
WASHINGTON ENGLISH CENTER

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

**For the Years Ended
June 30, 2021 and 2020**

LSWG

**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, 2021 and 2020, 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, 2021 and 2020, 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.

LSWG, P.A.

Rockville, Maryland
October 27, 2021

WASHINGTON ENGLISH CENTER
Statements of Financial Position
June 30,

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 611,241	\$ 599,394
Grants receivable	40,742	52,709
Prepaid expenses	<u>30,792</u>	<u>44,499</u>
Total Current Assets	682,775	696,602
Property and Equipment - at Cost		
Office equipment	68,179	70,454
Leasehold improvements	-	4,839
Less: accumulated depreciation	<u>(65,609)</u>	<u>(70,506)</u>
Property and Equipment - Net	<u>2,570</u>	<u>4,787</u>
Total Assets	<u><u>\$ 685,345</u></u>	<u><u>\$ 701,389</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,381	\$ 5,419
Accrued expenses	32,594	22,764
Deferred revenue	<u>1,080</u>	<u>6,272</u>
Total Current Liabilities	35,055	34,455
Long-Term Liabilities		
Paycheck Protection Program note payable	<u>119,750</u>	<u>113,000</u>
Total Long-Term Liabilities	<u>119,750</u>	<u>113,000</u>
Total Liabilities	154,805	147,455
Net Assets		
Without donor restrictions	523,812	553,934
With donor restrictions	<u>6,728</u>	<u>-</u>
Total Net Assets	<u>530,540</u>	<u>553,934</u>
Total Liabilities and Net Assets	<u><u>\$ 685,345</u></u>	<u><u>\$ 701,389</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, 2021

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Support and Revenue			
Tuition	\$ 124,282	\$ -	\$ 124,282
Government contributions	366,731	-	366,731
Private foundation contributions	76,000	15,000	91,000
Individual contributions	183,346	-	183,346
Corporate contributions	49,567	-	49,567
In-kind contributions	23,974	-	23,974
Fundraising income	95,207	-	95,207
Miscellaneous income	(112,843)	-	(112,843)
Interest income	612	-	612
Total Support and Revenue	806,876	15,000	821,876
Net assets released from restrictions	8,272	(8,272)	-
Total Support and Revenue	815,148	6,728	821,876
Expenses			
Program services	622,353	-	622,353
Management and general	105,538	-	105,538
Fundraising	117,379	-	117,379
Total Expenses	845,270	-	845,270
Change in Net Assets	(30,122)	6,728	(23,394)
Net Assets - Beginning of Year	553,934	-	553,934
Net Assets - End of Year	<u>\$ 523,812</u>	<u>\$ 6,728</u>	<u>\$ 530,540</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, 2020

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Support and Revenue			
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
Expenses			
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	\$ 553,934	\$ -	\$ 553,934

The accompanying notes are an integral part of this statement.

WASHINGTON ENGLISH CENTER
Statement of Functional Expenses
For the Year Ended June 30, 2021

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>		
Personnel				
Salaries	\$ 431,456	\$ 82,857	\$ 96,165	\$ 610,478
Payroll taxes	38,056	7,308	8,482	53,846
Employee benefits	<u>13,443</u>	<u>2,582</u>	<u>2,996</u>	<u>19,021</u>
Total Personnel	482,955	92,747	107,643	683,345
Advertising and promotions	1,323	-	-	1,323
Appreciation and ceremonies	391	666	-	1,057
Bank fees	3,335	640	743	4,718
Communications	7,861	1,611	1,201	10,673
Database expenses	11,550	-	2,750	14,300
Depreciation	1,566	301	349	2,216
Instructional supplies	1,250	-	-	1,250
Insurance	5,389	599	-	5,988
Legal expenses	21,577	2,397	-	23,974
Membership dues	218	-	508	726
Miscellaneous	-	656	-	656
Rent and utilities	30,830	3,426	-	34,256
Postage and delivery	-	127	127	254
Printing and publications	9,053	503	2,609	12,165
Professional fees	20,073	1,712	1,449	23,234
Staff development and travel	834	-	-	834
Supplies	1,611	153	-	1,764
Textbooks	19,537	-	-	19,537
Volunteer expenses	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Total Expenses	<u>\$ 622,353</u>	<u>\$ 105,538</u>	<u>\$ 117,379</u>	<u>\$ 845,270</u>

The accompanying notes are an integral part of this statement.

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

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>		
Personnel				
Salaries	\$ 384,509	\$ 74,644	\$ 104,306	\$ 563,459
Payroll taxes	32,122	6,236	8,714	47,072
Employee benefits	8,156	1,583	2,213	11,952
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	1,400	-	-	1,400
Total Expenses	\$ 978,168	\$ 132,063	\$ 140,145	\$ 1,250,376

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>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (23,394)	\$ (265,731)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,216	2,419
Net change in current assets and liabilities		
Grants receivable	11,967	20,401
Prepaid expenses	13,707	(42,244)
Accounts payable	(4,038)	4,962
Accrued expenses	9,830	17,521
Deferred revenue	(5,191)	(718)
Net Cash Provided by (Used in) Operating Activities	<u>5,097</u>	<u>(263,390)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(4,190)</u>
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(4,190)</u>
Cash Flows from Financing Activities		
Forgiveness of the Paycheck Protection Plan note payable	(113,000)	-
Proceeds from the Paycheck Protection Plan note payable	<u>119,750</u>	<u>113,000</u>
Net Cash Provided by (Used in) Financing Activities	<u>6,750</u>	<u>113,000</u>
Net increase (decrease) in cash and cash equivalents	11,847	(154,580)
Cash and Cash Equivalents Balance - Beginning of Year	<u>599,394</u>	<u>753,974</u>
Cash and Cash Equivalents Balance - End of Year	<u><u>\$ 611,241</u></u>	<u><u>\$ 599,394</u></u>
Supplemental Information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<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, 2021 and 2020

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, 2021 and 2020 was \$2,216 and \$2,419, 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, 2021 and 2020

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 \$1,323 and \$1,296 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020

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.

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, 2021 and 2020, 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, 2021 or 2020. 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 2017.

4. Notes 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 was fully forgiven on April 19, 2021 by the SBA.

The Organization applied for and was approved a \$119,750 loan on February 7, 2021 under the second round of 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 ten months plus 24 weeks 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.

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

5. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Expand and enhance digital learning	\$ 6,728	\$ -
Total Net Assets with Donor Restrictions	<u>\$ 6,728</u>	<u>\$ -</u>

6. Contributed Facilities and Services

During the years ended June 30, 2021 and 2020, the Organization received in-kind services valued at \$23,974 and \$266,448, 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 33,600 hours of volunteer teacher, tutor and job coach services for the year ended June 30, 2021. These volunteer services were valued at approximately \$959,000 based on a nationwide average value for a volunteer hour.

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.

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.

7. Revenues from Contracts with Customers

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

	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 6,272	\$ 6,990
Revenue recognized that was included in deferred revenue at the beginning of year	(6,272)	(6,990)
Increase in deferred revenue due to cash received during the year	<u>1,080</u>	<u>6,272</u>
Deferred revenue, end of year	<u>\$ 1,080</u>	<u>\$ 6,272</u>

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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. 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.

Sources of Revenue – For the year ended June 30, 2021, tuition revenue was 15% of the Organization’s total revenues, government grants were 31%, private foundation contributions were 11%, individual contributions were 22%, in-kind contributions were 3%, fundraising income was 12% and other income was 6%.

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%.

9. 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. Rent expense for the years ended June 30, 2021 and 2020 was \$34,256 and \$159,334.

The Organization leases office equipment under a five-year lease with minimum monthly under the lease of \$537. For the years ended June 30, 2021 and 2020, payments of \$10,059 and \$11,446 respectively, were included in printing and publications expense.

At June 30, 2021, 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>
2022	\$ 6,444
2023	6,444
2024	1,611
2025	-
2026	-

Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

10. Contingencies

At June 30, 2021 and 2020, 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.

11. 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 Organization 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.

12. Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 611,241	\$ 599,394
Grants and contributions receivable	<u>40,742</u>	<u>52,709</u>
Financial assets, at year-end.	651,982	652,103
Less those unavailable for general expenditure within one year, due to:		
Purpose restrictions	<u>(6,728)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 645,254</u>	<u>\$ 652,103</u>

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

**Washington English Center
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020**

13. Subsequent Events

Management has evaluated subsequent events through October 27, 2021, the date that the financial statements were available to be issued.

On September 21, 2021 the Organization entered into two subleases for 12,352 square feet of office and classroom space in Washington, D.C. for a term expiring on May 31, 2024. The subleases call for monthly payments of \$18,000 with 4% annual increases. Also, additional rent of 50% of the amount billed for the lease premises for electricity is due monthly.

On October 5, 2021 the Organization received notification that the \$119,750 PPP loan through the Small Business Administration was forgiven.

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