

**LITERACY ACTION OF CENTRAL ARKANSAS**

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended June 30, 2015 and 2014**

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Michael L. Cobb

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## Independent Auditors' Report

Board of Directors  
Literacy Action of Central Arkansas  
100 Rock Street  
Little Rock, Arkansas 72201

We have audited the accompanying financial statements of Literacy Action of Central Arkansas (a nonprofit organization) which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities 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.

### **Auditors' 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Action of Central Arkansas, as of June 30, 2015 and 2014, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other-Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program expenses and general and administrative expenses on pages 10 and 11, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Coll and Suskie, Ltd.*

Certified Public Accountants  
February 15, 2016

LITERACY ACTION OF CENTRAL ARKANSAS  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 24,096	\$ 23,120
Investments	5,583	5,574
Accounts Receivable	500	9,600
Total Current Assets	30,179	38,294
Total Assets	\$ 30,179	\$ 38,294

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Payroll Taxes & Other Withholdings Payable	\$ 1,563	\$ 3,044
Total Current Liabilities	1,563	3,044
<u>NET ASSETS</u>		
Unrestricted	28,616	35,250
Total Liabilities and Net Assets	\$ 30,179	\$ 38,294

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

LITERACY ACTION OF CENTRAL ARKANSAS  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>UNRESTRICTED REVENUE AND SUPPORT</u>		
Grant Income	\$ 84,884	\$ 113,391
United Way	10,422	8,573
Miscellaneous Income	157	6
Fundraising	62,032	46,069
Donations	31,469	20,165
Interest Income	<u>8</u>	<u>8</u>
Total Revenue and Support	<u>188,972</u>	<u>188,212</u>
 <u>EXPENSES</u>		
Program	123,120	115,821
General and Administrative	50,602	51,351
Fundraising	<u>21,884</u>	<u>10,859</u>
Total Expenses	<u>195,606</u>	<u>178,031</u>
 Revenue in Excess of (Under) Expenses	 <u>(6,634)</u>	 <u>10,181</u>
 INCREASE (DECREASE) IN NET ASSETS	 (6,634)	 10,181
 NET ASSETS AT BEGINNING OF YEAR	 <u>35,250</u>	 <u>25,069</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 28,616</u>	 <u>\$ 35,250</u>

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

LITERACY ACTION OF CENTRAL ARKANSAS  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATIONS</u>		
Increase (Decrease) In Net Assets	\$ (6,634)	\$ 10,181
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Change in Current Assets and Liabilities:		
(Increase) Decrease in Investments	(9)	(8)
(Increase) Decrease in Accounts Receivable	9,100	(9,600)
Increase (Decrease) in Payroll Taxes	<u>(1,481)</u>	<u>697</u>
Net Cash Inflows (Outflows) from Operations	<u>976</u>	<u>1,270</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>-</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	976	1,270
Cash at Beginning of Year	<u>23,120</u>	<u>21,850</u>
Cash at End of Year	<u>\$ 24,096</u>	<u>\$ 23,120</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid During the Year for Interest	<u>\$ 0</u>	<u>\$ 0</u>

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

LITERACY ACTION OF CENTRAL ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

- (a) Organization  
Literacy Action of Central Arkansas (the Organization) is a volunteer, nondenominational, nonpolitical, nonprofit organization that is affiliated with ProLiteracy America. Literacy Action of Central Arkansas became incorporated as a domestic nonprofit organization on December 18, 1986.
  
- (b) Basis of Presentation  
The statements were prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) for nonprofit organizations included in the Financial Accounting Standards Codifications (FASB ASC).
  
- (c) Cash Equivalents  
Literacy Action of Central Arkansas considers all short-term investments with maturities at acquisition of three months or less to be cash equivalents.
  
- (d) Investments  
The investment consists of a certificate of deposit. Interest income is recorded as earned. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.
  
- (e) Revenue Recognition  
Revenues consist primarily of grants, donations, and two fundraising events. Grants on which Literacy Action is economically dependent are further described in Note 3.
  
- (f) Income Taxes  
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and is classified as other than a private foundation.

LITERACY ACTION OF CENTRAL ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

(f) Income Taxes (Continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2015. All tax returns from 2012 forward are open and subject to examination.

(g) Basis 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. Accordingly, actual results could differ from those estimates.

(h) Donated Services

Volunteer services have not been reported since no objective basis is available to measure the value of such services. During the years ended June 30, 2015 and 2014, literacy tutors reported in excess of 7,523 and 5,269 volunteer hours, respectively, to help the Organization in program services.

(i) Fair Value Measurements

Literacy Action of Central Arkansas determines the fair values of its financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis based on a fair value hierarchy of three levels of inputs that may be used to measure fair value, which are as follows:

Level 1      Quoted prices in active markets for identical assets. Level 1 assets include equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

LITERACY ACTION OF CENTRAL ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

(i) Fair Value Measurements (Continued)

Level 2      Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

NOTE 2: FAIR VALUE DISCLOSURE

As discussed in Note 1, the Organization defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information, refer to Note 1, “*Summary of Significant Accounting Policies.*”

The following table reflects assets that are measured and carried at fair value on a recurring basis as of June 30, 2015.

	<u>Fair Value Measurements Using</u>			<u>Assets At Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Certificates of Deposit	<u>\$ 5,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,583</u>
Total	<u>\$ 5,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,583</u>

LITERACY ACTION OF CENTRAL ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 2: FAIR VALUE DISCLOSURE (CONTINUED)

The following table reflects assets that are measured and carried at fair value on a recurring basis as of June 30, 2014.

	<u>Fair Value Measurements Using</u>			<u>Assets At Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Investments:</b>				
Certificates of Deposit	\$ 5,574	\$ -	\$ -	\$ 5,574
Total	<u>\$ 5,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,574</u>

There were no transfers to or from Level 3 investments during the years ended June 30, 2015 and 2014, respectively.

NOTE 3: CONCENTRATION OF GRANT INCOME

Grant income of \$84,884 and \$113,391 for the year ended June 30, 2015 and 2014, respectively, consisted of the following:

- (a) Grants in Aid to Councils consist of grant money administered by Arkansas Literacy Councils, Inc. These grants are now under the administrative authority of the Arkansas Department of Education. The Organization received \$34,750 on this grant for the year ended June 30, 2015 and \$31,000 for the year ended June 30, 2014.
- (b) Various other grants totaled \$50,134 for the year ended June 30, 2015 and \$82,391 for the year ended June 30, 2014.

The above-mentioned grants collectively comprised over 44 percent of the total revenue for the year ended June 30, 2015, and over 60 percent of total revenue in the year ended June 30, 2014.

NOTE 4: SUBSEQUENT EVENTS

Literacy Action Council of Central Arkansas did not have any recognized or nonrecognized subsequent events occur after June 30, 2015, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through February 15, 2016, the date the financial statements were available to be issued.

LITERACY ACTION OF CENTRAL ARKANSAS  
SCHEDULES OF PROGRAM EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Accounting	\$ 1,000	\$ 950
Advertising TAFF	179	-
Contractor Services	25,302	34,169
Instructional Materials	11,982	7,464
Printing	-	539
Salaries and Benefits	69,129	66,011
Tests	198	392
UCA Project/TAFF	10,160	2,500
Volunteer Training	1,446	1,791
Website Development & Maintenance	<u>3,724</u>	<u>2,005</u>
 Total	 <u>\$ 123,120</u>	 <u>\$ 115,821</u>

See independent auditors' report on supplementary information.

LITERACY ACTION OF CENTRAL ARKANSAS  
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Accounting	\$ 1,000	\$ 950
Advertising	668	1,845
Bank Fees	173	90
Conference	125	-
Contractor Services	3,100	2,778
Copier Lease	-	76
Equipment	1,228	2,244
Insurance	873	615
Maintenance & Operation	297	-
Membership Dues	1,054	699
Miscellaneous	1,946	1,698
Office Supplies	2,771	2,413
Postage	1,304	1,486
Printing	356	1,571
Salaries & Benefits	31,430	31,834
Taxes & Fees	115	-
Telephone	<u>4,162</u>	<u>3,052</u>
 Total	 <u>\$ 50,602</u>	 <u>\$ 51,351</u>

See independent auditors' report on supplementary information.