

Beyond Literacy

Financial Statements
Year Ended June 30, 2023



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BEYOND LITERACY

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Beyond Literacy
Philadelphia, Pennsylvania**

Opinion

We have audited the accompanying financial statements of Beyond Literacy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beyond Literacy, as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis of Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Beyond Literacy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As disclosed in Note 2 to the financial statements, on July 1, 2022, Beyond Literacy adopted ASU 2016-02 (topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beyond Literacy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Beyond Literacy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beyond Literacy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Beyond Literacy's 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBO, LLP.

**Philadelphia, Pennsylvania
March 13, 2024**

BEYOND LITERACY

STATEMENT OF FINANCIAL POSITION

June 30, 2023 with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,386,864	\$ 1,141,691
Grants and contracts receivable	342,032	332,575
Prepaid expenses and other assets	111,984	57,007
Investments	550,834	500,712
Equipment and leasehold improvements	59,205	68,015
Right to use asset - operating leases	<u>424,955</u>	<u>-</u>
Total assets	<u>\$ 2,875,874</u>	<u>\$ 2,100,000</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 71,957	\$ 169,778
Accrued salaries	98,820	88,799
Refundable advances	343,804	-
Operating lease liability	<u>432,769</u>	<u>-</u>
Total liabilities	<u>947,350</u>	<u>258,577</u>
NET ASSETS		
Without donor restrictions		
Operating	723,020	682,906
Board designated reserves	<u>550,834</u>	<u>500,712</u>
Total without donor restrictions	1,273,854	1,183,618
With donor restrictions	<u>654,670</u>	<u>657,805</u>
Total net assets	<u>1,928,524</u>	<u>1,841,423</u>
Total liabilities and net assets	<u>\$ 2,875,874</u>	<u>\$ 2,100,000</u>

See accompanying notes

BEYOND LITERACY

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with comparative totals for 2022

	Without	With	Totals	
	Donor	Donor	2023	2022
	Restrictions	Restrictions		
REVENUE AND SUPPORT				
Grants and contracts	\$ 3,273,716	\$ -	\$ 3,273,716	\$ 2,648,859
Contributions	406,607	585,633	992,240	1,163,986
Contract services	227,369	-	227,369	215,420
In-kind contributions	90,461	-	90,461	90,263
Investment income (loss)	57,373	-	57,373	(51,458)
Net assets released from restrictions	588,768	(588,768)	-	-
Total revenue and support	<u>4,644,294</u>	<u>(3,135)</u>	<u>4,641,159</u>	<u>4,067,070</u>
EXPENSES				
Program services	4,170,753	-	4,170,753	3,272,017
Supporting services				
General and administrative	207,930	-	207,930	265,362
Fundraising	175,375	-	175,375	179,307
Total expenses	<u>4,554,058</u>	<u>-</u>	<u>4,554,058</u>	<u>3,716,686</u>
CHANGE IN NET ASSETS	90,236	(3,135)	87,101	350,384
NET ASSETS				
Beginning of year	<u>1,183,618</u>	<u>657,805</u>	<u>1,841,423</u>	<u>1,491,039</u>
End of year	<u>\$ 1,273,854</u>	<u>\$ 654,670</u>	<u>\$ 1,928,524</u>	<u>\$ 1,841,423</u>

See accompanying notes

BEYOND LITERACY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023 with comparative totals for 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>	
	<u>Adult Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2023</u>	<u>2022</u>
Salaries	\$ 3,338,110	\$ 18,899	\$ 150,007	\$ 3,507,016	\$ 2,893,566
Communications	12,007	4,084	-	16,091	13,560
Consulting services, professional fees and contracted program services	222,899	41,982	8,005	272,886	224,357
Depreciation	-	31,699	-	31,699	20,712
Equipment rental	27,580	507	10	28,097	32,371
Insurance	17,462	4,338	-	21,800	22,459
Instructional supplies	184,463	62,397	1,097	247,957	127,887
Office expenses	18,812	2,232	543	21,587	21,242
Other expenses	57,320	19,758	15,713	92,791	61,749
Rent	198,545	58	-	198,603	220,062
Technology upgrade and equipment	93,555	21,976	-	115,531	78,721
Total expenses	\$ 4,170,753	\$ 207,930	\$ 175,375	\$ 4,554,058	\$ 3,716,686

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See accompanying notes

BEYOND LITERACY

STATEMENT OF CASH FLOWS

Year ended June 30, 2023 with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 87,101	\$ 350,384
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	31,699	20,712
Unrealized (gain) loss on investments	(11,295)	97,718
(Increase) decrease in		
Grants and contracts receivable	(9,457)	(256,425)
Due from Community Learning Center	-	704,836
Prepaid expenses and other assets	(54,977)	(27,286)
Right to use asset - operating leases	(424,955)	-
Increase (decrease) in		
Accounts payable and accrued expenses	(97,821)	(66,976)
Accrued salaries	10,021	(18,284)
Refundable advances	343,804	(8,009)
Deferred rent	-	(23,683)
Operating lease liability	432,769	-
Net cash provided by operating activities	<u>306,889</u>	<u>772,987</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(22,889)	(71,951)
Purchase of investments	(38,827)	(46,069)
Net cash used for investing activities	<u>(61,716)</u>	<u>(118,020)</u>
Change in cash	245,173	654,967
CASH		
Beginning of year	<u>1,141,691</u>	<u>486,724</u>
End of year	<u>\$ 1,386,864</u>	<u>\$ 1,141,691</u>

See accompanying notes

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) NATURE OF OPERATIONS

Beyond Literacy (the "**Organization**") is Philadelphia's oldest and largest adult education and workforce literacy organization. The organization helps adult learners improve their reading, writing, math, English language, digital literacy and workplace skills. Their free classes move students from learning to earning, helping them succeed as students, community members and career seekers.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("**GAAP**").

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions. The Board has designated a portion of its net assets without donor restriction for future operational purposes.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, 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.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Organization to expend the income generated in accordance with the provisions of the contribution. The Organization did not have any net assets with donor restrictions to be maintained indefinitely at June 30, 2023 and 2022.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Investments and Investment Income

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Shares of mutual funds are valued at the net asset value of shares held by the Organization at year end. Dividend and interest income is recorded as earned. Donated securities are recorded at fair value at the date of receipt and sold as soon as possible.

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are carried at cost, net of accumulated depreciation, if purchased and at fair value at the date contributed if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The Organization capitalizes all equipment and leasehold improvements in excess of \$5,000.

Deferred Rent

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on the straight-line basis differ from the cash payments required. With the implementation of ASU 2016-02, Leases (Topic 842), deferred rent was eliminated for the year ended June 30, 2023.

In-Kind Contributions

The Organization recognizes revenue for donated services when they require specialized skills which would need to be purchased if they were not donated. Donated services are recorded as both revenue and expenses in the accompanying statement of activities at their estimated value at the date of receipt.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded cost-reimbursable grants of approximately \$1.6 million that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred. Revenue from fee-for-service contracts has been recognized when services have been provided only to the extent allowed under the contract.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Leases

Effective with the implementation of ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance (collectively, Topic 842) on July 1, 2022, operating leases are recorded in right-of-use-assets and lease liabilities in the statement of financial position. Leases with a term of twelve months or less are considered short term leases and are accounted for as an expense in the statement of activities as rental payments are incurred.

Operating lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, the Organization uses a secured borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The Organization's lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments are recognized on a straight-line basis over the lease term. Prior to July 1, 2022 and the implementation of ASU 2016-02, Leases (Topic 842), operating leases were accounted for as expense in the statement of activities when the rental payment was incurred. No asset or liability was recorded for operating leases.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries, rent and consulting services, professional fees and contracted program services which were allocated based on estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in GAAP.

Concentration of Credit, Market and Revenue Risk

Cash and Grants and Contracts Receivable

Cash and grants and contracts receivable potentially subject the Organization to concentrations of credit risk. The Organization maintains its cash at high quality institutions. At times, such deposits may exceed federally-insured limits. Grants and contracts receivable are due from governmental agencies and are expected to be collected in 2024.

Investments

The Organization invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). One mutual fund investment represents approximately 94% of the investment balance at June 30, 2023. Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

BEYOND LITERACY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Revenue

The Organization received 59% and 57%, respectively, of its total revenue and support (excluding in-kind contributions) from one funding source for the years ended June 30, 2023 and 2022.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

(3) GRANTS AND CONTRACTS RECEIVABLE

The Organization's grants and contracts receivable consisted of the following at June 30,:

	<u>2023</u>	<u>2022</u>
City of Philadelphia, Office of Children and Families	\$150,378	\$157,482
William Penn Foundation	-	110,157
Pennsylvania Commission on Crime and Delinquency	85,071	-
Other	<u>106,583</u>	<u>64,936</u>
	<u>\$342,032</u>	<u>\$332,575</u>

(4) INVESTMENTS

The fair value of investments at June 30, is summarized as follows:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 10,302	\$ 8,945
Mutual funds		
Fixed income	185,941	164,786
Equities	<u>354,591</u>	<u>326,981</u>
	<u>\$550,834</u>	<u>\$500,712</u>

Investment income (loss) was comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 46,078	\$ 46,260
Unrealized gain (loss)	<u>11,295</u>	<u>(97,718)</u>
	<u>\$ 57,373</u>	<u>\$ (51,458)</u>

Investments are measured at fair value using Level 1 (quoted prices in active markets) valuation inputs.

(5) EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at June 30,:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 83,912	\$ 127,182
Vehicles	21,000	21,000
Furniture and equipment	<u>24,755</u>	<u>24,755</u>
	129,667	172,937
Less: accumulated depreciation	<u>(70,462)</u>	<u>(104,922)</u>
	<u>\$ 59,205</u>	<u>\$ 68,015</u>

Depreciation was \$31,699 and \$20,712, respectively, for the years ended June 30, 2023 and 2022.

(6) LINE OF CREDIT

The Organization has an available line of credit in the amount of \$400,000, which bears interest at a variable rate per annum equal to 0.5% in excess of the Wall Street Prime Rate and expires December 1, 2024. The line of credit is secured by substantially all of the assets of the Organization. No advances were outstanding at June 30, 2023 and 2022.

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes and periods:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2023</u>
Purpose restrictions				
Adult education	\$178,582	\$ 35,000	\$ (67,851)	\$145,731
Education	340,753	548,633	(520,701)	368,685
SSP – Student Services Program	<u>138,470</u>	<u>2,000</u>	<u>(216)</u>	<u>140,254</u>
	<u>\$657,805</u>	<u>\$585,633</u>	<u>\$(588,768)</u>	<u>\$654,670</u>

(8) IN-KIND CONTRIBUTIONS

In-kind contributions for the year ended June 30, consisted of the following:

	<u>2023</u>	<u>2022</u>
Volunteer tutor services and intern services	\$38,255	\$32,582
Computer equipment	52,206	38,386
Rent	<u>-</u>	<u>19,295</u>
	<u>\$90,461</u>	<u>\$90,263</u>

In-kind volunteer tutor services and intern services, computer equipment and rent are utilized to support the Organization's adult education programs. The expenses are included in the statement of functional expenses as program services.

(9) LEASES

The Organization leases space in various facilities under operating leases expiring at various times through June 2027. The maturities of operating lease liabilities as of June 30, 2023, were as follows:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Year ending June 30,

2024	\$ 130,594
2025	132,172
2026	133,797
2027	<u>78,000</u>
	474,563
Less: Interest	<u>(41,794)</u>
Present value of operating leases liability	<u>\$432,769</u>

The weighted average remaining lease term on operating leases was 3.65 years and the weighted average discount rate was 5% as of June 30, 2023.

Rental expense under the leases was \$198,603 and \$220,062 for the years ended June 30, 2023 and 2022, respectively.

(10) EMPLOYEE 403b PLAN

The Organization has a 403b plan for all eligible employees. Employees may contribute a percentage of their salary, up to federal limits. The Organization made employer contributions to the plan of \$34,103 and \$12,864 for the years ended June 30, 2023 and 2022, respectively.

(11) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$1,386,684
Grants and contracts receivable	342,032
Investments	<u>550,834</u>
Total financial assets	2,279,550
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	654,670
Designated by Board of Directors	<u>550,834</u>
Total financial assets available within one year	<u>\$1,074,046</u>

Liquidity Management

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, money market funds, mutual funds and a line of credit.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.
