

LITERACY COUNCIL OF BENTON COUNTY, INC.
Bentonville, Arkansas
FINANCIAL STATEMENTS
For the Years Ended June 30, 2015 and 2014
and
AUDITOR'S REPORT

LITERACY COUNCIL OF BENTON COUNTY, INC.
FINANCIAL STATEMENTS
For the Years Ended June 30, 2015 and 2014

<u>Contents</u>	<u>Page</u>
Auditor's Report on Financial Statements	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	
Note 1 - Summary of significant accounting policies	6-7
Note 2 - Fixed Assets	7
Note 3 - Grants	7
Note 4 - Operating Leases	8
Note 5 - Concentrations of Credit Risk	8



To the Board of Directors
Literacy Council of Benton County, Inc.
Bentonville, Arkansas

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Literacy Council of Benton County, Inc. (a nonprofit organization) as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 from 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 note 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 Benton County, Inc., as of June 30, 2015 and 2014, 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.

Daniels & Flynt
Bentonville, Arkansas
January 15, 2016

LITERACY COUNCIL OF BENTON COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 44,743	\$ 20,295
Inventory	12,918	14,942
Fixed assets, net (Note 2)	3,926	8,169
Prepaid expenses	-	595
Security deposits	<u>3,436</u>	<u>3,436</u>
TOTAL ASSETS	<u>\$ 65,023</u>	<u>\$ 47,437</u>
LIABILITIES		
Accounts payable	\$ 3,251	\$ 3,930
Payroll taxes payable	<u>1,600</u>	<u>2,097</u>
TOTAL LIABILITIES	4,851	6,027
NET ASSETS		
Unrestricted	<u>60,172</u>	<u>41,410</u>
TOTAL NET ASSETS	<u>60,172</u>	<u>41,410</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 65,023</u>	<u>\$ 47,437</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

LITERACY COUNCIL OF BENTON COUNTY, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED REVENUES, GAINS, AND SUPPORT		
Grants	\$ 40,403	\$ 41,165
Allocations by United Way Organizations	23,050	27,147
Donations	71,664	46,110
Special events	47,495	33,462
Other Income	<u>2</u>	<u>566</u>
TOTAL UNRESTRICTED REVENUES, GAINS, AND SUPPORT	182,614	148,450
EXPENSES		
Program services	155,660	160,815
Management and general	<u>8,192</u>	<u>8,465</u>
TOTAL EXPENSES	<u>163,852</u>	<u>169,280</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>18,762</u>	<u>(20,830)</u>
INCREASE (DECREASE) IN NET ASSETS	18,762	(20,830)
NET ASSETS AT BEGINNING OF YEAR	<u>41,410</u>	<u>62,240</u>
NET ASSETS AT END OF YEAR	<u>\$ 60,172</u>	<u>\$ 41,410</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

LITERACY COUNCIL OF BENTON COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Program Services		
Salaries and related expenses	\$ 85,226	\$ 91,191
Training materials and expenses	4,396	2,980
Travel and education	482	-
Occupancy	41,445	38,742
Depreciation	4,243	4,699
Equipment lease	3,080	3,143
Office expense and supplies	6,768	9,587
Insurance	1,923	1,649
Fund raising	10,890	12,834
Professional services	3,375	3,380
Dues	819	489
Advertisement	471	150
Interest	734	436
Allocation to management and general	<u>(8,192)</u>	<u>(8,465)</u>
	<u>\$ 155,660</u>	<u>\$ 160,815</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

LITERACY COUNCIL OF BENTON COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,762	\$ (20,830)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation	4,243	4,699
(Increase) decrease in operating assets		
Materials inventory	2,024	2,011
Prepaid expenses	595	-
Increase (decrease) in operating liabilities		
Accounts payable	(679)	3,308
Payroll taxes payable	(497)	64
	<u>24,448</u>	<u>(10,748)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,448	(10,748)
BEGINNING CASH AND CASH EQUIVALENTS	<u>20,295</u>	<u>31,043</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 44,743</u>	<u>\$ 20,295</u>

SEE INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

LITERACY COUNCIL OF BENTON COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

The Organization is a nonprofit organization formed under the laws of the State of Arkansas. The Organization helps teach adults to read, speak, write, and comprehend English. The Organization provides a competent, well trained staff and tutor corps to serve learners using proven methods of one-on-one tutoring or small groups teaching in a positive, caring environment, and to encourage and assist individuals to meet learning objectives, increase self-esteem, and compete in today's society.

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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.

Cash Equivalents

Cash equivalents consist of investments that are readily convertible into cash and generally have original maturities of three months or less.

Fixed Assets

The cost of property and equipment is capitalized and charged to earnings using the straight-line method of depreciation over estimated useful lives of the assets for financial reporting purposes. The cost of significant improvements to properties is capitalized and similarly depreciated while the costs of repairs and routine maintenance are charged to income as incurred. Generally, when items of property are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventory consists of teaching and learning materials available for students and teachers.

Contributed Services

During the years ended June 30, 2015 and 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor stipulations. If a restriction is fulfilled in the same time period in which the contribution was received, the organization reports the support as unrestricted. If a restriction is not fulfilled in the same period in which the contribution was received, the organization reports the support as temporarily restricted.

Accounts Receivable

Accounts receivable are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts. Charge offs and delinquency are estimated from historical experience and management's evaluation of outstanding accounts receivable. At June 30, 2015, the organization had no accounts receivable and no allowance for uncollectible accounts was considered necessary.

LITERACY COUNCIL OF BENTON COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't

Uncertain Tax Positions

The organization has adopted FASB ASC-740-10-25, *Accounting for Uncertainty in Income Taxes*. Management has evaluated all tax positions and determined the organization does not have any uncertain tax positions and associated unrecognized benefits which materially impact the financial statements or related disclosures. The organization's 2013 through 2015 tax returns remain subject to examination by taxing authorities, generally for three years.

Financial Statement Presentation

The financial statements are presented in accordance with FASB ASC 958 which requires the organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Advertising

The organization expenses advertising costs as they are incurred.

Date of Management Review

Subsequent events were evaluated through January 15, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – FIXED ASSETS:

The following is a summary of fixed assets as of June 30, 2015 and 2014:

	2015	2014
Office furniture and equipment	\$ 49,248	\$ 49,248
Website	8,440	8,440
Less accumulated depreciation	(53,762)	(49,519)
	<u>\$ 3,926</u>	<u>\$ 8,169</u>

Depreciation expense for the years ending June 30, 2015 and 2014 were \$4,243 and \$4,699, respectively.

NOTE 3 – GRANTS:

Grant activity for the years ended June 30, 2015 and 2014 was as follows:

	2015	2014
Arkansas Literacy Council- Grants and Aid to Councils	\$ 22,000	\$ 20,000
NW Arkansas Economic Development District- General Improvement Fund	2,500	-
Arkansas Literacy Council- Health Literacy Grant	-	1,821
Department of Workforce Education- Direct and Equitable Federal Funds	<u>15,903</u>	<u>19,344</u>
	<u>\$ 40,403</u>	<u>\$ 41,165</u>

LITERACY COUNCIL OF BENTON COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4- OPERATING LEASES:

The organization leases office equipment under noncancelable operating leases. During the years ending June 30, 2015 and 2014 the lease expense was \$3,080 and \$3,143, respectively. The following is a schedule of future minimum lease payments required under the leases:

<u>Year</u>	<u>Amount</u>
2016	\$ 2,400
2017	2,400
2018	2,400
	<u>\$ 7,200</u>

NOTE 5- CONCENTRATIONS OF CREDIT RISK:

The organization maintains its cash balances at a financial institution. The institution is insured by the Federal Deposit Insurance Corporation up to \$250,000.