

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3 - 4
STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 13

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees  
Literacy Network of South Berkshire, Inc.

We have reviewed the accompanying financial statements of Literacy Network of South Berkshire, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity 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 financial statements that are free from material misstatement whether due to fraud or error.

### Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with the 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.

### Accountants' 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.

  
October 6, 2023

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
 STATEMENT OF FINANCIAL POSITION  
 DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 212,329	\$ 268,654
Investments	424,281	468,056
Grants receivable	<u>12,670</u>	<u>20,000</u>
Total current assets	649,280	756,710
Prepaid expenses	<u>920</u>	<u>420</u>
TOTAL ASSETS	<u>\$ 650,200</u>	<u>\$ 757,130</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 13,282	\$ 10,107
Simple IRA payable	<u>824</u>	<u>0</u>
Total current liabilities	14,106	10,107
NET ASSETS		
Net Assets Without Donor Restrictions	578,119	692,474
Net Assets With Donor Restrictions	<u>57,975</u>	<u>54,549</u>
Total net assets	<u>636,094</u>	<u>747,023</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 650,200</u>	<u>\$ 757,130</u>

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>
SUPPORT & REVENUE			
Contributions and grants	\$ 178,418	\$ 21,670	\$ 200,088
Special events, net	72,942	0	72,942
In-kind contributions		0	0
Net assets released from restriction	<u>18,244</u>	<u>(18,244)</u>	<u>0</u>
TOTAL REVENUES AND SUPPORT	<u>269,604</u>	<u>3,426</u>	<u>273,030</u>
 EXPENSES			
Programs		0	244,201
Educational Programs	<u>244,201</u>		<u>244,201</u>
Total Program Expenses	<u>244,201</u>	<u>0</u>	<u>244,201</u>
 Support Services			
Management & general	83,003	0	83,003
Fundraising	<u>19,003</u>	<u>0</u>	<u>19,003</u>
Total Support Services Expenses	<u>102,006</u>	<u>0</u>	<u>102,006</u>
 TOTAL EXPENSES	<u>346,207</u>	<u>0</u>	<u>346,207</u>
 OTHER INCOME/(EXPENSE)			
Interest income	1,767	0	1,767
Dividends	2,400	0	2,400
Unrealized (loss) on investments	(49,847)	0	(49,847)
Realized gain on investments	<u>7,928</u>	<u>0</u>	<u>7,928</u>
TOTAL OTHER INCOME/(EXPENSE)	<u>(37,752)</u>	<u>0</u>	<u>(37,752)</u>
 INCREASE/(DECREASE) IN NET ASSETS	(114,355)	3,426	(110,929)
 NET ASSETS, BEGINNING	<u>692,474</u>	<u>54,549</u>	<u>747,023</u>
 NET ASSETS, ENDING	<u>\$ 578,119</u>	<u>\$ 57,975</u>	<u>\$ 636,094</u>

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>
SUPPORT & REVENUE			
Contributions and grants	\$ 191,391	\$ 17,963	\$ 209,354
Special events, net	55,865	0	55,865
Net assets released from restriction	<u>11,126</u>	<u>(11,126)</u>	<u>0</u>
TOTAL REVENUES AND SUPPORT	<u>258,382</u>	<u>6,837</u>	<u>265,219</u>
EXPENSES			
Programs			
Educational Programs	<u>149,948</u>	<u>0</u>	<u>149,948</u>
Total Program Expenses	<u>149,948</u>	<u>0</u>	<u>149,948</u>
Support Services			
Management & general	61,104	0	61,104
Fundraising	<u>7,455</u>	<u>0</u>	<u>7,455</u>
Total Support Services Expenses	<u>68,559</u>	<u>0</u>	<u>68,559</u>
TOTAL EXPENSES	<u>218,507</u>	<u>0</u>	<u>218,507</u>
OTHER INCOME/(EXPENSE)			
Interest income	278	0	278
Dividends	4,965	0	4,965
Unrealized gain on investments	64,846	0	64,846
Realized gain on investments	<u>12,214</u>	<u>0</u>	<u>12,214</u>
TOTAL OTHER INCOME/(EXPENSE)	<u>82,303</u>	<u>0</u>	<u>82,303</u>
INCREASE/(DECREASE) IN NET ASSETS	122,178	6,837	129,015
NET ASSETS, BEGINNING	<u>570,296</u>	<u>47,712</u>	<u>618,008</u>
NET ASSETS, ENDING	<u>\$ 692,474</u>	<u>\$ 54,549</u>	<u>\$ 747,023</u>

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	PROGRAMS		SUPPORT SERVICES		TOTAL
	EDUCATIONAL PROGRAMS	MANAGEMENT & GENERAL	FUNDRAISING		
Salaries and wages	\$ 143,202	\$ 44,512	\$ 4,086	\$	191,800
Salary related expenses	22,101	6,870	630		29,601
Advertising & promotion	2,642	0	0		2,642
Bank & credit card fees	0	2,601	0		2,601
Community outreach & dues	1,159	0	0		1,159
Equipment purchase & repair	2,224	741	0		2,965
Information technology	4,175	1,392	0		5,567
Insurance	2,008	1,339	0		3,347
Licenses & Fees	215	140	0		355
Occupancy	8,429	2,700	0		11,129
Office expenses	1,820	607	0		2,427
Payroll processing fees	1,122	349	32		1,503
Postage	590	197	566		1,353
Printing	0	0	11,328		11,328
Professional Fees	319	18,546	2,250		21,115
Program education	50,578	0	0		50,578
Supplies	0	0	111		111
Telephone & Internet	1,933	1,933	0		3,866
Transient labor	70	0	0		70
<b>TOTAL EXPENSES</b>	<b>\$ 244,201</b>	<b>\$ 83,003</b>	<b>\$ 19,003</b>	<b>\$</b>	<b>346,207</b>

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAMS		SUPPORT SERVICES		TOTAL
	EDUCATIONAL PROGRAMS	MANAGEMENT & GENERAL	FUNDRAISING		
Salaries and wages	\$ 101,221	\$ 27,732	\$ 4,921	\$	133,874
Salary related expenses	8,474	2,322	411		11,207
Advertising & promotion	1,425	0	0		1,425
Bank & credit card fees	0	2,477	0		2,477
Community outreach & dues	2,277	0	0		2,277
Conferences & Training	29	0	0		29
Equipment purchase & repair	1,741	580	0		2,321
Information technology	0	2,734	0		2,734
Insurance	1,725	1,150	0		2,875
Miscellaneous	838	559	0		1,397
Occupancy	2,450	2,450	0		4,900
Office expenses	1,637	545	0		2,182
Payroll processing fees	1,072	294	52		1,418
Postage	413	137	989		1,539
Printing	0	0	1,082		1,082
Professional Fees	629	15,099	0		15,728
Program education	23,144	0	0		23,144
Supplies	0	2,067	0		2,067
Telephone & Internet	2,873	2,873	0		5,746
Licenses & Fees	0	85	0		85
<b>TOTAL EXPENSES</b>	<b>\$ 149,948</b>	<b>\$ 61,104</b>	<b>\$ 7,455</b>	<b>\$</b>	<b>218,507</b>

See independent accountants' review report.  
 Page 6

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income	\$ (110,929)	\$ 129,015
Adjustments to reconcile net income to net cash provided by operating activities		
Realized and unrealized (gain) loss, net	41,919	(77,060)
(Increase) decrease in grants receivable	7,330	(20,000)
(Increase) decrease in prepaid expense	(500)	0
Increase (decrease) in accounts payable	3,175	5,529
Increase (decrease) in payroll liabilities	824	0
Total adjustments	<u>52,748</u>	<u>(91,531)</u>
Net cash provided by operating activities	<u>(58,181)</u>	<u>37,484</u>
Cash flows from investing activities:		
Net proceeds from sale of pooled investments	<u>1,856</u>	<u>833</u>
Net cash (used) by investing activities	<u>1,856</u>	<u>833</u>
Net increase in cash and equivalents	(56,325)	38,317
Cash and cash equivalents, beginning	<u>268,654</u>	<u>230,337</u>
Cash and cash equivalents, ending	<u>\$ 212,329</u>	<u>\$ 268,654</u>

**LITERACY NETWORK OF SOUTH BERKSHIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

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

**Nature of Organization**

Literacy Network of South Berkshire, Inc. (the Organization) was incorporated on November 17, 1994 under the general laws of the Commonwealth of Massachusetts as a non-profit organization. The Organization's mission is to transform the lives of adult learners, both immigrant and U.S.-born, through the power of literacy, education, and advocacy. The Organization provides free, individualized, one-on-one instruction in reading, high-school equivalency test preparation, English for Speakers of Other Languages, and citizenship test preparation. Its professional staff and trained team of volunteer tutors also offer generalized educational support and promote access to a network of community resources.

**Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.

**Net Assets with Donor Restriction** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and Equivalents**

For purposes of cash flow presentation, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and equivalents held in investment accounts are included in investments and excluded from cash for the purposes of the Statements of Financial Position and Cash Flows.

**Investments**

Investments are presented in the financial statements at fair value. Unrealized gains and losses are included in the change in net assets. Restricted gains and investment income whose restrictions are met in the period are recognized and reported as unrestricted revenue and gains.

**Fair Value Measurements**

US GAAP defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is broken down into three levels of inputs that market participants would use in valuing the asset or liability, which can be summarized as follows:

**Level 1:** Quoted prices in active markets for identical assets or liabilities.

**Level 2:** Quoted prices for similar assets and liabilities in active markets.

**Level 3:** Valuation based on inputs that are unobservable therefore requiring management's best estimate of what market participants would use as fair value.

**LITERACY NETWORK OF SOUTH BERKSHIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

**NOTE A - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributions**

Contributions received are measured at their fair value and are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment are placed in service. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Property & Equipment**

Equipment is stated at acquisition cost if purchased and fair value if contributed. Depreciation is calculated under the straight-line method as follows:

Equipment	5 years
Furniture & Fixtures	7 years

Maintenance and repair costs are expensed as incurred. Gains or losses on sales of property & equipment are reflected in income.

**Contributed Services**

Unpaid officers, board members and volunteers conduct significant portions of the Organization's functions. The value of these donated services is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for accounting recognition. Donated professional services and services requiring specialized skills, which would typically need to be purchased if not provided by donation, are reflected in the statement of activities at their fair value.

**Advertising**

The Organization expenses advertising costs as incurred. Advertising expenses were \$2,642 and \$1,425 for the years ended December 31, 2022 and 2021, respectively.

LITERACY NETWORK OF SOUTH BERKSHIRE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

**Adoption of New Lease Standard**

Effective January 1, 2022 the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease agreements, with certain exclusions under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use assets and lease obligations on its balance sheet for all leases with a lease term of more than 12 months. Short-term rentals under year-to-year leases or remaining lease terms of 12 months or less are exempt from being capitalized.

The new standard requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Organization expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, the Company is not expected to consume a major part of the economic benefits of assets classified as operating leases.

The Organization has made a policy election not to capitalize certain short-term leases with a lease term of 12 months or less.

No leases existed as of January 1, 2022 that required capitalization under the new standards.

**Gifts-In-Kind**

In September 2020, the FASB issued ASU 2020-07, *Presentation of Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization's financial statements.

NOTE B - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash. The Organization maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

**LITERACY NETWORK OF SOUTH BERKSHIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

**NOTE C – INVESTMENTS**

Investments consist of an account held with the Berkshire Taconic Community Foundation, Inc. The account is part of a pooled fund consisting of equities, fixed income securities and alternative investments. The account is reported at fair value.

Investments on December 31, 2022 and 2021 consist of the following:

Berkshire Taconic Community Foundation Pooled Investment Account	\$ <u>424,281</u>	\$ <u>468,056</u>
Total Investments	\$ <u><u>424,281</u></u>	\$ <u><u>468,056</u></u>

All investments are measured at quoted market value; therefore, they are classified as Level 1 in the fair value hierarchy as described in Fair Value Measurements under Note A – Summary of Significant Accounting Policies.

**NOTE D - PROPERTY AND EQUIPMENT**

The Organization did not own or hold title to any capitalized fixed assets as of December 31, 2022 and 2021, respectively.

Depreciation expense was \$0 and \$0 for the years ended December 31, 2022 and 2021, respectively.

**NOTE E –NET ASSETS WITH DONOR RESTRICTIONS**

The Organization’s restricted net assets are available for the following purposes on December 31, 2022 and 2021, respectively:

Available for expenditure for:	2022	2021
Citizenship Program	\$ 40,120	\$ 38,964
Measuring LitNet’s Impact Part 2	5,797	5,797
Project Drop In	5,000	0
New World Fund	4,388	4,388
Beginner ESOL Learners Training Pilot Workshop	0	4,000
Beginner ESOL Programming	2,670	000
Professional Tutor Training	0	1,400
Total net assets with donor restrictions	\$ <u>57,975</u>	\$ <u>54,549</u>

**LITERACY NETWORK OF SOUTH BERKSHIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

**NOTE F - LEASES**

The Organization leases office space from a third party under various short-term 12- month operating leases for its administrative offices and community space.

On April 1, 2021 the Organization entered into a one-year lease for administrative office space. Monthly rent for the administrative office space was \$400 for the months of April, May, and June 2021, increasing to \$450 per month beginning July 1, 2021 and continuing on a month-to-month basis at the end of the lease term. On August 1, 2022, the Organization entered into a new one-year lease agreement at \$450 per month beginning August 1, 2022 and ending July 31, 2023.

On August 8, 2022 the Organization entered into a second 12-month lease with their landlord for additional space for the newly created Susan Weintraub Resource Center and paid an additional security deposit of \$500.

The security deposits held by the landlord were \$920 and \$420 for the years ended December 31, 2022 and 2021, respectively. Rent expenses were \$11,129 and \$4,900 for the years ended December 31, 2022 and 2021, respectively.

Minimum future obligations on operating leases on December 31:

2023	\$ <u>11,550</u>
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**NOTE G – EMPLOYEE BENEFIT PLANS**

Effective January 1, 2022, the Organization established a new Savings Incentive Match Plan for Employee retirement plan, also known as a SIMPLE IRA plan, in which eligibility is limited to employees that are reasonably expected to receive at least \$5,000 in compensation for the calendar year and employees who have received at least \$5,000 in compensation during the year preceding the current calendar year. The Organization matches employee contributions equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.

The Organization's expense for the plan was \$3,542 and \$0 for the years ended December 31, 2022 and 2021, respectively.

**LITERACY NETWORK OF SOUTH BERKSHIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

**NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization’s primary sources of support are contributions and fundraising events held for the purpose of supporting the Organization’s budget. Some of that is required to be used in accordance with purpose restrictions imposed by donors. The Organization’s objective is to maintain liquid financial assets without donor restrictions sufficient to cover program expenditures. The following table reflects the Organization’s financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditures within one year.

	2022	2021
Cash and cash equivalents	\$ 212,329	268,654
Investments	424,281	468,046
Total financial assets	636,610	736,710
Less those unavailable for general expenditure within one year due to purpose restrictions	( 57,975)	( 54,549)
	\$ 578,635	\$ 682,161

**NOTE I– FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of operating the educational program and the supporting costs of administration and fundraising have been reported on a functional basis. Expenses have been classified based on the actual direct expenditures and cost allocations based on estimates made by management.

**NOTE J – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 6, 2023, the date, which the financial statements were available to be issued.