



Financial Statements  
Year Ended June 30, 2012

The Literacy Council of Buncombe County  
Board of Directors  
June 30, 2012

**Officers**

Gene Adams	Chairman
Sam Craig	Vice Chairman
Kate Henry	Secretary
Debbie Motz-Bryenton	Treasurer

**Members**

Bill Bogdan  
Jill Franklin  
Greg Hammer  
Eric Howard  
John Scroggs

**Acting Executive Director**  
Ashley Lasher

# THE LITERACY COUNCIL OF BUNCOMBE COUNTY

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*Elizabeth Keel, PLLC*

CERTIFIED PUBLIC ACCOUNTANT

60 Ravenscroft Drive, Asheville, NC 28801 (828) 254-1700

To the Board of Directors  
The Literacy Council of Buncombe County  
Asheville, NC

We have audited the accompanying statements of financial position of The Literacy Council of Buncombe County (a non-profit organization) as of June 30, 2012 and 2011, and the related statements of activity, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Literacy Council of Buncombe County as of June 30, 2011, were audited by other auditors whose report, dated December 2, 2011, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements present fairly, in all material respects, the financial position of The Literacy Council of Buncombe County as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2012, on our consideration of The Literacy Council of Buncombe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Elizabeth Keel, PLLC*

Elizabeth Keel, PLLC  
Asheville, NC

November 21, 2012

The Literacy Council of Buncombe County  
Statement of Financial Position  
June 30, 2012

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 55,900	\$ 91,449
Accounts receivable	<u>5,667</u>	<u>3,667</u>
Current assets	<u>61,567</u>	<u>95,116</u>
Property, net of depreciation	<u>2,074</u>	<u>1,102</u>
	<u>\$ 63,641</u>	<u>\$ 96,218</u>
<b>LIABILITIES AND NET ASSETS</b>		
Deferred revenue	\$ -	\$ 7,037
Accounts payable and accruals	<u>2,568</u>	<u>234</u>
Current liabilities	<u>2,568</u>	<u>7,271</u>
Unrestricted net assets	24,299	22,230
Temporarily restricted net assets	<u>36,774</u>	<u>66,717</u>
Net assets	<u>61,073</u>	<u>88,947</u>
	<u>\$ 63,641</u>	<u>\$ 96,218</u>

The Literacy Council of Buncombe County  
Statement of Activities  
For the years ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and public support						
Contributions from the general public	\$ -	\$ 80,640	\$ 80,640	86,722	2,500	89,222
Grant revenue	-	224,000	224,000	63,621	175,200	238,821
Fundraising revenue	29,167		29,167	42,515		42,515
In-kind contributions	3,880		3,880	2,250		2,250
Other income	2,832		2,832	3,627		3,627
Interest income	736		736	119		
Net assets released from restrictions	348,857	(348,857)	-	147,757	(147,757)	-
	<u>385,472</u>	<u>(44,217)</u>	<u>341,255</u>	<u>346,611</u>	<u>29,943</u>	<u>376,435</u>
Expenses						
Program	259,770		259,770	219,918		219,918
Fundraising	977		977	10,957		10,957
Administrative	108,382		108,382	154,967		154,967
	<u>369,129</u>	<u>-</u>	<u>369,129</u>	<u>385,842</u>	<u>-</u>	<u>385,842</u>
Changes in net assets						
Beginning net assets	16,343	(44,217)	(27,874)	(39,231)	29,943	(9,288)
Ending net assets	<u>22,230</u>	<u>66,717</u>	<u>88,947</u>	<u>61,461</u>	<u>36,774</u>	<u>98,235</u>
	<u>\$ 38,573</u>	<u>\$ 22,500</u>	<u>\$ 61,073</u>	<u>\$ 22,230</u>	<u>66,717</u>	<u>88,947</u>

The Literacy Council of Buncombe County  
Statement of Functional Expenses  
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Program expenses		
Adult education	\$ 30,111	\$ 130,115
Augustine project	25,242	17,264
English for Speakers of Other Languages	81,407	1,230
Outreach	35,209	3,346
Development	87,801	67,963
	<u>259,770</u>	<u>219,918</u>
Fundraising expenses		
Salaries	-	-
Other	977	10,957
	<u>977</u>	<u>10,957</u>
Administrative expenses		
Salaries	75,137	119,382
Training	2,238	8,860
Office operation	17,960	16,483
Professional fees	8,410	5,080
Insurance	4,637	5,162
	<u>108,382</u>	<u>154,967</u>
	<u>\$ 369,129</u>	<u>\$ 385,842</u>

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

The Literacy Council of Buncombe County  
Statement of Cash Flows  
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Gain (loss) resulting from operations	\$ (27,874)	\$ (9,288)
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	2,061	4,220
(Increase) decrease in accounts receivable	(2,000)	(2,112)
Increase (decrease) in accounts payable and accruals	2,334	1,393
Increase (decrease) in deferred revenue	(7,037)	(25,000)
Cash flows from investing activities		
Purchase of equipment	(3,033)	-
Net increase (decrease) in cash and cash equivalents	<u>(35,549)</u>	<u>(30,787)</u>
Beginning cash and cash equivalents	<u>91,449</u>	<u>122,236</u>
Ending cash and cash equivalents	<u>\$ 55,900</u>	<u>\$ 91,449</u>



THE LITERACY COUNCIL OF BUNCOMBE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Literacy Council of Buncombe County is a private, non-profit corporation established in 1992 as a merger between the Altrusa Literacy Council and the Asheville-Buncombe Literacy Council. The Council is governed by a volunteer board of nine directors which meets monthly. The Council is dedicated to improving adult literacy skills in Buncombe County, in which 8,700 adults have not finished the ninth grade and in which it is estimated over 9,300 adults speak a language other than English at home.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on any related investments for general or specific purposes.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

### Property

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes. Computers are the only significant equipment in the current year and are depreciated over three years.

### Income Taxes

The Council is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal income taxes. As a publicly supported charity, the Council is exempt from federal and state income taxes and federal excise taxes under Section 509(a)(1). The Council has no unrelated business income.

### Functional Allocation of Expenses

The costs of providing the Council's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Cash Equivalents

For purposes of the statement of cash flows, the Council considers all cash and highly liquid investments with initial maturities of three months or less to be cash equivalents.

### 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.

## NOTE 2. DETAIL NOTES ON ALL FUNDS

### Cash and Cash Equivalents

At June 30, 2012, the Council had deposits with financial institutions with a carrying amount of \$55,900. The amounts were insured by the Federal Deposit Insurance Corporation.

### Operating Leases

The Council operating lease expired on April 30, 2012. That lease called for 12 monthly payments of \$2,650. The lease was renewed for a one year term expiring April 30, 2013 calling for monthly payments of \$2,900. Lease payments during the year ended June 30, 2013 under the terms of this lease will total \$29,000.

### Property and Equipment

The following is a schedule of property for the Council on June 30, 2012:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Cost of computer equipment	18,941	3,033		21,974
Less accumulated depreciation:	(17,839)	2,061		(19,900)
	<u>1,102</u>			<u>2,074</u>
Total capital assets, net	<u>\$ 1,102</u>			<u>\$ 2,074</u>
Depreciation expense was charged to governmental functions as follows				
Program expense	\$ 2,061			
Administrative expense	-			
	<u>\$ 2,061</u>			

### Net Assets

Restrictions of the Council's net assets are required to be disclosed, when they exist. There are no external or internal restrictions on net assets for the year ended June 30, 2012.

### NOTE 3. DISCLOSURE OF SIGNIFICANT RISK AND CONTINGENCY

#### Federal Award Programs

The Council is a sub recipient of federal awards. Audits of these awards for compliance by federal representatives may result in questioned as not being appropriate expenditures under the award agreements. Such audits could result in the refund of award monies to the federal agency. Management is not aware of expenditures that do not meet award compliance requirements. No provision has been made in the accompanying financial statements for the refund of award monies.

#### Concentrations of Risk

The Council works with financial institutions insured by the Federal Deposit Insurance Corporation for balances up to \$250,000. As stated above, the entire balance at year end was FDIC insured.

The Council does not have lines of credit or long term financing agreements with these financial institutions.

The Council receives approximately 55% of its revenues from federal awards and two other donors. This percentage has decreased over the prior year by approximately 60%.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The Literacy Council of Buncombe County  
Asheville, NC 28801

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Literacy Council of Buncombe County, NC (the Council), as of and for the year ended June 30, 2012, which collectively comprise the The Literacy Council of Buncombe County's basic financial statements, and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards.

This report is intended for the information and use of the audit committee, management, others within the organization, members of the Council Board, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Elizabeth Keel, PLLC*

Elizabeth Keel, PLLC

Certified Public Accountants

November 21, 2012