Alliance, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Income Taxes - The Literacy Alliance, Inc. is a nonprofit Organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 60% charitable contribution limitation. The CARES Act has temporarily allowed a 100% charitable contribution limitation for the calendar year 2020. The organization has adopted FASB ASC 740-10-25 and determined no material unrecognized tax benefits or liabilities exist as of August 31, 2020. The adoption of FASB ASC 740-10-25 did not impact the organization's financial position or results of operations. If applicable, the Organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of August 31, 2020, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The Organization is generally no longer subject to examination by federal and state agencies for years ended before August 31, 2017.

Advertising Costs - Advertising and promotional programs are charged to expense during the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Compensated Absences - The Organization's employee base is made up of full-time and part-time employees. No liability for compensated absences has been recorded in the financial statements. Any liability that may exist is deemed immaterial.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Revenue - The Organization has recorded deferred revenue in connection with a fund-raising event that will take place in a subsequent year. Deferred revenue amounted to \$20,010 and \$36,140 as of August 31, 2020 and 2019, respectively.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-2-Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard is effective for the organization beginning September 1, 2021 and is currently being evaluated to determine the impact on the financial statements.

In June 2018, the FASB issued ASU 2018-8-Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from ASU 2014-9-Revenue from Contracts with Customers, regarding its implications on grants and contracts of nonprofit organizations. The guidance clarifies how entities determine whether to account for a transfer of assets as an exchange transaction or a contribution. The guidance also clarifies that a contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for transferred assets or a right of release of the promisor's obligation to transfer assets. The Organization has evaluated the standards and determined there will be no material impact to the financial statements. As such, the Organization adopted ASU 2018-8 effective September 1, 2019 resulting in no adjustment to opening balances. The Organization intends to adopt ASU 2014-9 for the year ended August 31, 2021.

NOTE 2 - Grants and Accounts Receivable

The Literacy Alliance, Inc. incurs expenses and then submits requests for reimbursement by third-party grantors. The reimbursement requests are reviewed by the grantor, taking into consideration the purpose of the expenditures, the amount of the original grant and the provisions set forth. Grants receivable under these terms amounted to \$29,971 and \$37,970 as of August 31, 2020 and 2019, respectively. In addition, the Organization had miscellaneous accounts receivable of \$5,000 and \$4,900 as of August 31, 2020 and 2019, respectively. All grants and accounts receivable are considered by the Organization to be fully collectible.

NOTE 3 - Off-Balance Sheet Risk

The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At August 31, 2020 and 2019, the Organization had no uninsured cash balances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - Concentrations

Grants from a single donor amounted to \$256,399 and \$206,502 for the years ended August 31, 2020 and 2019, respectively. This amounted to 37.74% and 28.59% of total support and revenue for the years ended August 31, 2020 and 2019, respectively. Were it to occur, a significant reduction in this funding may have a major effect on the operations of the Organization.

NOTE 5 – Pledges Receivable

Pledges receivable at August 31, 2020 are unconditional promises to give detailed as follows:

	2020
Pledges receivable in less than one year	\$ 15,000
Pledges receivable in one to five years	15,000
Pledges receivable in five to ten years	-
	<u>30,000</u>
Less: Present value discount	<u>401</u>
Net pledges receivable	<u>\$ 29,599</u>

Pledges have been recorded using a discount rate of 2.75% for the fiscal year ended August 31, 2020.

NOTE 6 – Line of Credit

The Organization has obtained a short-term line of credit from Star Financial Bank in the amount of \$75,000. The note calls for interest at a rate of prime plus .75%, is secured by substantially all of the Organization's assets and is due on January 1, 2021. There was no balance due on this line of credit as of August 31, 2020 or 2019.

NOTE 7 - Leases

On November 1, 2015, the organization entered into a lease commencing March 1, 2016 for a period of ten years. The lease is for office space at a rate of \$2,089 per month for the first twelve months with increases on an annual basis tied to the increase in the consumer price index. Future minimum lease payments over the next five years of the lease are estimated as follows:

Year	Amount
August 31, 2021	\$ 27,868
August 31, 2022	28,079
August 31, 2023	28,293
August 31, 2024	28,508
August 31, 2025	28,725

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – Notes Payable

On April 17, 2020 the Organization secured a note with Star Financial Bank under the provisions of the Paycheck Protection Program in the amount of \$80,200. The loan bears interest at 1% with no interest due for the first six months, and may be forgiven if the Organization complies with the terms specified in the agreement. The loan matures in March 2022.

NOTE 9 – Leasehold Obligation

In connection with the lease executed in Note 6, the Organization agreed to reimburse the landlord for leasehold improvements made to the leased facility. The total amount of the improvements was \$57,634 and the amount is being repaid at \$557/month including interest at a rate of 3% over a ten-year period. The remaining balance amounted to \$32,876 and \$38,236 as of August 31, 2020 and 2019, respectively. Principal payments over the next five years are as follows:

Year	Amount
August 31, 2021	\$ 5,283
August 31, 2022	5,932
August 31, 2023	6,112
August 31, 2024	6,298
August 31, 2025	6,489

NOTE 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions result from non-reimbursement type grants in which the specifically stated grant terms do not coincide with the organization’s fiscal year.

A reconciliation of net assets with donor restrictions follows:

	Balance 8/31/2019	Additions	Reductions	Balance 8/31/2020
Operating grants - future periods	\$ 31,667	\$ 84,599	\$ 55,000	\$ 61,266
Organizational development	9,335		6,399	2,936
Restricted donations - scholarships	1,775			1,775
Student supplies - adult education	7,500		7,500	-
H.S.E. operations	11,250	10,000	12,000	9,250
Asset acquisition	-	11,192		11,192
	<u>\$ 61,527</u>	<u>\$ 105,791</u>	<u>\$ 80,899</u>	<u>\$ 86,419</u>

NOTE 11 - Investment - Community Foundation of Greater Fort Wayne

During the fiscal year ended August 31, 2006, the Board of Directors made a contribution of \$50,000 to the Community Foundation of Greater Fort Wayne. The Foundation has final discretion on the investment and reinvestment of the assets which are held in a pooled fund. Proportional investment earnings less customary and usual fees will either be distributed to The Literacy Alliance, Inc. or added to the fund principal according to the terms of the agreement. As of August 31, 2020 and 2019, the balance in the Foundation amounted to \$73,286 and \$69,130, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - Investment - Community Foundation of Greater Fort Wayne (Continued)

Additionally, the Community Foundation of Greater Fort Wayne holds investment assets with a value of \$30,564 and \$28,507 as of August 31, 2020, and 2019, respectively, for the benefit of the Organization for which they have retained variance power. These investments are not recorded as assets of the Organization.

Net investment income includes interest on deposit accounts and consisted of the following:

	Year ended August 31	
	2020	2019
Interest income	\$ 4,951	\$ 6,714
Realized gains	401	2
Unrealized gains (loss)	2,004	(3,369)
Investment management fees	(353)	(333)
Total	<u>\$ 7,003</u>	<u>\$ 3,014</u>

NOTE 12 – Retirement Plan

The Organization has adopted an Internal Revenue Code 403(b) retirement savings plan for substantially all employees. All contributions to the plan are made by the employees through salary deferrals. The plan does not provide for contributions from The Literacy Alliance.

NOTE 13 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by The Literacy Alliance, Inc. impacted by this pronouncement include the investments held at market value.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 – Fair Value of Financial Instruments (Continued)

Fair value of financial instruments as of August 31, 2020 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Community Foundation of Greater Fort Wayne	<u>\$</u>	<u>\$</u>	<u>\$ 73,286</u>

Fair value of financial instruments as of August 31, 2019 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Community Foundation of Greater Fort Wayne	<u>\$</u>	<u>\$</u>	<u>\$ 69,130</u>

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended August 31, 2020 and 2019:

	2020 Unobservable Inputs (Level 3)	2019 Unobservable Inputs (Level 3)
Beginning Balance - September 1	\$ 69,130	\$ 70,200
Total gains or losses (realized/unrealized) included in earnings:		
Interest and dividend income on securities	2,104	2,630
Unrealized gains (loss)	2,004 (3,369)
Realized gain on sale of securities	401	2
Investment fees	(353) (333)
Transfers out	-	-
Ending Balance - August 31	<u>\$ 73,286</u>	<u>\$ 69,130</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 – Liquidity and Availability of Financial Assets

The following reflects the financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board approves that action.

	2020	2019
Cash and cash equivalents	\$ 396,245	\$ 274,885
Accounts and grants receivable, net, collected in less than one year	34,971	42,870
Total financial assets, excluding noncurrent receivables	431,216	317,755
Contractual or donor-imposed restrictions:		
Other donor restrictions	(56,820)	(61,527)
Add back: amounts available for donor-specified expenditures in following year	40,917	42,917
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 415,313	\$ 299,145

NOTE 15 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 22, 2020, the date the financial statements were available to be issued. The Organization is monitoring the COVID-19 outbreak in the United States and throughout the world for impacts to its operations. Public health organizations are providing daily updates on changes to be made, including closures in certain industries. The length of the outbreak is uncertain at this time and therefore, the impact on the Organization's financial condition and results of its operations is unknown.