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# **WASHINGTON ENGLISH CENTER**

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

**For the Years Ended  
June 30, 2020 and 2019**

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**CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS**

## **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, 2020 and 2019, 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, 2020 and 2019, 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.*

October 28, 2020  
Rockville, Maryland

**WASHINGTON ENGLISH CENTER**  
**Statements of Financial Position**  
**June 30,**

|  | <u><b>2020</b></u>       | <u><b>2019</b></u>       |
|--|--------------------------|--------------------------|
| <b>Assets</b>                            |                          |                          |
| <b>Current Assets</b>                    |                          |                          |
| Cash and cash equivalents                | \$ 599,394               | \$ 753,974               |
| Grants receivable                        | 52,709                   | 73,110                   |
| Prepaid expenses                         | <u>44,499</u>            | <u>2,255</u>             |
| Total Current Assets                     | 696,602                  | 829,339                  |
| <b>Property and Equipment - at Cost</b>  |                          |                          |
| Office equipment                         | 70,454                   | 66,264                   |
| Leasehold improvements                   | 4,839                    | 4,839                    |
| Less: accumulated depreciation           | <u>(70,506)</u>          | <u>(68,087)</u>          |
| Property and Equipment - Net             | <u>4,787</u>             | <u>3,016</u>             |
| <b>Total Assets</b>                      | <u><u>\$ 701,389</u></u> | <u><u>\$ 832,355</u></u> |
| <b>Liabilities and Net Assets</b>        |                          |                          |
| <b>Current Liabilities</b>               |                          |                          |
| Accounts payable                         | \$ 5,419                 | \$ 457                   |
| Accrued expenses                         | 22,764                   | 5,243                    |
| Deferred revenue                         | <u>6,272</u>             | <u>6,990</u>             |
| Total Current Liabilities                | 34,455                   | 12,690                   |
| <b>Long-Term Liabilities</b>             |                          |                          |
| Paycheck Protection Program note payable | <u>113,000</u>           | <u>-</u>                 |
| Total Long-Term Liabilities              | <u>113,000</u>           | <u>-</u>                 |
| Total Liabilities                        | 147,455                  | 12,690                   |
| <b>Net Assets</b>                        |                          |                          |
| Without donor restrictions               | 553,934                  | 788,221                  |
| With donor restrictions                  | <u>-</u>                 | <u>31,444</u>            |
| Total Net Assets                         | <u>553,934</u>           | <u>819,665</u>           |
| <b>Total Liabilities and Net Assets</b>  | <u><u>\$ 701,389</u></u> | <u><u>\$ 832,355</u></u> |

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, 2020**

|                                       | <b><u>Without Donor</u></b><br><b><u>Restrictions</u></b> | <b><u>With Donor</u></b><br><b><u>Restrictions</u></b> | <b><u>Total</u></b> |
|---------------------------------------|---|--|---------------------|
| <b>Support and Revenue</b>            |   |  |                     |
| Tuition                               | \$ 177,918  | \$ -   | \$ 177,918          |
| Government contributions              | 156,036   | -  | 156,036             |
| Private foundation contributions      | 87,500  | -  | 87,500              |
| Individual contributions              | 151,696   | -  | 151,696             |
| Corporate contributions               | 27,614  | -  | 27,614              |
| In-kind contributions                 | 266,448   | -  | 266,448             |
| Fundraising income                    | 115,589   | -  | 115,589             |
| Miscellaneous income                  | 500   | -  | 500                 |
| Interest income                       | 1,344   | -  | 1,344               |
| Total Support and Revenue             | 984,645   | -  | 984,645             |
| Net assets released from restrictions | 31,444  | (31,444)   | -                   |
| Total Support and Revenue             | 1,016,089   | (31,444)   | 984,645             |
| <b>Expenses</b>                       |   |  |                     |
| Program services                      | 978,168   | -  | 978,168             |
| Management and general                | 132,063   | -  | 132,063             |
| Fundraising                           | 140,145   | -  | 140,145             |
| Total Expenses                        | 1,250,376   | -  | 1,250,376           |
| Change in Net Assets                  | (234,287)   | (31,444)   | (265,731)           |
| Net Assets - Beginning of Year        | 788,221   | 31,444   | 819,665             |
| Net Assets - End of Year              | <u>\$ 553,934</u>   | <u>\$ -</u>  | <u>\$ 553,934</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, 2019**

|                                       | <b><u>Without Donor</u></b><br><b><u>Restrictions</u></b> | <b><u>With Donor</u></b><br><b><u>Restrictions</u></b> | <b><u>Total</u></b> |
|---------------------------------------|---|--|---------------------|
| <b>Support and Revenue</b>            |   |  |                     |
| Tuition                               | \$ 282,764  | \$ -   | \$ 282,764          |
| Government contributions              | 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                       | 9,632   | -  | 9,632               |
| Total Support and Revenue             | 1,217,331   | 40,000   | 1,257,331           |
| Net assets released from restrictions | 11,056  | (11,056)   | -                   |
| Total Support and Revenue             | 1,228,387   | 28,944   | 1,257,331           |
| <b>Expenses</b>                       |   |  |                     |
| Program services                      | 811,116   | -  | 811,116             |
| Management and general                | 327,780   | -  | 327,780             |
| Fundraising                           | 102,231   | -  | 102,231             |
| Total Expenses                        | 1,241,127   | -  | 1,241,127           |
| Change in Net Assets                  | (12,740)  | 28,944   | 16,204              |
| Net Assets - Beginning of Year        | 800,961   | 2,500  | 803,461             |
| Net Assets - End of Year              | \$ 788,221  | \$ 31,444  | \$ 819,665          |

The accompanying notes are an integral part of this statement.

**WASHINGTON ENGLISH CENTER**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

|                              | <b><u>Program</u></b>  | <b><u>Management</u></b>  | <b><u>Fundraising</u></b> | <b><u>Total</u></b> |
|------------------------------|------------------------|---------------------------|---------------------------|---------------------|
|                              | <b><u>Services</u></b> | <b><u>and General</u></b> |                           |                     |
| Personnel                    |                        |                           |                           |                     |
| Salaries                     | \$ 384,509             | \$ 74,644                 | \$ 104,306                | \$ 563,459          |
| Payroll taxes                | 32,122                 | 6,236                     | 8,714                     | 47,072              |
| Employee benefits            | <u>8,156</u>           | <u>1,583</u>              | <u>2,213</u>              | <u>11,952</u>       |
| Total Personnel              | 424,787                | 82,463                    | 115,233                   | 622,483             |
| Advertising and promotions   | 1,296                  | -                         | -                         | 1,296               |
| Appreciation and ceremonies  | 413                    | -                         | -                         | 413                 |
| Background checks            | 3,131                  | 64                        | -                         | 3,195               |
| Bank fees                    | 3,741                  | 726                       | 1,015                     | 5,482               |
| Communications               | 17,928                 | 5,151                     | 4,114                     | 27,193              |
| Database expenses            | 24,150                 | -                         | 2,050                     | 26,200              |
| Depreciation                 | 1,651                  | 320                       | 448                       | 2,419               |
| Spring event expenses        | -                      | -                         | 69                        | 69                  |
| Instructional supplies       | 54,891                 | -                         | -                         | 54,891              |
| Insurance                    | 7,552                  | 839                       | -                         | 8,391               |
| Legal expenses               | 213,721                | 23,747                    | -                         | 237,468             |
| Membership dues              | 208                    | -                         | 486                       | 694                 |
| Rent and utilities           | 143,401                | 15,933                    | -                         | 159,334             |
| Postage and delivery         | -                      | 189                       | 189                       | 378                 |
| Printing and publications    | 10,301                 | 572                       | 4,108                     | 14,981              |
| Professional fees            | 62,795                 | 1,666                     | 12,203                    | 76,664              |
| Staff development and travel | 683                    | -                         | -                         | 683                 |
| Staff recruitment            | 839                    | 163                       | 228                       | 1,230               |
| Supplies                     | 5,280                  | 230                       | 2                         | 5,512               |
| Volunteer expenses           | <u>1,400</u>           | <u>-</u>                  | <u>-</u>                  | <u>1,400</u>        |
| Total Expenses               | <u>\$ 978,168</u>      | <u>\$ 132,063</u>         | <u>\$ 140,145</u>         | <u>\$ 1,250,376</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**

|                              | <b><u>Program<br/>Services</u></b> | <b><u>Management<br/>and General</u></b> | <b><u>Fundraising</u></b> | <b><u>Total</u></b> |
|------------------------------|------------------------------------|--|---------------------------|---------------------|
| Personnel                    |                                    |  |                           |                     |
| Salaries                     | \$ 354,704                         | \$ 54,238                                | \$ 37,882                 | \$ 446,824          |
| Payroll taxes                | 28,036                             | 4,286                                    | 2,994                     | 35,316              |
| Employee benefits            | <u>11,079</u>                      | <u>1,694</u>                             | <u>1,183</u>              | <u>13,956</u>       |
| Total Personnel              | 393,819                            | 60,218                                   | 42,059                    | 496,096             |
| 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           | <u>1,645</u>                       | <u>-</u>                                 | <u>-</u>                  | <u>1,645</u>        |
| 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**  
**Statements of Cash Flows**  
**For the Years Ended June 30,**

| <b>Increase (Decrease) In Cash and Cash Equivalents</b>   | <b><u>2020</u></b>       | <b><u>2019</u></b>       |
|---|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities</b>   |                          |                          |
| Change in net assets  | \$ (265,731)             | \$ 16,204                |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                          |                          |
| Depreciation expense  | 2,419                    | 1,400                    |
| Net change in current assets and liabilities  |                          |                          |
| Grants receivable   | 20,401                   | 35,007                   |
| Prepaid expenses  | (42,244)                 | (10)                     |
| Accounts payable  | 4,962                    | (6,108)                  |
| Accrued expenses  | 17,521                   | 1,086                    |
| Deferred revenue  | (718)                    | (4,825)                  |
| Net Cash Provided by (Used in) Operating Activities   | <u>(263,390)</u>         | <u>42,754</u>            |
| <b>Cash Flows from Investing Activities</b>   |                          |                          |
| Purchase of property and equipment  | <u>(4,190)</u>           | <u>(3,359)</u>           |
| Net Cash Provided by (Used in) Investing Activities   | <u>(4,190)</u>           | <u>(3,359)</u>           |
| <b>Cash Flows from Financing Activities</b>   |                          |                          |
| Proceeds from the Paycheck Protection Plan note payable   | <u>113,000</u>           | <u>-</u>                 |
| Net Cash Provided by (Used in) Financing Activities   | <u>113,000</u>           | <u>-</u>                 |
| Net increase (decrease) in cash and cash equivalents  | (154,580)                | 39,395                   |
| Cash and Cash Equivalents Balance - Beginning of Year   | <u>753,974</u>           | <u>714,579</u>           |
| Cash and Cash Equivalents Balance - End of Year   | <u><u>\$ 599,394</u></u> | <u><u>\$ 753,974</u></u> |
| <b>Supplemental Information:</b>  |                          |                          |
| 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, 2020 and 2019**

**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) 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.

**(c) Grants and Contributions Receivables**

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.

**(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, 2020 and 2019 was \$2,419 and \$1,400, respectively.

**(e) Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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.

**Washington English Center**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**2. Summary of Significant Accounting Policies (continued)**

**(e) Net Assets (continued)**

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 assets 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.

**(f) Revenue Recognition**

Revenues consist primarily of tuition derived from courses taught by the Organization. Revenues from tuition and fees are recognized pro-rata (on a straight-line basis) over the relevant period attended by the student of the applicable course or program. If a student withdraws from a course, the paid but unearned portion of the student's tuition is refunded. Prepaid tuition is the portion of payments received but not earned and is reflected as deferred revenue in the accompanying Statements of Financial Position as such amounts are expected to be earned within the next year.

The Organization recognizes contributions as revenue 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.

**(g) Advertising**

The Organization expenses advertising costs as incurred. Advertising and promotion expenses were \$1,296 and \$2,709 for the years ended June 30, 2020 and 2019, respectively.

**(h) Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. The Statement of Functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include: payroll taxes, employee benefits, bank fees, certain professional fees, certain communications expenses, depreciation and staff recruitment. These costs were allocated based on estimated time and effort.

**Washington English Center**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**2. Summary of Significant Accounting Policies (continued)**

**(i) 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.

**(j) Reclassifications**

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

**(k) Adoption of New Accounting Standards**

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that affect the Organization's revenue recognition that were adopted by the Organization effective July 1, 2019.

The first, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgments and estimates and provide expanded disclosures about revenue.

The second, Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

The adoption resulted in no significant changes to beginning net assets as of July 1, 2019. The application of these ASU's did not result in a significant change in revenue for the year ended June 30, 2020.

**3. 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, 2020 and 2019, 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.

**Washington English Center**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**3. Income Taxes (continued)**

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, 2020 or 2019.

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 2016.

**4. 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.

**5. Note Payable**

The Organization applied for and was approved a \$113,000 loan on May 3, 2020 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

**6. Net Assets with Donor Restrictions**

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

|  | <u><b>2020</b></u> | <u><b>2019</b></u>      |
|--|--------------------|-------------------------|
| Information technology                   | \$ -               | \$ 28,944               |
| Employment services                      | <u>-</u>           | <u>2,500</u>            |
| Total Net Assets with Donor Restrictions | <u><u>\$ -</u></u> | <u><u>\$ 31,444</u></u> |

**Washington English Center**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**7. Contributed Facilities and Services**

During the years ended June 30, 2020 and 2019, the Organization received in-kind services valued at \$266,448 and \$345,970, 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 24,300 hours of volunteer teacher, tutor and job coach services for the year ended June 30, 2020. These volunteer services were valued at approximately \$660,000 based on a nationwide average value for a volunteer hour.

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.

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.

**8. Revenues from Contracts with Customers**

The following table provides information about significant changes in deferred revenue for the years ended June 30:

|   | <u><b>2020</b></u>     | <u><b>2019</b></u>     |
|---|------------------------|------------------------|
| Deferred revenue, beginning of year   | \$ 6,990               | \$ 11,815              |
| Revenue recognized that was included in deferred revenue at the beginning of year | (6,990)                | (11,815)               |
| Increase in deferred revenue due to cash received during the year                 | <u>6,272</u>           | <u>6,990</u>           |
| Deferred revenue, end of year   | <u><u>\$ 6,272</u></u> | <u><u>\$ 6,990</u></u> |

**9. 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. Money market accounts held by Charles Schwab are not covered by FDIC but are covered by the Securities Investor Protection Corporation (SIPC). At times throughout the year, the cash and cash equivalents balance may exceed FDIC and SIPC coverage. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

**Washington English Center**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**9. Concentrations (continued)**

**Sources of Revenue** – For the year ended June 30, 2020, tuition revenue was 18% of the Organization's total revenues, government grants were 16%, private foundation contributions were 9%, individual contributions were 15%, in-kind contributions were 27%, fundraising income was 12% and other income was 3%.

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%, fundraising income was 9% and other income was 5%.

**10. Lease Commitments**

The Organization leased office and classroom space in a church located in Washington, D.C. under a lease which ended June 30, 2018. The organization was on a month-to-month basis since then while negotiations continued. The lease was terminated in August 2020. Monthly rent payments were \$13,239 during fiscal year 2020. Rent expense for the years ended June 30, 2020 and 2019 was \$159,334 and \$153,548.

The Organization leases office equipment under a five-year lease with minimum monthly under the lease of \$766. For the years ended June 30, 2020 and 2019, payments of \$11,446 and \$9,192 respectively, were included in printing and publications expense.

At June 30, 2020, 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> |
|--------------------|---------------|
| 2021               | \$ 9,192      |
| 2022               | 9,192         |
| 2023               | 9,192         |
| 2024               | 2,298         |
| 2025               | -             |

**11. Contingencies**

At June 30, 2020 and 2019, 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.

**Washington English Center**  
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**For the Years Ended June 30, 2020 and 2019**

**12. Uncertainty**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the Company expects this matter to have an impact on its operating results. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the students, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

**13. Liquidity and Availability of Financial Assets**

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year.

|  | <u><b>2020</b></u> | <u><b>2019</b></u> |
|--|--------------------|--------------------|
| Financial assets:  |                    |                    |
| Cash and cash equivalents  | \$ 599,394         | \$ 753,974         |
| Grants and contributions receivable  | <u>52,709</u>      | <u>73,110</u>      |
| Financial assets, at year-end.   | 652,103            | 827,084            |
| Less those unavailable for general expenditure within one year, due to:            |                    |                    |
| Purpose restrictions   | <u>-</u>           | <u>(31,444)</u>    |
| Financial assets available to meet cash needs for general expenses within one year | <u>\$ 652,103</u>  | <u>\$ 795,640</u>  |

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

**14. Subsequent Events**

Management has evaluated subsequent events through October 28, 2020, the date that the financial statements were available to be issued. As noted in Note 10, the lease was terminated in August 2020 and the Organization is operating virtually. There were no other significant events to report.



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