

Literacy Council of Buncombe County

Audited Financial Statements

For the Years Ended
June 30, 2019 and 2018



Goldsmith Molis & Gray, PLLC

Certified Public Accountants

Literacy Council of Buncombe County
Asheville, North Carolina

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Literacy Council of Buncombe County

We have audited the accompanying financial statements of Literacy Council of Buncombe County (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Council of Buncombe County as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Goldsmith Molis & Gray, PLLC

Goldsmith Molis & Gray, PLLC
Asheville, North Carolina
October 7, 2019

Literacy Council of Buncombe County

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets:		
Cash - unrestricted	\$ 107,871	\$ 67,200
Cash - restricted	10,500	35,000
Sales tax receivable	831	438
Prepaid expenses	2,686	-
Total current assets	<u>121,888</u>	<u>102,638</u>
Other assets:		
Property and equipment, net	<u>1,772</u>	<u>631</u>
Total assets	<u>\$ 123,660</u>	<u>\$ 103,269</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 564	\$ -
Deferred revenue	10,500	35,000
Total current liabilities	<u>11,064</u>	<u>35,000</u>
Net assets:		
Without donor restrictions	112,596	68,269
With donor restrictions	-	-
Total net assets	<u>112,596</u>	<u>68,269</u>
Total liabilities and net assets	<u>\$ 123,660</u>	<u>\$ 103,269</u>

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

Literacy Council of Buncombe County

Statements of Activities

For the Years Ended June 30, 2019 and 2018

	2019		2018		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Public support and revenues:					
Contributions	\$ 67,834	\$ 36,628	\$ 63,238	\$ 36,800	\$ 100,038
Grants	-	175,941	-	170,823	170,823
Special events	108,043	-	80,465	-	80,465
Other income and fees	2,075	-	2,537	-	2,537
Interest income	548	-	49	-	49
Contributed services	407,793	-	385,843	-	385,843
Net assets released from restrictions	212,569	(212,569)	213,078	(213,078)	-
Total public support and revenues	798,862	-	745,210	(5,455)	739,755
Expenses:					
Program activities	658,261	-	647,574	-	647,574
Supporting services:					
General and administrative	57,315	-	50,164	-	50,164
Fundraising	38,959	-	37,814	-	37,814
Total supporting services	96,274	-	87,978	-	87,978
Total expenses	754,535	-	735,552	-	735,552
Change in net assets	44,327	-	9,658	(5,455)	4,203
Net assets, beginning of year	68,269	-	58,611	5,455	64,066
Net assets, end of year	\$ 112,596	\$ 112,596	\$ 68,269	\$ -	\$ 68,269

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

Literacy Council of Buncombe County

Statements of Functional Expenses

For the Years Ended June 30, 2019 and 2018

	2019			2018				
	Program	General & Administrative	Fundraising	Totals	Program	General & Administrative	Fundraising	Totals
Salaries	\$ 135,574	\$ 40,831	\$ 32,557	\$ 208,962	\$ 135,293	\$ 39,850	\$ 26,916	\$ 202,059
Contributed services	407,793	-	-	407,793	385,843	-	-	385,843
Rent	31,320	1,740	1,740	34,800	31,320	1,740	1,740	34,800
Payroll taxes	10,371	3,218	2,489	16,078	10,350	3,394	2,059	15,803
Materials	26,880	-	-	26,880	31,438	-	-	31,438
Program expenses	20,387	-	247	20,634	17,736	-	322	18,058
Contract labor	6,050	-	-	6,050	18,250	-	-	18,250
Professional fees	1,947	5,842	-	7,789	1,965	5,340	-	7,305
Travel	1,801	460	-	2,261	2,643	2,823	-	5,466
Telephone and internet	2,831	158	157	3,146	2,568	164	164	2,896
Information technology	240	-	556	796	479	-	3,225	3,704
Insurance	1,810	100	101	2,011	2,224	136	136	2,496
Supplies	1,503	-	-	1,503	630	870	-	1,500
Payroll service	-	1,517	-	1,517	-	2,103	-	2,103
Postage	657	131	525	1,313	655	149	595	1,399
Credit card fees	-	2,259	-	2,259	-	1,211	-	1,211
Miscellaneous	1,087	140	255	1,482	684	53	-	737
Professional development	3,430	110	131	3,671	291	251	100	642
Dues and subscriptions	959	98	-	1,057	844	98	150	1,092
Depreciation	-	509	-	509	-	374	-	374
Printing	3,621	202	201	4,024	4,361	211	211	4,783
Totals	\$ 658,261	\$ 57,315	\$ 38,959	\$ 754,535	\$ 647,574	\$ 58,767	\$ 35,618	\$ 741,959

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

Literacy Council of Buncombe County

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 44,327	\$ 23,601
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	509	374
Change in operating assets and liabilities:		
Sales tax receivable	(393)	(441)
Prepaid expenses	(2,686)	-
Accounts payable and accrued expenses	564	-
Deferred revenue	(24,500)	23,500
Net cash provided by operating activities	<u>17,821</u>	<u>47,034</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,650)	-
Net cash used in investing activities	<u>(1,650)</u>	<u>-</u>
Net change in cash	16,171	47,034
Cash, beginning of year	<u>102,200</u>	<u>39,352</u>
Cash, end of year	<u>\$ 118,371</u>	<u>\$ 86,386</u>

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

Literacy Council of Buncombe County

Notes to the Financial Statements

For the Years Ended June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

General

The Literacy Council of Buncombe County (the “Council”) is a private, non-profit corporation established in 1987 after a merger between the Altrusa Literacy Council and the Asheville-Buncombe Literacy Council. The Council is dedicated to increasing comprehensive literacy and English language skills through specialized instruction by trained tutors and access to literacy resources.

Basis of Presentation

The financial statements of the Council have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Council to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Council. These net assets may be used at the discretion of the Council’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Council’s ongoing services and interest and dividends earned on investments. Non-operating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

Promises to Give

Unconditional promises to give are recorded as received. Unconditional promises to give, due in the next year, are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. As applicable, an allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. There were no unconditional promises to give at June 30, 2019 and 2018.

Literacy Council of Buncombe County

Notes to the Financial Statements

For the Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - continued

Use of Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the Council's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Council discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the Council discloses both the change and the reasons for the change.

The Council estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Council using available market information and appropriate valuation methodologies. The Council's financial instruments consist primarily of cash, receivables, prepaid expenses, accounts payable and accrued expenses and deferred revenue.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Council includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with maturity of three months or less as cash and cash equivalents. The Council did not have any cash equivalents at June 30, 2019 and 2018.

The Council maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The coverage is \$250,000 for substantially all other depository accounts. Deposit accounts, at times, may exceed federally insured limits, but the Council has not experienced any such losses.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from five to seven years. The Council's policy is to capitalize property and equipment acquired for greater than \$500 and expense normal repairs and maintenance as incurred. The Council's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Literacy Council of Buncombe County

Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies – continued

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated Services

A substantial number of volunteers have donated a significant amount of time to the Council's program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills are recognized as support. Contributed services of \$407,793 and \$385,843 (management's estimate of the fair value) have been reflected in the accompanying financial statements as in-kind contributions for services contributed by skilled tutors at the Council for the years ended June 30, 2019 and 2018, respectively.

Income Taxes

The Council is established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC 740, "Accounting for Uncertainty in Income Taxes" clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The Council's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

The Council's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2019, years subject to examination include the fiscal years ended 2016, 2017, and 2018.

Literacy Council of Buncombe County

Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies – continued

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis and, accordingly, certain expenses have been allocated among the program and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and payroll taxes	Time and effort
Rent	Square footage
Travel	Time and effort
Professional fees	Full time equivalent
Insurance	Time and effort
Telephone and internet	Time and effort
Postage and printing	Time and effort
Professional development	Time and effort
Dues and subscriptions	Time and effort

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – *Restricted Cash*. The update requires that restricted cash and cash equivalents be included in the total cash and cash equivalents at the beginning and end of the period for which changes are shown in the statement of cash flows. The ASU clarifies that transfers between cash and cash equivalents and restricted cash are not part of an entity's operating, investing, and financing activities and should not be reported as cash flow activities in the statement of cash flows. The Council has adjusted the presentation of the statement of cash flows accordingly.

Literacy Council of Buncombe County

Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 2 – Availability and Liquidity

The following represents the Council's financial assets at June 30, 2019:

Financial assets at year-end:		
Cash	\$	118,371
Sales tax receivable		831
Total financial assets		<u>119,202</u>
Less amounts not available to be used within one year:		
Board designated for capital projects	\$	-
Less net assets with purpose restrictions to be met in less than one year		<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>119,202</u>

Note 3 - Cash and Restricted Cash

Cash and restricted cash as of June 30, 2019 consists of the following:

Cash- unrestricted	\$	107,871
Cash- restricted		<u>10,500</u>
Cash and restricted cash shown in the consolidated statement of cash flows	\$	<u>118,371</u>

Restricted cash represents cash received with a donor-imposed restriction that limits the use of those funds for the 2019-2020 fiscal year.

Note 4 – Property and Equipment

A description of property and equipment for the years ended June 30, 2019 and 2018 is as follows:

<u>June 30</u>	<u>2019</u>	<u>2018</u>
Computers	\$ 5,191	\$ 3,541
Less: accumulated depreciation	<u>(3,419)</u>	<u>(2,910)</u>
Property and equipment, net	<u>\$ 1,772</u>	<u>\$ 631</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$509 and \$224, respectively.

Literacy Council of Buncombe County

Notes to the Financial Statements

For the Years Ended June 30, 2019 and 2018

Note 5 – Beneficially Owned Funds

The Council is the beneficial owner, but not the legal owner, of certain donated funds held and controlled by the Community Foundation of Western North Carolina (the “Foundation”). These funds are not reflected in the accompanying statement of financial position. The Council retains certain percentages of beneficial interests in the component fund of the Foundation. The total market value of these funds at June 30, 2019 and 2018 totaled \$102,253 and \$115,048, respectively.

Note 6 – Deferred Revenue

The Council received grants during the year of which the donor imposed conditions were not met before year end. Grant funds totaling \$10,500 and \$35,000 were recorded as deferred revenue for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 7 – Lease Commitments

The Council leases office space in Asheville, North Carolina on a month to month basis for \$2,900 per month. Total rent expense was \$34,800 and \$34,800 for the years ended June 30, 2019 and 2018, respectively.

Note 8 – Net Assets

The Council did not have any net assets with donor restrictions as of June 30, 2019 and 2018. Net assets released from net assets with donor restrictions totaled \$212,741 and \$213,078, during the years ended June 30, 2019 and 2018, respectively.

Net assets without donor restrictions totaled \$112,596 and \$68,269 for the years ended June 30, 2019 and 2018, respectively.

Note 9 – Concentration of Credit Risk

Two agencies provided grant revenue totaling \$148,463 or 84% of total grant revenues during the year ended June 30, 2019. Two agencies provided grant revenue totaling \$137,307 or 80% of total grant revenues during the year ended June 30, 2018.

Note 10 – Related Party Transactions

During the years ended June 30, 2019 and 2018 management and the board of directors made contributions to the Organization totaling \$2,120 and \$2,660, respectively.

Note 11 – Subsequent Events

The Council evaluated the effect that all subsequent events would have on the financial statements through October 7, 2019, which is the date the financial statements were available to be issued.