

THE VILLAGE LEARNING PLACE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2019 and 2018

THE VILLAGE LEARNING PLACE, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Village Learning Place, Inc.

We have audited the accompanying financial statements of The Village Learning Place, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statement of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 on 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Village Learning Place, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2019 Financial Statements

The financial statements of The Village Learning Place, Inc. as of June 30, 2018, were audited by other auditors whose report dated November 14, 2018, expresses an unmodified opinion on those financial statements.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Luxenburg + Bronfin, LLC

Baltimore, Maryland
July 13, 2020

The Village Learning Place, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash	\$ 159,795	\$ 131,447
Grant receivable	153,397	132,147
Accounts receivable - other	13,474	29,804
Prepaid expenses	11,312	1,719
Total current assets	337,978	295,117
Fixed assets		
Property and equipment	1,055,396	1,077,358
Less accumulated depreciation	(691,242)	(707,779)
Total fixed assets	364,154	369,579
Total assets	\$ 702,132	\$ 664,696
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued expenses	\$ 6,433	\$ 4,949
Total current liabilities	6,433	4,949
Net assets		
Without donor restrictions	586,769	548,430
With donor restrictions	108,930	111,317
Total net assets	695,699	659,747
Total liabilities and net assets	\$ 702,132	\$ 664,696

See notes to financial statements

The Village Learning Place, Inc.
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions and grants	\$ 694,016	\$ 105,065	\$ 799,081	\$ 644,007	\$ 107,452	\$ 751,459
Miscellaneous income	66,799	-	66,799	77,894	-	77,894
Rental income	25,019	-	25,019	6,723	-	6,723
Interest and dividend income	56	-	56	4	-	4
Net assets released from restrictions	107,452	(107,452)	-	42,447	(42,447)	-
Support and revenue, net	<u>893,342</u>	<u>(2,387)</u>	<u>890,955</u>	<u>771,075</u>	<u>65,005</u>	<u>836,080</u>
Functional expenses						
Program services						
Learning Center	513,335	-	513,335	466,408	-	466,408
Library	98,062	-	98,062	98,875	-	98,875
Support services						
Management and general	167,852	-	167,852	123,102	-	123,102
Fundraising	75,754	-	75,754	95,604	-	95,604
Total functional expenses	<u>855,003</u>	<u>-</u>	<u>855,003</u>	<u>783,989</u>	<u>-</u>	<u>783,989</u>
Change in net assets	38,339	(2,387)	35,952	(12,914)	65,005	52,091
Net assets						
Beginning of year	<u>548,430</u>	<u>111,317</u>	<u>659,747</u>	<u>561,344</u>	<u>46,312</u>	<u>607,656</u>
End of year	<u>\$ 586,769</u>	<u>\$ 108,930</u>	<u>\$ 695,699</u>	<u>\$ 548,430</u>	<u>\$ 111,317</u>	<u>\$ 659,747</u>

See notes to financial statements

The Village Learning Place, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 35,952	\$ 52,091
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	39,650	41,820
(Increase) decrease in:		
Grant receivable	(21,250)	(4,115)
Accounts receivable - other	16,330	(3,237)
Prepaid expenses	(9,593)	5,750
Increase (decrease) in:		
Accrued expenses	1,484	(240)
Net cash provided by operating activities	62,573	92,069
Cash flows from investing activities		
Capital expenditures	(34,225)	-
Net cash used in investing activities	(34,225)	-
Cash flows from financing activities		
Change on line of credit	-	(29,479)
Net cash used in financing activities	-	(29,479)
Net increase in cash	28,348	62,590
Cash, beginning of year	131,447	68,857
Cash, end of year	\$ 159,795	\$ 131,447

See notes to financial statements

THE VILLAGE LEARNING PLACE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

Note 1 Organization and Nature of Operation

Nature of Operations

The Village Learning Place, Inc., (the Organization), began operations in 1997 and is located in Baltimore City. The Organization's mission is to operate community library and learning center that houses educational programs, enrichment, opportunities, and informational resources throughout Baltimore City.

Note 2 Summary of Significant Accounting Policies

Method of Accounting

These financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned and expenses in the period the related liability are incurred.

Classification of Net Assets

The financial statements are presented in accordance with FASB accounting guidance for financial statements of not-for-profit organizations, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions reflected based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net Assets Without Donor Restrictions – Funds that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Funds subject to donor or grant-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants and Accounts Receivable

Grants and accounts receivable are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2019 and 2018, the allowance for doubtful accounts was \$-0-, respectively.

THE VILLAGE LEARNING PLACE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

Donated Goods and Services

Volunteers have donated significant amounts of time in support of the Organization's activities. However, the value of these services is not reflected in the accompanying financial statements, as they do not meet the criteria for recognition as set forth under generally accepted accounting principles.

Contribution and Revenue

Contributions and other support are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is 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 statements of activities as net assets released from restrictions. Conditional contributions represent money received in advance where the Organization must meet certain requirements subject to the donor approval before being allowed to spend the proceeds.

Government Grants

Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors.

Property and Equipment

Fixed assets are recorded at cost if purchased or at fair market value at date of gift if donated. Depreciation for property and equipment is computed using the straight-line method over the life of the assets. Additions and improvements that add materially productive capacity or extend the life of an asset are capitalized. The estimated lives used in determining depreciation are:

Building and improvements	25 or 15 years
Furniture and fixtures	5 or 7 years

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the IRC.

THE VILLAGE LEARNING PLACE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

Income Tax Uncertainties

The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff on the various functions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted requires management to make estimates and assumptions that affect the reported amounts of 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 and assumptions.

Reclassifications

Reclassifications have been made to prior year balances to conform to the current year presentation.

Note 3 Property and Equipment

Property and equipment as of June 30, 2019 and 2018 comprised of the following:

THE VILLAGE LEARNING PLACE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Building improvements	\$ 857,892	\$ 850,192
Furniture and fixtures	79,084	79,084
Improvements	<u>118,420</u>	<u>148,082</u>
Fixed assets, total	1,055,396	1,077,358
Less, accumulated depreciation	<u>(691,242)</u>	<u>(707,779)</u>
	<u>\$ 364,154</u>	<u>\$ 369,579</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$39,650 and \$41,819, respectively.

Note 4 Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assets available for restricted use		
Library	\$ 3,865	\$ 3,865
Learning center	57,612	107,452
Capital improvements	<u>47,453</u>	<u>-</u>
Net assets with donor restrictions	<u>\$ 108,930</u>	<u>\$ 111,317</u>

Net assets with donor restriction were release to expenses after satisfying the following restricted purposes:

	<u>2019</u>	<u>2018</u>
Learning center	<u>\$ 107,452</u>	<u>\$ 42,447</u>
Net assets released from restrictions	<u>\$ 107,452</u>	<u>\$ 42,447</u>

Note 5 Bank Line of Credit

On June 30, 2012, the Organization obtained a \$100,000 line of credit with PNC Bank. The line is secured by money on deposit with the bank and property. Amounts borrowed will bear interest at a variable rate equal to the highest prime rate published in the Wall Street Journal. The outstanding balance as of June 30, 2019 and 2018 was \$-0-, respectively.

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Notes to Financial Statements
June 30, 2019 and 2018

Note 6 Retirement Plan

The Organization offers employees the opportunity to contribute to a Simple IRA retirement plan. Each employee may contribute up to the maximum allowable by the Internal Revenue Service annually from his or her own funds. The Organization contributes an employer match to the retirement plan on behalf of each employee. For the years ended June 30, 2019 and 2018, the employer match expense was \$1,245 and \$1,402, respectively.

Note 7 Rent Expense

On May 20, 2017, the Organization signed a three-year lease renewal agreement for additional space needed to meet the demands for the Organization's programs and services. The rent includes 33.3% of taxes and CAM fees and increases in the third year by 3%. Rent expense for the years ended June 30, 2019 and 2018 were \$79,242 and \$78,838. Future minimum lease payments under the lease are as follows:

<u>Lease Year</u>	<u>Annual Base Rent</u>
2020	\$ 59,158

Note 8 Commitment

The Organization entered into a fifteen-year lease with the City of Baltimore for rental of the library. The lease expired in February 2013 and was automatically renewed for an additional five years with three additional five-year renewals under the terms of the lease. The annual rent is \$1.

Note 9 Contingency

Grants require the fulfillment of certain conditions as set forth in each grant instrument. Failure to fulfill those conditions could result in the return of funds to the grantors. Management deems this contingency remote since it believes it has complied with the terms of each grant.

Note 10 Newly Adopted Accounting Standard

In August 2016, FASB issued revised guidance for the presentation and disclosure of financial statements of not-for-profit entities. The main changes of the guidance include: (i) replacing of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets (net assets with donor restrictions and net assets without donor restrictions), (ii) changing the net asset classification of underwater donor-restricted endowment funds to be shown as a component of net assets with donor restrictions with additional required disclosures, (iii) requiring all not-for-profits to provide expenses by nature and function as well as an

THE VILLAGE LEARNING PLACE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

analysis of expenses by nature and function, (iv) removing the requirement to present an indirect cash flow reconciliation when electing the direct method of cash flows, and (v) requiring expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources. The Organization adopted the guidance in 2019, with presentation shown retrospectively to include 2018. The adoption did not have a material impact on the financial statements.

Note 11 Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are comprised of the following:

Cash	\$ 159,795
Grant receivable	153,397
Accounts receivable - other	<u>13,474</u>
Total financial assets available within one year	326,666
Donor-imposed restrictions	<u>(108,929)</u>
2019 Financial asstes available to meet cash needs for general expenditures within one year	<u><u>\$ 217,737</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due.

Note 12 Subsequent Events

Subsequent events were evaluated through July 13, 2020, which is the date the financial statements were available to be issued. No significant events have been identified that would require adjustment or disclosure in the accompanying financial statements, other than the subsequent event noted below.

In early 2020, an outbreak of the coronavirus (COVID-19) emerged in the United States. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to reliably estimate the severity of this outbreak and the related financial impact.

Supplementary Information

The Village Learning Place, Inc.
Schedule of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	2019					2018	
	Program Services			Support Services			Total Expenses
	Learning Center	Library	Total Program	Management and General	Fundraising	Total Expenses	
Books	\$ -	\$ 1,686	\$ 1,686	\$ -	\$ -	\$ 1,686	\$ 2,160
Computer expense	11,204	5,602	16,806	11,204	2,874	30,884	28,435
Consultants and contractors	12,250	-	12,250	-	4,767	17,017	15,089
Depreciation	17,843	17,842	35,685	3,965	-	39,650	41,819
Dues and subscriptions	-	-	-	975	-	975	975
Employee benefits	10,169	1,453	11,622	1,614	2,905	16,141	18,417
Fundraising	-	-	-	-	4,092	4,092	2,520
Insurance	2,900	1,706	4,606	975	398	5,979	11,891
Interest	691	115	806	345	-	1,151	1,821
Legal and professional	5,310	2,655	7,965	5,310	-	13,275	13,275
Miscellaneous	1,533	1,533	3,066	1,579	1,499	6,144	11,072
Office expense	-	250	250	10,628	199	11,077	7,889
Payroll service	3,443	492	3,935	546	983	5,464	4,898
Postage	219	219	438	1,757	525	2,720	2,710
Printing and copying	118	118	236	946	291	1,473	2,351
Professional development	9,844	-	9,844	-	-	9,844	1,079
Program expenses	41,600	1,949	43,549	311	1,266	45,126	62,248
Rent	47,155	-	47,155	31,437	650	79,242	78,838
Repairs and maintenance	16,619	8,309	24,928	2,770	-	27,698	22,973
Retirement plan	883	126	1,009	140	252	1,401	1,245
Salaries	300,466	42,924	343,390	85,847	47,693	476,930	398,710
Taxes	23,610	3,605	27,215	3,138	7,360	37,713	34,189
Telephone and internet	2,431	2,431	4,862	3,242	-	8,104	7,448
Utilities	5,047	5,047	10,094	1,123	-	11,217	11,937
	<u>\$ 513,335</u>	<u>\$ 98,062</u>	<u>\$ 611,397</u>	<u>\$ 167,852</u>	<u>\$ 75,754</u>	<u>\$ 855,003</u>	<u>\$ 783,989</u>

See independent auditor's report