

# **Seeds of Literacy**

**Financial Statements  
June 30, 2020 and 2019**

**Seeds of Literacy**  
**Financial Statements**  
**June 30, 2020 and 2019**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to the Financial Statements	10

## Independent Auditor's Report

To the Board of Directors  
Seeds of Literacy  
3104 West 25th Street, 3rd Floor  
Cleveland, Ohio 44109

We have audited the accompanying financial statements of Seeds of Literacy (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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 from material misstatement.

An audit includes 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 of 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.

To the Board of Directors  
Seeds of Literacy

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Literacy as of June 30, 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.

*Cimini & Panzani, Inc.*

Cleveland, Ohio  
January 13, 2021

# Seeds of Literacy

## Statement of Financial Position

June 30, 2020

	<u>Assets</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 579,782	\$ 176,741	\$ 756,523
Grants and contributions receivable	29,698	187,014	216,712
Total current assets	<u>609,480</u>	<u>363,755</u>	<u>973,235</u>
Property and equipment, net	<u>56,300</u>	<u>-</u>	<u>56,300</u>
	<u>\$ 665,780</u>	<u>\$ 363,755</u>	<u>\$ 1,029,535</u>

	<u>Liabilities and Net Assets</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current liabilities			
Accounts payable	\$ 13,632	\$ -	\$ 13,632
Accrued wages and benefits	17,491	-	17,491
PPP advance (Note 10)	135,400	-	135,400
Total current liabilities	<u>166,523</u>	<u>-</u>	<u>166,523</u>
Net assets	<u>499,257</u>	<u>363,755</u>	<u>863,012</u>
	<u>\$ 665,780</u>	<u>\$ 363,755</u>	<u>\$ 1,029,535</u>

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

# Seeds of Literacy

## Statement of Financial Position

June 30, 2019

	<u>Assets</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 426,953	\$ 55,625	\$ 482,578
Grants and contributions receivable	<u>65,375</u>	<u>219,176</u>	<u>284,551</u>
Total current assets	492,328	274,801	767,129
Property and equipment, net	<u>36,021</u>	<u>-</u>	<u>36,021</u>
	<u>\$ 528,349</u>	<u>\$ 274,801</u>	<u>\$ 803,150</u>

	<u>Liabilities and Net Assets</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current liabilities			
Accounts payable	\$ 16,049	\$ -	\$ 16,049
Accrued wages and benefits	<u>27,775</u>	<u>-</u>	<u>27,775</u>
Total current liabilities	43,824	-	43,824
Net assets	<u>484,525</u>	<u>274,801</u>	<u>759,326</u>
	<u>\$ 528,349</u>	<u>\$ 274,801</u>	<u>\$ 803,150</u>

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

# Seeds of Literacy

## Statement of Activities

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants, gifts, and contributions	\$ 666,051	\$ 427,088	\$ 1,093,139
Donated services	1,500	-	1,500
Donated supplies and materials	19,455	-	19,455
Special events, net	42,849	-	42,849
Other	4,902	-	4,902
	<u>734,757</u>	<u>427,088</u>	<u>1,161,845</u>
Net assets released from restrictions	<u>338,134</u>	<u>(338,134)</u>	<u>-</u>
Total support and revenue	<u>1,072,891</u>	<u>88,954</u>	<u>1,161,845</u>
Expenses			
Program	877,115	-	877,115
Management and general	86,313	-	86,313
Fundraising	94,731	-	94,731
Total expenses	<u>1,058,159</u>	<u>-</u>	<u>1,058,159</u>
Change in net assets	14,732	88,954	103,686
Net assets, beginning of year	<u>484,525</u>	<u>274,801</u>	<u>759,326</u>
Net assets, end of year	<u>\$ 499,257</u>	<u>\$ 363,755</u>	<u>\$ 863,012</u>

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

# Seeds of Literacy

## Statement of Activities

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants, gifts, and contributions	\$ 553,906	\$ 369,176	\$ 923,082
Donated services	8,700	-	8,700
Donated supplies and materials	47,306	-	47,306
Special events, net	104,195	-	104,195
Other	4,273	-	4,273
	<u>718,380</u>	<u>369,176</u>	<u>1,087,556</u>
Net assets released from restrictions	405,009	(405,009)	-
Total support and revenue	<u>1,123,389</u>	<u>(35,833)</u>	<u>1,087,556</u>
Expenses			
Program	916,327	-	916,327
Management and general	63,609	-	63,609
Fundraising	88,119	-	88,119
Total expenses	<u>1,068,055</u>	<u>-</u>	<u>1,068,055</u>
Change in net assets	55,334	(35,833)	19,501
Net assets, beginning of year	<u>429,191</u>	<u>310,634</u>	<u>739,825</u>
Net assets, end of year	<u>\$ 484,525</u>	<u>\$ 274,801</u>	<u>\$ 759,326</u>

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

## Seeds of Literacy

### Statement of Functional Expenses

For the year ended June 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel	\$ 562,061	\$ 33,062	\$ 66,125	\$ 661,248
Employee benefits	69,604	4,094	8,189	81,887
Program support	30,587	-	-	30,587
Program supplies	45,285	-	-	45,285
Special project	1,740	-	-	1,740
Occupancy	94,302	11,094	5,547	110,943
Travel and meals	4,863	-	-	4,863
Equipment	7,605	-	-	7,605
Telephone	28,320	745	745	29,810
Workshops and training	6,914	-	-	6,914
Public relations	-	-	7,860	7,860
Office supplies	177	134	134	445
Legal and accounting	9,504	36,910	4,320	50,734
Miscellaneous	2,117	-	-	2,117
Dues and subscriptions	821	274	-	1,095
Bank service charges	-	-	1,811	1,811
Depreciation	13,215	-	-	13,215
	<u>\$ 877,115</u>	<u>\$ 86,313</u>	<u>\$ 94,731</u>	<u>\$ 1,058,159</u>

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

## Seeds of Literacy

### Statement of Functional Expenses

For the year ended June 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel	\$ 558,357	\$ 32,845	\$ 65,689	\$ 656,891
Employee benefits	78,808	4,636	9,272	92,716
Program support	27,240	-	-	27,240
Program supplies	74,963	-	-	74,963
Special project	7,157	-	-	7,157
Occupancy	107,732	2,835	2,835	113,402
Travel and meals	10,037	-	-	10,037
Equipment	6,816	-	-	6,816
Telephone	26,638	701	701	28,040
Workshops and training	3,235	-	-	3,235
Public relations	-	-	7,720	7,720
Office supplies	26	19	19	64
Legal and accounting	-	22,573	-	22,573
Miscellaneous	2,320	-	-	2,320
Dues and subscriptions	1,278	-	-	1,278
Bank service charges	-	-	1,883	1,883
Depreciation	11,720	-	-	11,720
	<u>\$ 916,327</u>	<u>\$ 63,609</u>	<u>\$ 88,119</u>	<u>\$ 1,068,055</u>

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

# Seeds of Literacy

## Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 103,686	\$ 19,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	13,215	11,720
Changes in operating assets and liabilities:		
Grants and contributions receivable	67,839	(35,692)
Prepaid expenses	-	1,746
Accounts payable	(2,417)	4,914
Accrued wages and benefits	(10,284)	9,895
PPP advance	135,400	-
Cash provided by operating activities	<u>307,439</u>	<u>12,084</u>
Cash flows from investing activities:		
Cash paid for purchases of property and equipment	<u>(33,494)</u>	<u>(6,971)</u>
Cash used for investing activities	<u>(33,494)</u>	<u>(6,971)</u>
Net increase in cash	273,945	5,113
Cash and cash equivalents beginning of year	<u>482,578</u>	<u>477,465</u>
Cash and cash equivalents end of year	<u>\$ 756,523</u>	<u>\$ 482,578</u>

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

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Seeds of Literacy (the “Organization”) is an award-winning, innovative adult literacy program that relies on individualized curricula and one-to-one tutoring to help students who did not succeed in traditional school settings. The Organization offers free basic education, digital literacy, and GED® preparation to about 1,000 adults annually with the help of over 250 volunteers. The Organization is open year-round, with open enrollment and weekly registration. The Organization’s curriculum is based on two best practices: Common Core State Standards and GED® Benchmarks. Seeds of Literacy is the only nationally accredited literacy program in Ohio.

#### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

#### Financial Statement Presentation

The Organization adheres to Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) in the manner noted below. The financial statements have been prepared based upon two categories of net assets, as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations, whether due to time or purpose.

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions that may or will be met, either by action of the Organization and/or the passage of time. When a restriction expires or is substantially met, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions subject to other revenue recognition guidance. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. On July 1, 2019, the Organization adopted this ASU. The Organization’s financial statements have been updated to reflect the implementation of this standard on a modified-prospective basis. There was no impact on beginning net assets as a result of this implementation.

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 1: Summary of Significant Accounting Policies (continued)

#### Adopted Accounting Pronouncements (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* to provide clarity in the requirements for the presentation of restricted cash on the statement of cash flows. This standard requires that total cash presented on the statement of cash flows reflect all cash and cash equivalents shown on the statement of financial position with a reconciliation of items incorporated into that total shown either on the statement of cash flows or in the notes to the financial statements. On July 1, 2019, the Organization adopted this ASU. There was no impact on beginning net assets as a result of this implementation.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

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

#### Revenue Recognition

Grants, gifts, and contributions are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when conditions on which they depend are substantially met. Unconditional promises to give to be funded in subsequent years are reported at their present value using risk free interest rates applicable to years in which the promises are to be received.

Grants, gifts and contributions recognized in the financial statements are recorded as without donor restrictions and with donor restrictions depending on the existence and nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Special event revenues are recognized when the event is held. Contributions received at or related to a special event are recorded as special event revenue in the financial statements.

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 1: Summary of Significant Accounting Policies (continued)

#### Donated Services, Supplies, and Materials

Support arising from contributed services, supplies and materials has been recognized in the accompanying financial statements in accordance with the FASB Accounting Standards Codification (ASC) No. 958, Not-for-Profit Entities. This accounting guidance requires the fair value of donated services, supplies and materials be recorded in the financial statements at the time of receipt. The fair value of donated services is recognized in the financial statements only if the services create or enhance nonfinancial assets or require a specialized skill, are provided by those possessing the skill, and would need to be purchased if not donated. A requirement for the recording of any donated services, supplies, and materials is the ability to document the receipt and fair value of the donation. Those donated services, supplies, and materials have been reflected in the accompanying financial statements if they met the criteria for recognition.

#### Functional Expense Allocation

The statements of functional expenses present expenses by functional and natural classification. Expenses directly attributable to program services, administration, and fundraising are reported as expenses of that functional area. Payroll expenses have been allocated between program, administration, and fundraising functions based on job roles in the percentage attributable to each functional area. Other indirect expenses have been allocated to functional areas on the basis of payroll per functional area as a percentage of total payroll costs.

#### Property and Equipment

Property and equipment purchased are recorded at cost and those donated are recorded at fair market value at the date of the gift. Upon disposal, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations. Expenditures for routine maintenance, repairs, and renewals are charged to expense as incurred. Depreciation is computed on the straight-line method using the following lives for each asset classification:

Software	5 years
Furniture and equipment	5 years
Leasehold improvements	15 years

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 1: Summary of Significant Accounting Policies (continued)

#### Tax Status

The Organization is a nonprofit corporation that is tax-exempt under Section 501 (c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America, require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. In addition, the Organization has not incurred any penalties or interest for the years ended June 30, 2020 and 2019. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which further delayed the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2014-09 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. FASB issued ASU 2020-05 that deferred the effective date for the Organization until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of ASU 2016-02 on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the statement of activities. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022. Management is currently evaluating the impact of ASU 2020-07 on its financial statements.

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 1: Summary of Significant Accounting Policies (continued)

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 13, 2021, the date the financial statements were available to be issued.

### Note 2: Grants and Contributions Receivable

Grants and contributions receivable represents amounts promised during the year but not received as of the financial statement date. The Organization projects all amounts receivable will be received in full during the following fiscal year and therefore, no provision for potentially uncollectible amounts or discount for extended payment plans is required. In July 2019, the State of Ohio Department of Higher Education awarded funding for fiscal year 2020 and 2021 of \$125,000 per fiscal year. Due to the COVID-19 pandemic, fiscal year 2021 funding was decreased by 25%.

### Note 3: Concentrations of Credit Risk

The Organization deposits the majority of its cash in commercial bank accounts. From time to time, cash balances in the bank accounts may exceed federally insured limits. To date, the Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on its cash accounts.

Substantially all of the Organization's contributions and annual revenues are derived for a single program purpose. The Organization's operations and revenue generation abilities are concentrated in the vicinity of northeastern Ohio. Two donors each contributed greater than 10% of the Organization's grants, gifts and contributions for the year ended June 30, 2020. One donor contributed greater than 10% of the Organization's grants, gifts and for the year ended June 30, 2019.

### Note 4: Property and Equipment

Property and equipment, at cost, was comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 94,980	\$ 72,971
Leasehold improvements	<u>38,143</u>	<u>30,943</u>
	133,123	103,914
Less: accumulated depreciation	<u>(76,823)</u>	<u>(67,893)</u>
	<u>\$ 56,300</u>	<u>\$ 36,021</u>

## Seeds of Literacy

### Notes to the Financial Statements

**June 30, 2020 and 2019**

**Note 5: Net Assets with Donor Restrictions**

Net assets with donor restrictions include contributions that continue to be subject to donor-imposed restrictions as of fiscal year-end. These continuing donor restrictions relate to the time period in which the funds can be utilized and/or the purpose for which the funds can be expended. All net assets with donor restrictions at June 30, 2020 and 2019, are available for use during the years ending June 30, 2021 and 2020, respectively. Net assets with donor restrictions are available for the following purposes:

	June 30, 2019	Additions	Released	June 30, 2020
Adult literacy, basic education, and GED <sup>®</sup> preparation	\$ 274,801	\$ 427,088	\$ (338,134)	\$ 363,755
	June 30, 2018	Additions	Released	June 30, 2019
Adult literacy, basic education, and GED <sup>®</sup> preparation	\$ 310,634	\$ 369,176	\$ (405,009)	\$ 274,801

**Note 6: Donated Materials and Services**

The value of donated services, supplies, and material included as support and revenue in the statements of activities and the corresponding program, management and general, and special event expenses for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Legal services	\$ 1,500	\$ 6,000
Accounting and information technology services	-	2,700
	\$ <u>1,500</u>	\$ <u>8,700</u>
Materials and program supplies	\$ <u>19,455</u>	\$ <u>47,306</u>

Volunteers provided a total of 19,105 (unaudited) and 25,801 (unaudited) hours of volunteer work during the years ending June 30, 2020 and 2019, respectively. These volunteers do not meet the requirements for recording in the financial statements. Therefore, no provision has been made for the fair value of these volunteer services in the financial statements.

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 6: Donated Materials and Services (continued)

The following is information regarding donated services not recorded in the financial statements for the years ended June 30, 2020 and 2019:

	Unaudited	
	<u>2020</u>	<u>2019</u>
Tutor services	\$ 348,219	\$ 332,272
Community service activities	27,194	42,246
Board of Directors and Finance Committee	2,251	5,203
Data entry and other services	<u>31,153</u>	<u>72,835</u>
	<u>\$ 408,817</u>	<u>\$ 452,556</u>

### Note 7: Special Events, Net

The Organization hosts various special events for the purposes of promoting its activities, recognizing its supporters, and raising funds. All revenues relating to the events, including donations received at or in conjunction with the events, and charges for materials and services provided at the events, are classified as special event revenue. Expenses that are related to the direct benefit of the donors have been netted with fundraising revenues in the statements of activities. The following is information relating to the events conducted during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Revenue	\$ 57,881	\$ 119,431
Expenses	<u>(15,032)</u>	<u>(15,236)</u>
	<u>\$ 42,849</u>	<u>\$ 104,195</u>

### Note 8: Retirement Plan

Included in the cost of employee benefits are contributions to a SIMPLE IRA Plan, totaling \$13,385 and \$9,123 for the years ended June 30, 2020 and 2019, respectively. The Organization matches employees' pre-tax deferrals on a dollar-for-dollar basis up to 3%, but not less than 1%.

# Seeds of Literacy

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 9: Operating Leases

The Organization occupies, pursuant to short-term operating lease agreements, office and classroom space for use in the conduct of its program. In addition, the Organization also leases office equipment for use in its operations. Total expense under these lease agreements was \$79,560 and \$81,894 for the years ended June 30, 2020 and 2019, respectively.

### Note 10: COVID-19 Impact

The Organization was impacted by the onset of the COVID-19 pandemic. This event reduced the ability of the Organization to provide some services. The quantitative impact of COVID-19 cannot be estimated at June 30, 2020.

In April 2020, the Organization received a loan of \$135,400 pursuant to the Payroll Protection Program (PPP) under the CARES Act. The loan matures in April of 2022 and bears interest at 1% per annum. Under terms of the PPP certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization has evaluated this agreement as a conditional contribution under ASU 2018-08. Recognition of the contribution revenue will occur when the Organization has satisfied the conditions for forgiveness. The Organization anticipates recognizing this contribution revenue during fiscal 2021. As such, the PPP funding is reflected as an advance on the statement of financial position at June 30, 2020.

### Note 11: Liquidity and Availability of Resources

The Organization's financial assets available within one year of June 30, 2020 and 2019 for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 756,523	\$ 482,578
Grants and contributions receivable	<u>216,712</u>	<u>284,551</u>
Total financial assets available to management for general expenditures within one year	\$ <u>973,235</u>	\$ <u>767,129</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management considers any contributions restricted for operations for the next fiscal year to be available. The Organization's increase in financial assets is due to the PPP loan and anticipated funding from the Ohio Department of Higher Education.