

Audited Financial Statements



June 30, 2018

Quigley & Miron

Get Lit - Words Ignite, Inc.
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
Get Lit - Words Ignite, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Get Lit - Words Ignite, Inc. (Get Lit), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Get Lit - Words Ignite, Inc. as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Get Lit - Words Ignite, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
November 15, 2019

Get Lit - Words Ignite, Inc.
Statement of Financial Position
June 30, 2018
(with comparative totals for 2017)

Assets	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 324,713	\$ 301,309
Contributions receivable	21,000	37,000
Accounts receivable	24,296	
Equipment, net—Note 2	47,581	48,065
Deposits	6,560	5,960
Total Assets	<u><u>\$ 424,150</u></u>	<u><u>\$ 392,334</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 9,887	\$ 6,495
Total Liabilities	<u>9,887</u>	<u>6,495</u>
Commitments and Contingencies—Notes 3 and 4		
Net Assets—Note 5		
Unrestricted	171,648	265,466
Temporarily restricted	242,615	120,373
Total Net Assets	<u>414,263</u>	<u>385,839</u>
Total Liabilities and Net Assets	<u><u>\$ 424,150</u></u>	<u><u>\$ 392,334</u></u>

See notes to financial statements.

Get Lit - Words Ignite, Inc.
Statement of Activities
Year Ended June 30, 2018
(with comparative totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and Revenues				
Contributions				
Foundations and government agencies	\$ 84,250	\$ 355,676	\$ 439,926	\$ 362,154
Individuals	113,878		113,878	231,747
Corporations	34,131	31,000	65,131	54,194
In-kind—Note 6	34,053		34,053	182,526
Fundraising event, net—Note 7	70,528		70,528	56,117
Program service fees	344,987		344,987	157,286
Program events	91,434		91,434	6,525
Interest income	7		7	30
Net assets released from restrictions	264,434	(264,434)		
Total Support and Revenues	1,037,702	122,242	1,159,944	1,050,579
Expenses				
Program services				
Classic Slam	265,036		265,036	258,360
Get Lit Players	319,442		319,442	331,451
In-School	274,853		274,853	212,610
Total Program Services	859,331		859,331	802,421
Supporting services				
General and administrative	99,536		99,536	69,660
Fundraising	172,653		172,653	125,600
Total Expenses	1,131,520		1,131,520	997,681
Change in Net Assets	(93,818)	122,242	28,424	52,898
Net Assets at Beginning of Year	265,466	120,373	385,839	332,941
Net Assets at End of Year	\$ 171,648	\$ 242,615	\$ 414,263	\$ 385,839

See notes to financial statements.

Get Lit - Words Ignite, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018
(with comparative totals for 2017)

	Program Services				Supporting Services		2018 Total	2017 Total
	Classic Slam	Get Lit Players	In- School	Total	General and Administrative	Fundraising		
Salaries	\$ 116,021	\$ 116,020	\$ 116,021	\$ 348,062	\$ 24,051	\$ 71,076	\$ 443,189	\$ 385,470
Payroll taxes	9,396	9,396	9,396	28,188	1,948	5,756	35,892	30,941
Employee benefits	7,126	7,126	7,126	21,378	1,885		23,263	17,836
Total Payroll, Taxes, and Benefits	132,543	132,542	132,543	397,628	27,884	76,832	502,344	434,247
Bank fees					2,698		2,698	2,671
Depreciation	2,985	2,987	2,985	8,957	2,985		11,942	11,545
Information technology	3,872	3,872	4,214	11,958	219	6,427	18,604	38,880
Insurance	2,387	2,386	2,162	6,935			6,935	10,800
Miscellaneous	2,494	9,526	6,047	18,067	15,545	13,930	47,542	30,538
Outside services	40,283	107,044	54,269	201,596	4,135	60,506	266,237	271,751
Postage and printing	9,184	2,613	33,926	45,723	632	8,619	54,974	29,475
Professional fees					12,287		12,287	11,332
Rent—office	16,944	16,944	16,944	50,832	16,943		67,775	24,300
Rent—program event venues	40,240	24,300	12,938	77,478		2,163	79,641	79,426
Supplies	9,593	1,748	424	11,765	15,327	4,135	31,227	27,732
Travel	4,511	15,480	8,401	28,392	881	41	29,314	24,984
Total Expenses by Function	\$ 265,036	\$ 319,442	\$ 274,853	\$ 859,331	\$ 99,536	\$ 172,653	\$ 1,131,520	\$ 997,681

See notes to financial statements.

Get Lit - Words Ignite, Inc.
Statement of Cash Flows
Year Ended June 30, 2018
(with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 28,424	\$ 52,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	11,942	11,545
Changes in operating assets and liabilities:		
Contributions receivable	16,000	5,500
Accounts receivable	(24,296)	
Deposits	(600)	(3,910)
Accounts payable and accrued expenses	3,392	731
Net Cash Provided by Operating Activities	34,862	66,764
Investing Activities		
Purchases of equipment	(11,458)	(39,688)
Net Cash Used in Investing Activities	(11,458)	(39,688)
Increase in Cash and Cash Equivalents	23,404	27,076
Cash and Cash Equivalents at Beginning of Year	301,309	274,233
Cash and Cash Equivalents at End of Year	<u>\$ 324,713</u>	<u>\$ 301,309</u>
Supplementary Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See notes to financial statements.

Get Lit - Words Ignite, Inc.
Notes to Financial Statements
June 30, 2018
(with comparative totals for 2017)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Get Lit - Words Ignite, Inc. (Get Lit) is a California nonprofit corporation established in 2006 for the purpose of stemming dropout rates and increasing literacy among youth in Los Angeles through the fusion of classic poetry and the spoken word movement. Get Lit places the greatest poets of our time in dialogue with our youth. Through its three major program areas, Get Lit fosters cultural understanding, creative self-expression and performance technique, reaching over 20,000 teens each year. Their program areas include:

Classic Slam is the largest teen poetry competition in Southern California’s history, where students from high schools throughout Los Angeles County face off to “slam” poems by classic poets such as Pablo Neruda, Federico Garcia Lorca, Langston Hughes, Emily Dickinson, and Maya Angelou, in combination with their own spoken word responses. Classic Slam is held every spring, in tandem with National Poetry Month in April, for audiences of thousands. Leading writers, actors, and artists volunteer their time as Classic Slam bout judges, awarding various prizes to the winning teams.

Get Lit Players is an award winning, professional performance troupe comprised of teenagers from high schools throughout Los Angeles County, and selected through a competitive audition process. The Get Lit Players travel across the nation performing both classic and spoken word poetry, inspiring their peers to read, write, be leaders in their communities and participate in the arts.

In-School program works in partnership with high schools across Los Angeles County to ignite creativity and an authentic love of learning in teens through the memorization, writing and performance of classic and spoken word poetry. In-School is for students 13-19 who are in classes taught by teachers who have been certified in the Get Lit Curriculum and Methodology. Get Lit’s In-School program’s curriculum is aligned to new Common Core Standards for English Language arts and visual performing arts.

Financial Statement Presentation—The financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Get Lit recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of Get Lit and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing Get Lit’s primary objectives.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Get Lit and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit Get Lit to use all or part of the income earned on related investments for general or specific purposes.

Get Lit - Words Ignite, Inc.

Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Income Taxes—Get Lit is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2018. Generally, Get Lit’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Equipment—Depreciable assets are recorded at historical cost or fair market value at date of donation and are depreciated using the straight-line method over their useful lives, ranging from three to seven years. It is Get Lit’s policy to expense items under \$500.

Concentrations of Credit Risk—Financial instruments which potentially subject Get Lit to concentrations of credit risk consist of cash and cash equivalents, contributions receivable, and accounts receivable. Get Lit places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash depositories and deems the risk of loss due to these concentrations to be minimal. Contributions receivable consist of balances from foundations and individuals. Accounts receivable are principally with government agencies and local schools. It is management’s opinion that the contributions receivable and accounts receivable are fully collectible and, as a result, an allowance for doubtful accounts was not considered necessary at June 30, 2018.

Revenue Recognition—Get Lit’s revenue recognition policies are as follows:

Government agencies—Grant revenues from government agencies are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Fundraising event income—Fundraising event income is recognized when such income is received.

Program activity fees—Get Lit recognizes program activity fees as revenue when the fees are earned.

Functional Expenses—Get Lit allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various appropriate methods.

Get Lit - Words Ignite, Inc.

Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

In-Kind Contributions—All in-kind contributions are valued at their estimated fair market value at the date of the gift.

Statement of Cash Flows—For the statement of cash flows, Get Lit defines cash and cash equivalents to be cash on hand and short-term, highly liquid investments with maturities of three months or less.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals for 2017—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Get Lit's audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications—Certain amounts in 2017 have been reclassified to conform with the 2018 financial statement presentation.

Note 2—Equipment, Net

Net equipment consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 29,281	\$ 26,331
Leasehold improvements	8,508	
Vehicles	39,688	39,688
	<u>77,477</u>	<u>66,019</u>
Less accumulated depreciation	<u>(29,896)</u>	<u>(17,954)</u>
Equipment, Net	<u><u>\$ 47,581</u></u>	<u><u>\$ 48,065</u></u>

Get Lit - Words Ignite, Inc.
Notes to Financial Statements—Continued

Note 3—Commitments

During the year ended June 30, 2018 and 2017, Get Lit relocated to a larger administrative and programmatic space within the same building under a new non-cancellable operating lease agreement (Agreement), commencing June 1, 2017 and expiring May 31, 2020. Future minimum annual rental payments under the Agreement are as follows:

<u>Year Ending June 30,</u>		
2019		\$ 74,016
2020		<u>69,787</u>
	Total	<u><u>\$ 143,803</u></u>

Rent expense totaled \$67,774 and \$24,300 for the year ended June 30, 2018 and 2017, respectively.

Note 4—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board of Directors (Board) deems the contingency remote since, by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Note 5—Temporarily Restricted Net Assets

At June 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
In-School program	\$ 107,040	\$ 60,000
Restricted due to time	21,000	35,373
Get Lit Players Program	20,000	25,000
Classic Slam Program event	34,475	
Equipment purchases	<u>60,100</u>	
Totals	<u><u>\$ 242,615</u></u>	<u><u>\$ 120,373</u></u>

Get Lit - Words Ignite, Inc.
Notes to Financial Statements—Continued

Note 6—In-Kind Contributions

In-kind contributions are captioned on the statement of functional expenses for the years ended June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Outside services	\$ 4,060	\$ 102,450
Property		60,000
Rent, program event venues	24,300	18,175
Miscellaneous	2,450	
Supplies	1,123	1,901
Travel	2,120	
Totals	<u>\$ 34,053</u>	<u>\$ 182,526</u>

During the year ended June 30, 2017, Get Lit received an in-kind contribution of real estate which was immediately sold for \$60,000.

Note 7—Fundraising Event, Net

Get Lit's major fundraising event is an annual gala dinner. The net proceeds to Get Lit from this event for the years ended June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Annual fundraising event income	\$ 90,676	\$ 75,722
Less related event expense	(20,148)	(19,605)
Fundraising Event, Net	<u>\$ 70,528</u>	<u>\$ 56,117</u>

The expenses related to the annual gala dinner for the years ended June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Venue	\$ 11,112	\$ 14,312
Miscellaneous	2,363	
Information technology	2,340	
Outside services	1,850	2,850
Supplies	1,451	1,956
Postage and printing	801	487
Bank charges	231	
Totals	<u>\$ 20,148</u>	<u>\$ 19,605</u>

Get Lit - Words Ignite, Inc.

Notes to Financial Statements—Continued

Note 7—Fundraising Event, Net—Continued

Total fundraising expenses for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Fundraising expenses per statement of functional expenses	\$ 172,653	\$ 125,600
Fundraising event expenses	20,148	19,605
Totals	<u>\$ 192,801</u>	<u>\$ 145,205</u>

Functional expenses, including fundraising event expense, totaled \$1,151,668 and \$1,107,286, respectively, for the years ended June 30, 2018 and 2017.

Note 8—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. Get Lit is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. Get Lit is evaluating whether this will have a material impact on its financial statements.

Get Lit - Words Ignite, Inc.
Notes to Financial Statements—Continued

Note 9—Subsequent Events

Management evaluated subsequent events through November 15, 2019, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.