



ENGLISH IN ACTION

REVIEWED FINANCIAL STATEMENTS

August 31, 2020

ENGLISH IN ACTION
REVIEWED FINANCIAL STATEMENTS
August 31, 2020

TABLE OF CONTENTS

ITEM	PAGE NUMBER
Independent Accountant's Review Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6



REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
English in Action
Basalt, Colorado

We have reviewed the accompanying financial statements of English in Action (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statement of activities, functional expenses, and cash flows for the year 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 company 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.

Accountant's Responsibility

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

Accountant's 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.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
February 19, 2021

ENGLISH IN ACTION
STATEMENT OF FINANCIAL POSITION
August 31, 2020

ASSETS

Cash and Cash Equivalents, Without Restrictions	\$ 450,280
Pledges Receivable	126,028
Property and Equipment, Net	<u>83,813</u>
TOTAL ASSETS	<u>\$ 660,121</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 4,860
Note Payable Paycheck Protection Plan	74,900
Security Deposit	<u>750</u>
TOTAL LIABILITIES	<u>80,510</u>

NET ASSETS

Net Assets Without Donor Restrictions	
Undesignated	198,687
Board Designated	171,083
Invested in Property and Equipment	<u>83,813</u>
	453,583
Net Assets With Time Restrictions	<u>126,028</u>
TOTAL NET ASSETS	<u>579,611</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 660,121</u>

See accompanying notes and independent accountant's review report.

ENGLISH IN ACTION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and Grants	\$ 216,416	\$ 39,660	\$ 256,076
In-Kind Contributions	100,929	-	100,929
Special Event Income, Net	191,492	10,250	201,742
Program Income	1,352	-	1,352
Rental Income	9,283	-	9,283
Interest Income	1,777	-	1,777
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	126,477	(126,477)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	647,726	(76,567)	571,159
EXPENSES			
Program Expenses	461,281	-	461,281
Supporting Service Expenses:			
Management and General	42,088	-	42,088
Fundraising	55,448	-	55,448
Total Supporting Service Expenses	97,536	-	97,536
TOTAL EXPENSES	558,817	-	558,817
CHANGE IN NET ASSETS	88,909	(76,567)	12,342
NET ASSETS, Beginning of year	364,674	202,595	567,269
NET ASSETS, End of year	\$ 453,583	\$ 126,028	\$ 579,611

See accompanying notes and independent accountant's review report.

ENGLISH IN ACTION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2020

	Program	Management and General	Fundraising	Benefits to Donors	Total
Salaries	\$ 330,352	\$ 15,630	\$ 27,535	\$ -	\$ 373,517
Employee Benefits	1,450	750	50	-	2,250
Payroll Taxes	25,892	1,229	2,159	-	29,280
Accounting	-	11,157	-	-	11,157
Advertising and Promotion	11,325	-	9,724	-	21,049
Office	12,827	2,025	7,120	-	21,972
Information Technology	25,797	3,905	4,303	-	34,005
Occupancy	24,175	5,888	134	-	30,197
Travel	551	9	26	-	586
Conferences and Meetings	9,183	252	182	-	9,617
Depreciation	4,263	516	4,083	-	8,862
Insurance	7,448	727	132	-	8,307
Program Activities	8,018	-	-	-	8,018
Benefits to Donors	-	-	-	42,788	42,788
Total Expenses by Function	<u>461,281</u>	<u>42,088</u>	<u>55,448</u>	<u>42,788</u>	<u>601,605</u>
Less Expenses Included with Revenues on the Statement of Activities:					
Cost of Direct Benefits to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,788)</u>	<u>(42,788)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 461,281</u>	<u>\$ 42,088</u>	<u>\$ 55,448</u>	<u>\$ -</u>	<u>\$ 558,817</u>

See accompanying notes and independent accountant's review report.

ENGLISH IN ACTION
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 12,342
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	8,862
Non-cash Donation of Property and Equipment	(67,430)
Changes in Assets and Liabilities:	
Increase in Pledges Receivable	41,567
Increase in Prepaid Expenses	6,139
Increase in Accounts Payable	4,860
Decrease in Accrued Payroll	(14,870)
Increase in Security Deposit	250
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(8,280)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(1,313)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,313)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Government Pandemic Loan Proceeds	<u>74,900</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>74,900</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 65,307
CASH AND CASH EQUIVALENTS, Beginning of year	<u>384,973</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 450,280</u>
 SUPPLEMENTAL CASH FLOW INFORMATION	
Donated Fixed Asset	<u>\$ 67,430</u>

See accompanying notes and independent accountant's review report.

ENGLISH IN ACTION
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

English in Action (the “Organization”) is a nonprofit corporation that was incorporated under the laws of Colorado in October 2007. The Organization’s mission is to strengthen the quality of life for community members, build cross-cultural relationships, and bridge the communication gap by helping adults learn to read, write, and speak English. This is done through one-on-one and small group tutoring, classes and specialized workshops designed to help students overcome obstacles to learning English.

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

ADOPTION OF ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The new standard was adopted by the Organization for the year ending August 31, 2020. The adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

CLASSIFICATION OF NET ASSETS

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are classified as follows:

Net assets without donor restrictions: Net assets available for use in operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the resources are to be maintained in perpetuity. As of August 31, 2020, the Organization has no assets to be held in perpetuity. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash held in deposits and investments with an original maturity of three months or less. The Organization does, on occasion, exceed FDIC federally insured limit of \$250,000. As of August 31, 2020, and at various times throughout the year, the Organization had deposits in excess of these limits.

PLEDGES RECEIVABLE

Unconditional pledges are recognized as contribution revenue in the period the pledge is made. Pledges are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met. As of August 31, 2020, there were no conditional pledges and no allowance for doubtful accounts.

PROPERTY AND EQUIPMENT

Donations of equipment are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Purchased assets are recorded at fair value as an increase to net assets without donor restrictions as of the purchase date. Property and equipment are depreciated over their estimated useful lives using the straight-line method, as follows:

	<u>Years</u>
Buildings	15
Furniture and Fixtures	7
Software	5
Computer Equipment	3

CONTRIBUTIONS AND GRANTS

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without 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.

DONATED SERVICES AND ASSETS

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Various donated services recognized as contributions during the year ended August 31, 2020 were \$100,929. \$67,430 was a donated building, \$25,759 was donated items for events, \$5,940 in rent and office cleaning, and \$1,800 in advertising costs.

INCOME TAX STATUS

The Organization is exempt from income taxes under the provisions of 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. Contributions to the Organization are tax deductible as permitted under the Code.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis (program services, management and general, and fundraising). The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses incurred for the year ended August 31, 2020 was \$21,049.

MANAGEMENT REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition of disclosure through February 19, 2021, the date which the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures within one year are as follows as of August 31, 2020:

Cash and Cash Equivalents	\$ 450,280
Pledges Receivable, Undesignated	<u>126,028</u>
Total Assets Available for General Expenditures	<u>\$ 576,308</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Board designated funds of \$171,083 as of August 31, 2020 are included in the cash and cash equivalents.

3. PLEDGES RECEIVABLE

Pledges receivable as of August 31, 2020 are as follows:

Receivable in less than one year	\$ 101,840
Receivable in one to five years	<u>24,188</u>
	<u>\$ 126,028</u>

The Organization reflects multi-year pledges at face value, as the difference between recorded amounts and their present value was not considered significant as of August 31, 2020.

4. PROPERTY AND EQUIPMENT

Property and equipment are reported at cost or, if donated, at fair market value on the date donated. Property and equipment consist of the following as of August 31, 2020:

Buildings	\$ 72,430
Furniture and Fixtures	878
Computer Equipment	5,267
Website Design	5,152
Software	<u>12,250</u>
Total	95,977
Less: Accumulated Depreciation	<u>(12,164)</u>
Property and Equipment, Net	<u>\$ 83,813</u>

Depreciation expense for the year ended August 31, 2020 was \$8,862.

5. NOTE PAYABLE PAYCHECK PROTECTION PLAN

On April 10, 2020, the Organization received loan proceeds in the amount of \$74,900 under the Paycheck Protection Program (PPP) established by the CARES Act. The loan terms are twenty-four months with an annual fixed rate of 1%. As of August 31, 2020, the Organization has reported the loan balance on the statement of financial position as a current liability as they expect to meet the requirements of the program as stipulated by the Small Business Administration to have the balance of the loan forgiven in the subsequent fiscal period.

6. BOARD DESIGNATED NET ASSETS

Board designated net assets includes cash designated for the next fiscal year by the board.

7. SPECIAL EVENTS INCOME

Special events consist of two events – the annual summer benefit and Fiesta de Tamales, a cross cultural event.

	Summer Event	Fiesta de Tamales	Total
Revenue	\$ 207,363	\$ 37,167	\$ 244,530
Expenses	<u>(28,530)</u>	<u>(14,258)</u>	<u>(42,788)</u>
Net Income	<u>\$ 178,833</u>	<u>\$ 22,909</u>	<u>\$ 201,742</u>

\$70,984 of donations is included in the summer event revenue. Also, in-kind contributions of goods and services for both events totaled \$29,759 and are not included in the revenues and expenses above.

8. OPERATING LEASES

The Organization rented office space under an operating lease that expired on February 28, 2020. This lease called for monthly payments of \$1,678. The Organization entered into a purchase agreement with the landlord of that space to purchase the building for \$1 on March 1, 2020. The value of the building was determined to be \$67,430.

Additionally, the Organization entered a new land lease on March 1, 2020 for the new building site. The lease calls for monthly rent payments of \$676 plus utilities and expires in February 2023, with an option to extend for an additional three years.

Future payments on operating leases are as follows:

Year Ending August 31:

2021	8,117
2022	8,117
2023	8,117
2024	8,117
2025	8,117
2026	4,058
	<u>\$ 44,643</u>

9. CERTAIN RISKS AND CONCENTRATIONS

ECONOMIC DEPENDENCY

Approximately 19% of contributions, grants and in-kind donations was from one donor. This was the donation of a building. Approximately 44% of pledges receivable are due from two donors.

COVID PANDEMIC

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to impact revenues and changes in net assets. Other financial impacts could occur though the extent of such impact is unknown at this time.