

LITERACY ACTION OF CENTRAL ARKANSAS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 Sussie, Jtd.

Certified Public Accountants
January 18, 2018

LITERACY ACTION OF CENTRAL ARKANSAS
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 49,021	\$ 36,715
Accounts Receivable	-	8,000
Prepaid Expenses	725	775
Total Current Assets	49,746	45,490
Total Assets	\$ 49,746	\$ 45,490

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Payroll Taxes & Other Withholdings Payable	\$ 3,180	\$ 2,682
Other Payables	-	313
Deferred Revenue	24,160	5,500
Total Current Liabilities	27,340	8,495
 <u>NET ASSETS</u>		
Unrestricted	22,406	36,995
Total Liabilities and Net Assets	\$ 49,746	\$ 45,490

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>UNRESTRICTED REVENUE AND SUPPORT</u>		
Grant Income	\$ 100,289	\$ 99,415
United Way	-	-
Miscellaneous Income	980	32
Fundraising	57,976	53,150
Donations	12,621	33,897
Interest Income	-	7
Donated Services	206,774	267,724
Total Revenue and Support	378,640	454,225
 <u>EXPENSES</u>		
Program	316,199	338,913
General and Administrative	69,154	97,652
Fundraising	7,876	9,281
Total Expenses	393,229	445,846
Revenue in Excess of (Under) Expenses	(14,589)	8,379
INCREASE (DECREASE) IN NET ASSETS	(14,589)	8,379
NET ASSETS AT BEGINNING OF YEAR	36,995	28,616
NET ASSETS AT END OF YEAR	\$ 22,406	\$ 36,995

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATIONS</u>		
Increase (Decrease) In Net Assets	\$ (14,589)	\$ 8,379
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Change in Current Assets and Liabilities:		
(Increase) Decrease in Investments	-	5,583
(Increase) Decrease in Accounts Receivable	8,000	(7,500)
(Increase) Decrease in Prepaid Expenses	50	(775)
Increase (Decrease) in Payroll Taxes	498	1,119
Increase (Decrease) in Other Payables	(313)	313
Increase (Decrease) in Deferred Revenue	<u>18,660</u>	<u>5,500</u>
Net Cash Inflows (Outflows) from Operations	<u>12,306</u>	<u>12,619</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	12,306	12,619
Cash at Beginning of Year	<u>36,715</u>	<u>24,096</u>
Cash at End of Year	<u>\$ 49,021</u>	<u>\$ 36,715</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, 2017 AND 2016

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 5.
- (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, 2017 AND 2016

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, 2017. All tax returns from 2014 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

Donated services are being reported for volunteer tutor hours and occupancy costs. The hourly rate of \$22 is based on the estimated value of volunteer time as determined by the www.independentsector.org. During the years ended June 30, 2017 and 2016, literacy tutors volunteered 8,195 hours for \$180,292 and 10,966 hours for \$241,242 respectively, to help the organization in program services.

The occupancy amount of donated services is based on the square footage occupied by the organization. The amount of occupancy donated is \$26,482 for the years ended June 30, 2017 and June 30, 2016.

LITERACY ACTION OF CENTRAL ARKANSAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

(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.

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: ACCOUNTS RECEIVABLE

During the year ended June 30, 2016 the Organization had 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 3: PREPAID EXPENSES

At June 30, 2017, the Organization paid a deposit of \$725 on the venue for its annual fundraiser, Shine a Light on Literacy, which will be held on September 29, 2017. A deposit of \$775 was prepaid at June 30, 2016 for the same fundraiser.

LITERACY ACTION OF CENTRAL ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4: DEFERRED REVENUE

Deferred revenue in the amounts of \$24,160 and \$5,500 at June 30, 2017 and 2016, respectively, is as follows:

	6/30/2017	6/30/2016
Rockefeller Grant	\$ 19,660	\$ -
Fundraiser Scholarship	4,500	5,500
	\$ 24,160	\$ 5,500

NOTE 5: CONCENTRATION OF GRANT INCOME

Grant income of \$100,289 and \$99,415 for the years ended June 30, 2017 and 2016, 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, 2017 and \$30,000 for the year ended June 30, 2016.
- (b) Various other grants totaled \$70,289 for the year ended June 30, 2017 and \$69,415 for the year ended June 30, 2016.

The above-mentioned grants collectively comprised over 26 percent of the total revenue for the year ended June 30, 2017, and over 43 percent of total revenue in the year ended June 30, 2016.

NOTE 6: SUBSEQUENT EVENTS

Literacy Action Council of Central Arkansas did not have any recognized or nonrecognized subsequent events occur after June 30, 2017, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through January 18, 2018, 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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Accounting	\$ 900	\$ 900
Advertising	422	726
Americorps/Vistas	5,958	6,838
Computer Support	3,029	3,291
Contractor Services	25,378	22,990
Instructional Materials	9,278	12,970
Public Education	1,246	573
Salaries and Benefits	89,475	47,566
Staff Training	-	699
Tests	196	337
Volunteer Training	11	594
Volunteer Tutor Services	180,292	241,242
Website Development & Maintenance	<u>14</u>	<u>187</u>
 Total	 <u>\$ 316,199</u>	 <u>\$ 338,913</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Accounting	\$ 900	\$ 900
Advertising	156	269
Bank/Business Fees	882	-
Computer Support	1,120	1,217
Conference	1,255	2,087
Contractor Services	1,577	5,793
Equipment	660	-
Insurance	1,471	-
Maintenance & Operation	-	858
Membership Dues	989	1,264
Miscellaneous	7	1,141
Occupancy	26,482	26,482
Office Supplies	1,639	2,408
Postage	1,238	1,063
Printing	1,636	1,706
Salaries & Benefits	26,482	49,750
Staff Training	-	727
Taxes & Fees	-	343
Telephone	2,660	1,644
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Total	<u>\$ 69,154</u>	<u>\$ 97,652</u>

See independent auditors' report on supplementary information.