

**LITERACY COUNCIL
OF UNION COUNTY
FINANCIAL STATEMENT
For the Year Ended June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Literacy Council of Union County

Report on the Financial Statements

We have audited the accompanying financial statements of Literacy Council of Union County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Council of Union County as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Simpson, Yancey & Tedder, CPAs, PC

Monroe, North Carolina
October 19, 2016

LITERACY COUNCIL OF UNION COUNTY
Statement of Financial Position
June 30, 2016

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ASSETS

Current Assets

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 24,392 |
| Accounts receivable | 1,000 |
| Investments | 22,772 |
| Instructional materials | 19,098 |
| Total current assets | <u>67,262</u> |

| | |
|-------------------------------------------------------------------|--------------|
| Property and Equipment, less accumulated depreciation of \$26,119 | <u>9,558</u> |
|-------------------------------------------------------------------|--------------|

Other Assets

| | |
|---------|--------------|
| Deposit | <u>2,140</u> |
|---------|--------------|

| | |
|--------------|------------------|
| Total assets | <u>\$ 78,960</u> |
|--------------|------------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|---------------------------|---------------|
| Accounts payable | 3,511 |
| Accrued payroll | 26,256 |
| Total current liabilities | <u>29,767</u> |

Net Assets

| | |
|--------------|---------------|
| Unrestricted | <u>49,193</u> |
| | <u>49,193</u> |

| | |
|----------------------------------|------------------|
| Total liabilities and net assets | <u>\$ 78,960</u> |
|----------------------------------|------------------|

The accompanying notes are an integral part of these financial statements.

LITERACY COUNCIL OF UNION COUNTY
Statement of Activities
For the Year Ended June 30, 2016

| | Unrestricted | Temporarily Restricted | Total |
|------------------------------------------------|------------------|---------------------------|------------------|
| Revenue | | | |
| Grants | \$ 4,000 | \$ 117,767 | \$ 121,767 |
| Contributions | 72,861 | - | 72,861 |
| Fundraising | 9,980 | - | 9,980 |
| Dividends | 106 | - | 106 |
| Gain on sale on investments | 1,670 | - | 1,670 |
| Unrealized gain on investments | 188 | - | 188 |
| Loss on equipment disposal | (1,581) | - | (1,581) |
| Miscellaneous | 3,279 | - | 3,279 |
| | <u>90,503</u> | <u>117,767</u> | <u>208,270</u> |
| Expenses | | | |
| Program services | 206,075 | - | 206,075 |
| Supporting services, management and general | 22,717 | - | 22,717 |
| Fundraising | 25,834 | - | 25,834 |
| | <u>254,626</u> | <u>-</u> | <u>254,626</u> |
| Increase (Decrease) in Net Assets | (164,123) | 117,767 | (46,356) |
| Net Assets, Beginning of Year | 95,549 | - | 95,549 |
| Released From Restriction | <u>117,767</u> | <u>(117,767)</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ 49,193</u> | <u>\$ -</u> | <u>\$ 49,193</u> |

The accompanying notes are an integral part of these financial statements.

LITERACY COUNCIL OF UNION COUNTY
Statement of Functional Expenses
For the Year Ended June 30, 2016

| | <u>Program Services</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|------------------------------------|-----------------------------|-------------------------------------|--------------------|---------------------------|
| Management fees | \$ 138,338 | \$ 12,104 | \$ 22,480 | \$ 172,922 |
| Occupancy | 19,658 | 4,915 | - | 24,573 |
| Instructional materials | 28,524 | - | - | 28,524 |
| Office supplies | 2,618 | 145 | 145 | 2,908 |
| Travel | 3,484 | 193 | 193 | 3,870 |
| Connectivity | 4,322 | 1,081 | - | 5,403 |
| Dues and subscriptions | 529 | 99 | 33 | 661 |
| Professional fees | - | 2,850 | - | 2,850 |
| Fundraising | - | - | 2,163 | 2,163 |
| Professional development | 3,401 | 425 | 425 | 4,251 |
| Other | 3,162 | 395 | 395 | 3,952 |
| | <u>204,036</u> | <u>22,207</u> | <u>25,834</u> | <u>252,077</u> |
| Total expenses before depreciation | | | | |
| Depreciation | <u>2,039</u> | <u>510</u> | <u>-</u> | <u>2,549</u> |
| Total expenses | <u>\$ 206,075</u> | <u>\$ 22,717</u> | <u>\$ 25,834</u> | <u>\$ 254,626</u> |

The accompanying notes are an integral part of these financial statements.

LITERACY COUNCIL OF UNION COUNTY
Statement of Cash Flows
For the Year Ended June 30, 2016

| | |
|-------------------------------------------------------------------------------------------|-------------------------|
| Cash Flows From Operating Activities | |
| Decrease in Net Assets | \$ (46,356) |
| Adjustments to reconcile change in net assets to net cash used by operating activities | |
| Noncash donation of stock | (8,654) |
| Unrealized appreciation of investments | (188) |
| Dividends from investments | (106) |
| Gain on sale of investments | (1,670) |
| Loss on equipment disposal | 1,581 |
| Depreciation and amortization | 2,549 |
| Change in asset and liabilities | |
| Decrease in instructional materials | 11,863 |
| Increase in accounts receivable | (1,000) |
| Increase in deposit | (2,140) |
| Increase in accrued payroll | 1,812 |
| Increase in accounts payable | 2,718 |
| Net cash used by operating activities | <u>(39,591)</u> |
| Cash Flows From Investing Activities | |
| Purchase of equipment | (2,868) |
| Transfer from investment account | 5,000 |
| Net cash used by investing activities | <u>2,132</u> |
| Net Decrease in Cash | (37,459) |
| Cash - Beginning of Year | <u>61,851</u> |
| Cash - End of Year | <u><u>\$ 24,392</u></u> |
| Supplemental Disclosures | |
| Cash paid for interest | \$ - |

The accompanying notes are an integral part of these financial statements.

LITERACY COUNCIL OF UNION COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Nature of Activities

Literacy Council of Union County is a nonprofit organization whose purpose is to provide literacy education services to residents of Union County, North Carolina.

Cash and Cash Equivalents

The Council considers all highly liquid unrestricted investments with maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Instructional Materials

Instructional materials are stated at the lower of cost or market value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost when purchased or fair market value at the time of donation. The Council capitalizes all acquisitions over \$200. Depreciation is provided using the straight-line method over the estimated useful life of the related asset. A useful life of 3 to 10 years is used in determining depreciation. Assets purchased but not in service are recorded separately from property and equipment and no depreciation is recorded. Property and equipment includes \$5,831 of furniture, \$23,281 of equipment and \$6,565 of software.

LITERACY COUNCIL OF UNION COUNTY
NOTES TO FINANCIAL STATEMENTS

Income Taxes

The Council qualifies as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code.

The Council's forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Investments

Investments are recorded at fair market value in the financial statements. Donated investments are recorded at their fair market values at date of receipt.

Contributions, Grants and Reimbursements

All contributions, grants and reimbursements are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a temporary restriction expires within the same year as received, the temporarily restricted support is reported as unrestricted support.

Donated Services

A number of volunteers have donated substantial amounts of their time to the Council's program services. No amounts have been reflected in the financial statements for these donated services since no objective basis is available to measure the value of such services.

Donated Materials

Throughout the year, the Council may receive donations of new and used books and instructional materials and various items for fundraising events. These items are recorded at fair market value at the time of donation.

Note 2. Funding Sources

The Council is supported primarily through donor contributions, grants and the United Way.

LITERACY COUNCIL OF UNION COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 3. Staff Compensation

For the year ended June 30, 2016, the Council contracted with Union County Public Schools (UCPS) to provide management services. Under this contract, The Council pays UCPS all salaries, related payroll taxes and employees benefits for the services of the Council's Executive Director, Program Facilitator, ESL Program Facilitator and part time Data Specialists. The cost of these services are recorded as management fees.

Note 4. Accrued Management Fees

For the year ended June 30, 2016, accrued payroll consists of accrued vacation of \$9,603 and accrued June payroll of \$16,653.

Note 5. Lease

The Council leased office space on a verbal month to month lease for the first six months and from United Way for the remaining six months under a three year lease. Total rent expense for the year ended June 30, 2016 was \$17,860. Total future minimum lease payments for the years ending June 30, 2017 and 2018 is \$25,680 per year and year ending June 30, 2019 is \$19,260.

Note 6. Subsequent Events

Management has evaluated subsequent events through October 19, 2016, the date on which the financial statements were available to be issued.