



Financial Statements  
Year Ended June 30, 2013



The Literacy Council of Buncombe County  
Board of Directors  
June 30, 2013

**Officers**

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

**Members**

Bill Bogdan  
Jill Franklin  
Greg Hammer  
James Carter  
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

## **Report on the Financial Statements**

We have audited the accompanying statements of net position of The Literacy Council of Buncombe County (a non-profit organization) as of June 30, 2013 and 2012, and the related statements of activity, cash flows and functional expenses for the years then ended, which collectively comprise the basic financial statements as listed in the table of contents.

## **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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards. 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 audit opinions.

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities, including governmental activities, of The Literacy Council of Buncombe County as of June 30, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Supplementary information is not required in the financial statements referred to above. Management has elected not to present additional supplementary information in these financial statements. As a result, an audit of supplementary information is not relevant to this report.

## **Other Reporting by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2013, 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, contract and grant agreements and other matters. 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 in considering The Literacy Council of Buncombe County's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of our audit.

*Elizabeth Keel, plla*  
Elizabeth Keel, PLLC  
Asheville, NC  
August 15, 2013



The Literacy Council of Buncombe County  
Statement of Net Position  
June 30, 2013

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 37,595	\$ 55,900
Accounts receivable	393	5,667
Current assets	<u>37,988</u>	<u>61,567</u>
Property, net of depreciation	<u>4,135</u>	<u>2,074</u>
	<u>\$ 42,123</u>	<u>\$ 63,641</u>
<b>LIABILITIES</b>		
Deferred revenue	\$ -	\$ 555
Accounts payable and accruals	<u>2,481</u>	<u>2,013</u>
Current liabilities	<u>2,481</u>	<u>2,568</u>
<b>NET POSITION</b>		
Unrestricted	39,642	61,073
Restricted	<u>-</u>	<u>-</u>
Net position	<u>39,642</u>	<u>61,073</u>
	<u>\$ 42,123</u>	<u>\$ 63,641</u>

The Literacy Council of Buncombe County  
Statement of Activities  
For the years ended June 30, 2013 and 2012

	2013		
	Unrestricted	Restricted	Total
Revenue and public support			
Contributions from the general public	\$ 3,843	\$ 64,870	\$ 68,713
Grant revenue	-	187,112	187,112
Fundraising revenue	2,189		2,189
Special events	41,515		41,515
Other income	4,875		4,875
Interest income	61		61
Funds released from restrictions	251,982	(251,982)	-
	<u>304,465</u>	<u>-</u>	<u>304,465</u>
Expenses			
Direct program expenses	251,982		251,982
Program administration	64,303		64,303
Fundraising	9,611		9,611
	<u>325,896</u>	<u>-</u>	<u>325,896</u>
Change in net position	(21,431)	-	(21,431)
Net position, beginning	61,073	-	61,073
Net position, ending	<u>\$ 39,642</u>	<u>\$ -</u>	<u>39,642</u>

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

2012		
Unrestricted	Restricted	Total
80,640		80,640
-	224,000	224,000
29,167		29,167
3,880		3,880
2,832		2,832
736		736
290,717	(290,717)	-
<u>407,972</u>	<u>(66,717)</u>	<u>341,255</u>
290,717		290,717
73,796		73,796
4,616		4,616
<u>369,129</u>	<u>-</u>	<u>369,129</u>
38,843	(66,717)	(27,874)
22,230	66,717	88,947
<u>\$ 61,073</u>	<u>\$ -</u>	<u>\$ 61,073</u>

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

The Literacy Council of Buncombe County  
Statement of Functional Expenses  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Direct program expenses		
Adult education	\$ 57,728	\$ 21,801
Augustine project	18,955	25,242
English for Speakers of Other Languages	73,126	81,407
Outreach	23,813	35,209
Development	43,735	87,801
Allocation of direct administrative costs	34,625	39,257
	<u>251,982</u>	<u>290,717</u>
Program administration expenses		
Salaries	65,175	75,297
Training	-	2,238
Office operation	15,277	17,960
Professional fees	15,687	10,314
Insurance	2,789	7,244
Allocation of direct administrative costs	(34,625)	(39,257)
	<u>64,303</u>	<u>73,796</u>
Fundraising expenses		
Salaries	-	-
Other	9,611	4,616
	<u>9,611</u>	<u>4,616</u>
	<u>\$ 325,896</u>	<u>\$ 369,129</u>

The Literacy Council of Buncombe County  
Statement of Cash Flows  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Gain (loss) resulting from operations	\$ (21,431)	\$ (27,874)
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	2,061	2,061
(Increase) decrease in accounts receivable	5,274	(2,000)
Increase (decrease) in accounts payable and accruals	468	2,013
Increase (decrease) in deferred revenue	(555)	(6,716)
Cash flows from investing activities		
Purchase of equipment	(4,122)	(3,033)
Net increase (decrease) in cash and cash equivalents	<u>(18,305)</u>	<u>(35,549)</u>
Beginning cash and cash equivalents	<u>55,900</u>	<u>91,449</u>
Ending cash and cash equivalents	<u>\$ 37,595</u>	<u>\$ 55,900</u>

THE LITERACY COUNCIL OF BUNCOMBE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the Council had deposits with financial institutions with a carrying amount of \$37,595. The amounts were insured by the Federal Deposit Insurance Corporation.

### Operating Leases

The Council operating lease is renewed annually, for a one year term. The lease that expired April 30, 2013 calling for monthly payments of \$2,900 was renewed without increase. Lease payments expected during the year ended June 30, 2014 under the terms of the renewed lease will total \$29,000.

### Property and Equipment

The following is a schedule of property for the Council on June 30, 2013:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Cost of computer equipment	21,974	4,122		26,096
Less accumulated depreciation:	<u>(19,900)</u>	<u>(2,061)</u>		<u>(21,961)</u>
	<u>2,074</u>			<u>4,135</u>
Total capital assets, net	<u>\$ 2,074</u>			<u>\$ 4,135</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, 2013.

### 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.



**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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental and remaining activities of The Literacy Council of Buncombe County, NC (the Council), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the The Literacy Council of Buncombe County's basic financial statements, and have issued our report thereon dated August 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Elizabeth Keel, PLLC*

Elizabeth Keel, PLLC  
Certified Public Accountants  
August 15, 2013