



ENGLISH IN ACTION

REVIEWED FINANCIAL STATEMENTS

August 31, 2019

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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



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
English in Action
Basalt, Colorado

We have reviewed the accompanying financial statements of English in Action (a Colorado not-for-profit Company), which comprise the statement of financial position as of August 31, 2019, 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
July 15, 2020

ENGLISH IN ACTION
STATEMENT OF FINANCIAL POSITION
August 31, 2019

ASSETS

Cash and Cash Equivalents, Without Restrictions	\$ 349,973
Pledges Receivable	167,595
Prepaid Expenses	6,139
Cash and Cash Equivalents, With Restrictions	35,000
Property and Equipment, Net	<u>23,932</u>
TOTAL ASSETS	<u>\$ 582,639</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Payroll	\$ 14,870
Security Deposit	<u>500</u>
TOTAL LIABILITIES	<u>15,370</u>

NET ASSETS

Net Assets Without Donor Restrictions	
Undesignated	167,908
Board Designated	<u>196,766</u>
	364,674
Net Assets With Donor Restrictions	<u>202,595</u>
TOTAL NET ASSETS	<u>567,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 582,639</u>

See accompanying notes and independent accountant's report.

ENGLISH IN ACTION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and Grants	\$ 253,929	\$ 214,550	\$ 468,479
In-Kind Contributions	29,014	-	29,014
Special Event Income, Net	229,852	-	229,852
Program Income	3,711	-	3,711
Rental Income	17,328	-	17,328
Interest Income	165	-	165
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	66,235	(66,235)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	600,234	148,315	748,549
EXPENSES			
Program Expenses	397,049	-	397,049
Supporting Service Expenses:			
Management and General	53,439	-	53,439
Fundraising	48,196	-	48,196
Total Supporting Service Expenses	101,635	-	101,635
TOTAL EXPENSES	498,684	-	498,684
CHANGE IN NET ASSETS	101,550	148,315	249,865
NET ASSETS, Beginning of year	263,124	54,280	317,404
NET ASSETS, End of year	\$ 364,674	\$ 202,595	\$ 567,269

See accompanying notes and independent accountant's report.

ENGLISH IN ACTION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019

	Program	Management and General	Fundraising	Benefits to Donors	Total
Salaries	\$ 284,351	\$ 27,948	\$ 26,311	\$ -	\$ 338,610
Employee Benefits	812	50	138	-	1,000
Payroll Taxes	16,496	6,301	3,012	-	25,809
Accounting	-	2,924	-	-	2,924
Professional Services	360	120	-	-	480
Advertising and Promotion	6,458	39	10,188	-	16,685
Office	7,966	5,779	4,981	-	18,726
Information Technology	7,121	3,227	2,067	-	12,415
Occupancy	29,509	5,935	8	-	35,452
Travel	900	-	22	-	922
Depreciation	1,250	-	417	-	1,667
Insurance	4,993	650	172	-	5,815
Gatherings and Meetings	16,369	-	761	-	17,130
Program Expenses	11,509	-	68	-	11,577
Special Event Expenses	-	-	-	91,233	91,233
Supplies and Materials	8,955	466	51	-	9,472
Total Expenses by Function	397,049	53,439	48,196	91,233	589,917
Less Expenses Included with Revenues on the Statement of Activities:					
Benefits to donors	-	-	-	(91,233)	(91,233)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 397,049</u>	<u>\$ 53,439</u>	<u>\$ 48,196</u>	<u>\$ -</u>	<u>\$ 498,684</u>

See accompanying notes and independent accountant's report.

ENGLISH IN ACTION
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 249,865
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	1,667
Non-cash Donation of Property and Equipment	(5,000)
Changes in Assets and Liabilities:	
Pledges Receivable	(113,315)
Prepaid Expenses	(2,051)
Accounts Payable	(5,187)
Accrued Payroll	13,983
Security Deposit	(500)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>139,462</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(19,642)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(19,642)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,820
CASH AND CASH EQUIVALENTS, Beginning of year	<u>265,153</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 384,973</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Donated Fixed Asset	<u>\$ 5,000</u>

See accompanying notes and independent accountant's report.

ENGLISH IN ACTION
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

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”).

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.

ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard was adopted by the Organization for the year ending August 31, 2019. 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, 2019, 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, 2019, 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, 2019, 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>
Storage Shed	15
Furniture and Fixtures	7
Software	5
Computer Equipment	3

ACCRUED PAYROLL

Accrued payroll consists of compensated absences and accrued payroll. Compensated absences for paid vacation, sick pay and personal time have been accrued based on hours earned and current pay rates.

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

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, 2019 were \$26,514.

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.

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, 2019 was \$16,685.

UPCOMING 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. This ASU is effective for the Organization for the year ending August 31, 2020. The Organization is determining how this ASU will be applied.

MANAGEMENT REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition of disclosure through July 15, 2020, 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, 2019:

Cash and Cash Equivalents	\$ 349,973
Pledges Receivable, Undesignated	87,733
Total assets available for general expenditures	<u>\$ 437,706</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.

3. PLEDGES RECEIVABLE

Pledges receivable as of August 31, 2019 are as follows:

Receivable in less than one year	\$ 87,733
Receivable in one to five years	<u>79,862</u>
	<u>\$ 167,595</u>

The Organization reflects multi-year pledges at face value, as the difference between recorded amounts and their present value was not considered significant at August 31, 2019.

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 consists of the following at August 31, 2019:

Storage Shed	\$ 5,000
Furniture and Fixtures	878
Computer Equipment	5,267
Website Deisgn	3,839
Software	<u>12,250</u>
Total	27,234
Less: Accumulated Depreciation	<u>(3,302)</u>
Property and Equipment, Net	<u>\$ 23,932</u>

Depreciation expense for the year ended August 31, 2019 was \$1,444.

5. BOARD DESIGNATED NET ASSETS

Board designated net assets includes cash designated for specific purposes by the board.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of \$35,000 for the Austin Memorial Fund and \$167,595 for multi-year pledge receivables, both of which are restricted for use in a future period.

7. SPECIAL EVENTS INCOME

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

The summer event generated \$284,849 in revenues and \$62,408 in expenses for a net income of \$222,441. Of this total, \$170,996 was contributions.

The Fiesta de Tamales event generated \$36,236 in revenues and \$28,825 in expenses for a net income of \$7,411.

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 \$1,630. Subsequent to year-end, the Organization entered into a purchase agreement with the landlord of that space to purchase the building for \$1.

Additionally, the Organization entered a new lease on March 1, 2020 for the land in where building is constructed. The lease calls for monthly payments of \$712 and expires in February 2022.

Future payments on operating leases are as follows:

Year Ending August 31:

2020	12,782
2021	6,000
2022	3,000
	<u>\$ 21,782</u>

9. CERTAIN RISKS AND CONCENTRATIONS

ECONOMIC DEPENDENCY

Approximately 31% of contributions and grants were from three donors, one of which is Aspen Community Foundation. Approximately 56% of pledges receivable are due from two donors.

COVID-19 PANDEMIC

In early March 2020, the U.S. and global economies have reacted negatively in response to worldwide concerns due to the economic impact of the COVID-19 pandemic. These trends, including a potential economic downturn, and any potential resulting direct and indirect negative impacts to the Organization, cannot be determined, but may have a material prospective impact to the operations, cash flows and liquidity.

On April 10, 2020 English in Action was approved for the Paycheck Protection Program (PPP) by the SBA in the amount of \$74,900. The note matures April 10, 2022 and bears interest at a rate of 1%. Loan payments are deferred for the first six months of the loan but beginning seven months after the date of disbursement, principal and interest payments must be made. The loan is made under the provisions of the PPP and CARES Act, so the principal may be reduced or forgiven in accordance with the loan forgiveness provisions of the CARES act and regulations or requirements established by SBA and the U.S. Treasury.