
Washington English Center

**Financial Statements and
Independent Auditor's Report**

**For the Years Ended
June 30, 2019 and 2018**

LSWG

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS



Certified Public Accountants & Business Consultants

Accounting for your success since 1965

Independent Auditor's Report

To the Board of Directors of
Washington English Center

We have audited the accompanying financial statements of Washington English Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Washington English Center as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Linton Shafer Warfield & Garrett, P.A.

December 13, 2019
Rockville, Maryland

WASHINGTON ENGLISH CENTER
Statements of Financial Position
June 30,

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 756,115	\$ 714,579
Grants receivable	70,969	108,117
Prepaid expenses	2,255	2,245
Total Current Assets	829,339	824,941
 Property and Equipment - at Cost		
Office equipment	66,264	62,905
Leasehold improvements	4,839	4,839
Less: accumulated depreciation	(68,087)	(66,687)
Property and Equipment - Net	3,016	1,057
 Total Assets	 \$ 832,355	 \$ 825,998
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 457	\$ 6,565
Accrued expenses	5,243	4,157
Deferred revenue	6,990	11,815
Total Current Liabilities	12,690	22,537
 Net Assets		
Without donor restrictions	788,221	800,961
With donor restrictions	31,444	2,500
Total Net Assets	819,665	803,461
 Total Liabilities and Net Assets	 \$ 832,355	 \$ 825,998

The accompanying notes are an integral part of these statements.

WASHINGTON ENGLISH CENTER
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Tuition	\$ 282,764	\$ -	\$ 282,764
Government grants	207,326	-	207,326
Private foundation contributions	78,900	40,000	118,900
Individual contributions	141,891	-	141,891
Corporate contributions	32,068	-	32,068
In-kind contributions	345,970	-	345,970
Fundraising income	117,686	-	117,686
Miscellaneous income	1,094	-	1,094
Interest income	<u>9,632</u>	<u>-</u>	<u>9,632</u>
Total Support and Revenue	1,217,331	40,000	1,257,331
Net assets released from restrictions	<u>11,056</u>	<u>(11,056)</u>	<u>-</u>
Total Support and Revenue	<u>1,228,387</u>	<u>28,944</u>	<u>1,257,331</u>
Expenses			
Program services	811,116	-	811,116
Management and general	327,780	-	327,780
Fundraising	<u>102,231</u>	<u>-</u>	<u>102,231</u>
Total Expenses	<u>1,241,127</u>	<u>-</u>	<u>1,241,127</u>
Change in Net Assets	(12,740)	28,944	16,204
Net Assets - Beginning of Year	<u>800,961</u>	<u>2,500</u>	<u>803,461</u>
Net Assets - End of Year	<u>\$ 788,221</u>	<u>\$ 31,444</u>	<u>\$ 819,665</u>

The accompanying notes are an integral part of this statement.

WASHINGTON ENGLISH CENTER
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Tuition	\$ 265,496	\$ -	\$ 265,496
Government grants	181,721	-	181,721
Private foundation contributions	120,000	10,000	130,000
Individual contributions	156,035	-	156,035
Corporate contributions	54,637	-	54,637
In-kind contributions	111,892	-	111,892
Fundraising income	167,302	-	167,302
Miscellaneous income	2,043	-	2,043
Interest income	954	-	954
Total Support and Revenue	<u>1,060,080</u>	<u>10,000</u>	<u>1,070,080</u>
Net assets released from restrictions	<u>7,500</u>	<u>(7,500)</u>	<u>-</u>
Total Support and Revenue	<u>1,067,580</u>	<u>2,500</u>	<u>1,070,080</u>
Expenses			
Program services	739,463	-	739,463
Management and general	137,300	-	137,300
Fundraising	<u>82,419</u>	<u>-</u>	<u>82,419</u>
Total Expenses	<u>959,182</u>	<u>-</u>	<u>959,182</u>
Change in Net Assets	108,398	2,500	110,898
Net Assets - Beginning of Year	<u>692,563</u>	<u>-</u>	<u>692,563</u>
Net Assets - End of Year	<u>\$ 800,961</u>	<u>\$ 2,500</u>	<u>\$ 803,461</u>

The accompanying notes are an integral part of this statement.

WASHINGTON ENGLISH CENTER
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Program</u>	<u>Management</u>		
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel				
Salaries	\$ 354,704	\$ 54,238	\$ 37,882	\$ 446,824
Payroll taxes	28,036	4,286	2,994	35,316
Employee benefits	11,079	1,694	1,183	13,956
Total Personnel	<u>393,819</u>	<u>60,218</u>	<u>42,059</u>	<u>496,096</u>
Advertising and promotions	2,709	-	-	2,709
Appreciation and ceremonies	533	-	-	533
Background checks	6,600	135	-	6,735
Bank fees	6,589	-	1,647	8,236
Communications	7,262	890	211	8,363
Contractors	1,780	-	-	1,780
Database expenses	14,600	-	-	14,600
Depreciation	1,111	170	119	1,400
Gala expenses	15,021	-	-	15,021
Instructional supplies	53,753	-	-	53,753
Insurance	5,496	611	-	6,107
Legal expenses	-	244,506	-	244,506
Membership dues	379	-	884	1,263
Rent and utilities	138,193	15,355	-	153,548
Postage and delivery	-	1,119	1,119	2,238
Printing and publications	10,985	533	3,939	15,457
Professional fees	134,113	2,946	51,793	188,852
Repairs and maintenance	564	86	60	710
Staff development and travel	1,909	-	-	1,909
Supplies	14,055	1,211	400	15,666
Volunteer expenses	1,645	-	-	1,645
Total Expenses	<u>\$ 811,116</u>	<u>\$ 327,780</u>	<u>\$ 102,231</u>	<u>\$ 1,241,127</u>

The accompanying notes are an integral part of this statement.

WASHINGTON ENGLISH CENTER
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Personnel				
Salaries	\$ 328,281	\$ 58,412	\$ 20,000	\$ 406,693
Payroll taxes	25,918	4,612	1,579	32,109
Employee benefits	9,329	1,660	568	11,557
Total Personnel	<u>363,528</u>	<u>64,684</u>	<u>22,147</u>	<u>450,359</u>
Advertising and promotions	1,973	657	-	2,630
Appreciation and ceremonies	2,067	-	-	2,067
Bank fees	5,460	971	333	6,764
Communications	6,461	1,150	394	8,005
Contractors	1,306	232	80	1,618
Database expenses	13,410	-	-	13,410
Depreciation	9,956	1,772	607	12,335
Gala expenses	-	-	15,089	15,089
Instructional supplies	59,175	-	-	59,175
Insurance	3,590	638	219	4,447
Legal expenses	-	32,104	-	32,104
Membership dues	1,544	-	-	1,544
Rent and utilities	119,713	21,301	7,293	148,307
In-kind - occupancy	27,072	4,817	1,649	33,538
Postage and delivery	1,727	307	105	2,139
Printing and publications	10,304	1,833	2,702	14,839
Professional fees	97,219	5,334	31,287	133,840
Repairs and maintenance	97	17	6	120
Staff development and travel	2,001	-	-	2,001
Supplies	11,640	1,483	508	13,631
Volunteer expenses	1,220	-	-	1,220
Total Expenses	<u>\$ 739,463</u>	<u>\$ 137,300</u>	<u>\$ 82,419</u>	<u>\$ 959,182</u>

The accompanying notes are an integral part of this statement.

WASHINGTON ENGLISH CENTER
Statements of Cash Flows
For the Years Ended June 30,

Increase (Decrease) In Cash and Cash Equivalents	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 16,204	\$ 110,898
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,400	12,335
Net change in current assets and liabilities		
Grants receivable	37,148	10,972
Prepaid expenses	(10)	(1,090)
Accounts payable	(6,108)	(3,163)
Accrued expenses	1,086	50
Deferred revenue	<u>(4,825)</u>	<u>5,578</u>
Net Cash Provided by Operating Activities	<u>44,895</u>	<u>135,580</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(3,359)</u>	<u>(540)</u>
Net Cash (Used in) Investing Activities	<u>(3,359)</u>	<u>(540)</u>
Net increase in cash and cash equivalents	41,536	135,040
Cash and Cash Equivalents Balance - Beginning of Year	<u>714,579</u>	<u>579,539</u>
Cash and Cash Equivalents Balance - End of Year	<u><u>\$ 756,115</u></u>	<u><u>\$ 714,579</u></u>
Supplemental Information:		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

1. Nature of Business

Washington English Center (the “Organization”) was incorporated in January 1998 in the District of Columbia as a non-stock nonprofit corporation. The Organization provides educational services, access to technology, and employment programs to low-income adult immigrants in the Washington, D.C. metropolitan area.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned and expenses when they are incurred.

(b) Financial Statement Presentation

The Organization adopted Financial Accounting Standards Board (FASB) Codification Standards. Under the Codification Standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other asset or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) Grants and Other Receivable

These receivables are stated at the amount management expects to collect from outstanding balances. Receivables are periodically evaluated for collectability based on past credit history with clients and customers, and their current financial condition. The Organization considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

(d) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. The Organization's policy is to capitalize expenditures for property and equipment in excess of \$500. Depreciation is computed on the straight-line method using estimated useful life, varying from three to five years. Leasehold improvements are amortized over the life of the lease. Expenses for maintenance and repairs are charged against income as incurred, and betterments which increase the value or materially extend the useful life of the related assets are capitalized. Depreciation expense for years June 30, 2019 and 2018 was \$1,400 and \$12,335, respectively.

(e) Revenue Recognition

Grant revenue is recognized when the expenses are incurred, rather than when the grant revenue is received. Contribution revenues are recorded when received. Revenue from tuition is recognized during the period in which the revenue is earned. Accordingly, tuition received in the current year which relates to the subsequent year has been deferred.

(f) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events on the dates of the statements of financial position. Accordingly, actual results could differ from those estimates.

(g) Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include all highly liquid cash and investments with a maturity of three months or less at acquisition.

(h) Advertising

The Organization expenses advertising costs as incurred. Advertising and promotion expenses were \$2,709 and \$2,630 for the years ended June 30, 2019 and 2018, respectively.

(i) Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Washington English Center adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 11), and disclosures related to functional allocation of expenses were expanded (Note 3). The accompanying information from the 2018 financial statements has been restated to conform with the 2019 presentation and disclosure requirements of ASU 2016-14.

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

3. Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Certain administrative costs have been allocated among the programs and supporting services benefited based on estimated time and effort.

4. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended June 30, 2019 and 2018, the Organization has determined that no income tax is due for its activities. Accordingly, no provision for income tax has been recorded in the accompanying financial statements. The Organization is not considered a private foundation.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by U.S. generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization believes that the income tax filings will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019 or 2018.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to examinations for years prior to 2015.

5. Contributed Facilities and Services

The Organization rents office and classroom space from a church. For the year ended June 30, 2018 the Organization recognized \$33,538 as an in-kind contribution and rent expense for the difference between the estimated market value of the space provided and the amount paid in accordance with the terms of the lease agreement. The market value of the space provided was estimated based on the market value of similar space in the same market.

During the years ended June 30, 2019 and 2018, the Organization received other in-kind services valued at \$345,970 and \$78,354, respectively. The value of these donated services was recorded as both a contribution and an expense. They largely represent in-kind legal and IT services.

The Organization received approximately 40,500 hours of volunteer teacher, tutor and job coach services for the year ended June 30, 2019. These volunteer services were valued at approximately \$1,030,000 based on a nationwide average value for a volunteer hour.

**Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018**

5. Contributed Facilities and Services (continued)

The Organization received approximately 49,000 hours of volunteer teacher, tutor and job coach services for the year ended June 30, 2018. These volunteer services were valued at approximately \$1,200,000 based on a nationwide average value for a volunteer hour.

These volunteer teacher and tutor services were not recognized in the financial statements because they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Codification Standards.

6. Line of Credit

The Organization had a \$100,000 line of credit agreement that expired December 8, 2018. The line of credit carried a variable rate of interest payable monthly at the prime rate as published in the Wall Street Journal, plus 4.5%. The line of credit note was secured by deposits held at the financial institution and could be terminated upon sixty days' notice by that institution. The line of credit was not renewed.

7. Net Assets with Donor Restrictions

Net assets with donor restriction are restricted for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Information technology	\$ 28,944	\$ -
Employment services	<u>2,500</u>	<u>2,500</u>
Total Net Assets with Donor Restrictions	<u>\$ 31,444</u>	<u>\$ 2,500</u>

8. Concentrations

Credit Risk - Cash and cash equivalents held by the Organization in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. There were no uninsured cash balances at June 30, 2019. Uninsured cash balances at June 30, 2018 were \$423,891. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

Sources of Revenue – For the year ended June 30, 2019, tuition revenue was 22% of the Organization's total revenues, government grants were 16%, private foundation contributions were 9%, individual contributions were 11%, in-kind contributions were 28% and fundraising income was 9%.

For the year ended June 30, 2018, tuition revenue was 25% of the Organization's total revenues, government grants were 17%, private foundation contributions were 12%, individual contributions were 15%, in-kind contributions were 10% and fundraising income was 16%.

**Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018**

9. Contingencies

At June 30, 2019 and 2018, the Organization was participating in grants funded by government agencies. These grants, as well as other grants and contracts awarded and completed in the past, are subject to compliance audits by grantors. The amounts, if any, of expenditures, which could be disallowed by the granting agency, cannot be determined at this time. The Organization expects such amounts, if any, to be immaterial.

10. Lease Commitments

The Organization leases office and classroom space in a church located in Washington, D.C. under a lease which ended June 30, 2018. The organization is negotiating a renewal of this lease with its landlord and leasing the space on a month-to-month basis while negotiations continue. Monthly rent payments were \$12,792 during fiscal year 2019. Rent expense for the years ended June 30, 2019 and 2018 was \$153,548 and \$148,307.

The Organization leased office equipment under a five-year lease which ended in July 2018. The minimum payments under the expiring lease were \$605 per month. A new five-year lease for office equipment was effective July 2018. The minimum payments under the new lease are \$766 per month. For the years ended June 30, 2019 and 2018, payments of \$9,192 and \$7,260 respectively, were included in printing and publications expense.

At June 30, 2019, the Organization was obligated under the terms of the non-cancelable office equipment lease for the following future minimum lease payments:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 9,192
2021	9,192
2022	9,192
2023	9,192
2024	2,298

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

11. Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 756,115	\$ 714,579
Grants receivable	<u>70,969</u>	<u>108,117</u>
Financial assets, at year-end.	827,084	822,696
Less those unavailable for general expenditure within one year, due to:		
Purpose restrictions	<u>(31,444)</u>	<u>(2,500)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 795,640</u>	<u>\$ 820,196</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

12. Subsequent Events

Management has evaluated subsequent events through December 13, 2019, the date that the financial statements were available to be issued. There were no subsequent events to report.

