

LITERACY ACTION OF CENTRAL ARKANSAS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2016 and 2015

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Michael L. Cobb

Anne Suskie Pinyan

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, 2016 and 2015, 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

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, 2016 and 2015, 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.

Report on Supplementary Information

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.

Cobb and Suskie, Ltd

Certified Public Accountants
November 9, 2016

LITERACY ACTION OF CENTRAL ARKANSAS
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>	
<u>CURRENT ASSETS</u>			
Cash	\$ 36,715	\$ 24,096	
Investments	-	5,583	
Accounts Receivable	8,000	500	
Prepaid Expenses	775	-	
Total Current Assets	45,490	30,179	
Total Assets	\$ 45,490	\$ 30,179	

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>			
Payroll Taxes & Other Withholdings Payable	\$ 2,682	\$ 1,563	
Other Payables	313	-	
Deferred Revenue	5,500	-	
Total Current Liabilities	8,495	1,563	
 <u>NET ASSETS</u>			
Unrestricted	36,995	28,616	
Total Liabilities and Net Assets	\$ 45,490	\$ 30,179	

LITERACY ACTION OF CENTRAL ARKANSAS
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>UNRESTRICTED REVENUE AND SUPPORT</u>		
Grant Income	\$ 80,912	\$ 84,884
United Way	18,503	10,422
Miscellaneous Income	32	157
Fundraising	53,150	62,032
Donations	33,897	31,469
Interest Income	<u>7</u>	<u>8</u>
Total Revenue and Support	<u>186,501</u>	<u>188,972</u>
 <u>EXPENSES</u>		
Program	97,671	123,120
General and Administrative	71,170	50,602
Fundraising	<u>9,281</u>	<u>21,884</u>
Total Expenses	<u>178,122</u>	<u>195,606</u>
 Revenue in Excess of (Under) Expenses	 <u>8,379</u>	 <u>(6,634)</u>
 INCREASE (DECREASE) IN NET ASSETS	 8,379	 (6,634)
 NET ASSETS AT BEGINNING OF YEAR	 <u>28,616</u>	 <u>35,250</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 36,995</u>	 <u>\$ 28,616</u>

LITERACY ACTION OF CENTRAL ARKANSAS
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATIONS</u>		
Increase (Decrease) In Net Assets	\$ 8,379	\$ (6,634)
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Change in Current Assets and Liabilities:		
(Increase) Decrease in Investments	5,583	(9)
(Increase) Decrease in Accounts Receivable	(7,500)	9,100
(Increase) Decrease in Prepaid Expenses	(775)	-
Increase (Decrease) in Payroll Taxes	1,119	(1,481)
Increase (Decrease) in Other Payables	313	-
Increase (Decrease) in Deferred Revenue	<u>5,500</u>	<u>-</u>
Net Cash Inflows (Outflows) from Operations	<u>12,619</u>	<u>976</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	12,619	976
Cash at Beginning of Year	<u>24,096</u>	<u>23,120</u>
Cash at End of Year	<u>\$ 36,715</u>	<u>\$ 24,096</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
 INFORMATION:

Cash Paid During the Year for Interest	\$ 0	\$ 0
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LITERACY ACTION OF CENTRAL ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 6.

LITERACY ACTION OF CENTRAL ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016. All tax returns from 2013 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, 2016 and 2015, literacy tutors reported in excess of 11,033 and 7,523 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

LITERACY ACTION OF CENTRAL ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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.*"

During the year ended June 30, 2016, the certificate of deposit in the amount of \$5,585 was transferred into the operating cash account, and there were no investments as of June 30, 2016.

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

LITERACY ACTION OF CENTRAL ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3: ACCOUNTS RECEIVABLE

The Organization has a grant with United Way in the amount of \$12,000 for operations. At June 30, 2016, the Organization had received \$4,000 which left a receivable due at June 30, 2016 of \$8,000.

NOTE 4: PREPAID EXPENSES

At June 30, 2016, the Organization paid a deposit of \$775 on the venue for their annual fundraiser, Shine a Light on Literacy, which will be held in September of 2016.

NOTE 5: DEFERRED REVENUE

Deferred revenue of \$5,500 for sponsorships have been received for the Organizations annual fundraiser, Shine a Light on Literacy, as of June 30, 2016.

NOTE 6: CONCENTRATION OF GRANT INCOME

Grant income of \$80,912 and \$84,884 for the year ended June 30, 2016 and 2015, 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 \$30,000 on this grant for the year ended June 30, 2016 and \$34,750 for the year ended June 30, 2015.
- (b) Various other grants totaled \$50,912 for the year ended June 30, 2016 and \$50,134 for the year ended June 30, 2015.

The above-mentioned grants collectively comprised over 43 percent of the total revenue for the year ended June 30, 2016, and over 44 percent of total revenue in the year ended June 30, 2015.

LITERACY ACTION OF CENTRAL ARKANSAS
 SCHEDULES OF PROGRAM EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Accounting	\$ 900	\$ 1,000
Advertising	726	179
Americorps/Vistas	6,838	-
Computer Support	3,291	-
Contractor Services	22,990	25,302
Instructional Materials	12,970	11,982
Public Education	573	-
Salaries and Benefits	47,566	69,129
Staff Training	699	-
Tests	337	198
UCA Project/TAFF	-	10,160
Volunteer Training	594	1,446
Website Development & Maintenance	<u>187</u>	<u>3,724</u>
 Total	 <u>\$ 97,671</u>	 <u>\$ 123,120</u>

LITERACY ACTION OF CENTRAL ARKANSAS
 SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Accounting	\$ 900	\$ 1,000
Advertising	269	668
Bank Fees	-	173
Computer Support	1,217	-
Conference	2,087	125
Contractor Services	5,793	3,100
Equipment	-	1,228
Insurance	-	873
Maintenance & Operation	858	297
Membership Dues	1,264	1,054
Miscellaneous	1,141	1,946
Office Supplies	2,408	2,771
Postage	1,063	1,304
Printing	1,706	356
Salaries & Benefits	49,750	31,430
Staff Training	727	-
Taxes & Fees	343	115
Telephone	1,644	4,162
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Total	<u>\$ 71,170</u>	<u>\$ 50,602</u>