

LITERACY VOLUNTEERS OF
FORT BEND COUNTY, INC.
(dba Literacy Council of Fort Bend County, Inc.)

FINANCIAL REPORT

June 30, 2017 and 2016

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Knox Cox & Company, L.L.P.

Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors
Literacy Volunteers of Fort Bend County, Inc.
Fort Bend County, Texas

We have audited the accompanying financial statements of Literacy Volunteers of Fort Bend County, Inc. (a Texas nonprofit corporation) which comprise the statements of financial position as of June 30, 2017 and 2016, 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 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 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 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 Volunteers of Fort Bend County, Inc. as of June 30, 2017 and 2016 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.

Sugar Land, Texas
September 19, 2017

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FINANCIAL STATEMENTS

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LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and equivalents	\$ 462,086	\$ 445,867
Accounts receivable	16,386	14,887
Prepaid Expense	16,775	8,283
Property and equipment, net of accumulated depreciation	366,963	346,385
Unconditional promises to give	69,009	3,944
	<hr/>	<hr/>
Total Assets	\$ 931,219	\$ 819,366
	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 69,754	\$ 87,143
Total Liabilities	<hr/> 69,754	<hr/> 87,143
<u>Net Assets</u>		
Unrestricted	775,115	710,435
Temporarily restricted	86,350	21,788
Total Net Assets	<hr/> 861,465	<hr/> 732,223
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 931,219	\$ 819,366
	<hr/> <hr/>	<hr/> <hr/>

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC.

STATEMENT OF ACTIVITIES

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Unrestricted Net Assets</u>		
Support and Revenue		
Contributions	\$ 348,548	\$ 292,797
Private foundations	279,750	176,843
Interest on investments	280	270
Total Support	<u>628,578</u>	<u>469,910</u>
<u>Net Assets Released from Restrictions</u>		
Restrictions satisfied by payments	63,479	123,676
	<u>63,479</u>	<u>123,676</u>
<u>Expenses</u>		
Program services	293,696	267,653
Management and general	189,818	238,559
Fundraising	143,863	90,732
Total Expenses	<u>627,377</u>	<u>596,944</u>
Increase (Decrease) in Unrestricted Net Assets	<u>64,680</u>	<u>(3,358)</u>
<u>Temporarily Restricted Net Assets</u>		
Governmental support and revenue	49,180	45,945
Private foundation support	78,861	78,759
Restrictions satisfied by payments	(63,479)	(123,676)
Increase (Decrease) in Temp. Rest. Net Assets	<u>64,562</u>	<u>1,028</u>
Increase (Decrease) in Net Assets	129,242	(2,330)
Net assets, beginning as restated	<u>732,223</u>	<u>734,553</u>
Net Assets, Ending	<u>\$ 861,465</u>	<u>\$ 732,223</u>

See Independent Auditors' Report
and Notes to Financial Statements.

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Increase (Decrease) in Net Assets	\$ 129,242	\$ (2,330)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	12,795	13,238
(Increase) decrease in accounts receivable	(1,499)	6,090
(Increase) decrease in prepaid expenses	(8,492)	(5,087)
(Increase) decrease in unconditional promises to give	(65,065)	(1,028)
Increase (decrease) in accounts payable and accrued liabilities	(17,389)	1,007
Net Cash Provided by (Used by) Operating Activities	<u>49,592</u>	<u>11,890</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(33,373)	
Net Cash Provided by (Used by) Investing Activities	<u>(33,373)</u>	
Net Increase (Decrease) in Cash	16,219	11,890
Cash and cash equivalents, beginning of year	<u>445,867</u>	<u>433,977</u>
Cash and Cash Equivalents, End of Year	<u>\$ 462,086</u>	<u>\$ 445,867</u>

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Years Ended June 30, 2017 and 2016

	2017			Total	2016
	Program Services	Management & General	Fundraising		
Bank charges	\$ 11	\$ 6,107	\$ 5	\$ 6,123	\$ 7,162
Conferences	40	4,267	1,287	5,594	5,072
Depreciation	11,516	1,279		12,795	13,238
Dues and subscriptions	269	1,868	463	2,600	2,491
Equipment lease	5,265	1,316		6,581	6,270
Fundraising	386	261	68,857	69,504	61,679
Insurance	5,388	1,347		6,735	6,550
Miscellaneous	2,742	1,438	1,766	5,946	3,471
Office supplies	4,120	2,589	844	7,553	4,201
Payroll	192,794	150,603	64,712	408,109	385,699
Postage		1,889	760	2,649	2,337
Printing	8,969	2,364	613	11,946	10,184
Professional services	5,200	1,300		6,500	6,500
Public relations	1,186	519	1,248	2,953	980
Repairs and maint.	15,303	3,826		19,129	13,788
Security	731	333		1,064	899
Software Support	15,108	2,738	2,800	20,646	24,435
Supplies	6,609	393		7,002	19,019
Telephone	4,237	1,765		6,002	6,027
Tutor appreciation	2,926	261	508	3,695	3,499
Utilities	10,896	3,355		14,251	13,443
Totals	\$ 293,696	\$ 189,818	\$ 143,863	\$ 627,377	\$ 596,944

See Independent Auditors' Report
and Notes to Financial Statements.

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Literacy Volunteers of Fort Bend County, Inc. (the "Organization") is a non-profit corporation which was incorporated in Texas on August 1, 1988. The dba "Literacy Council of Fort Bend County, Inc." was established June 12, 1999. The Organization is a fully accredited affiliate of the national organization, ProLiteracy America.

The Organization offers both Basic Reading and English as a Second Language (ESL) tutoring to adults in the county, as well as GED classes. Tutoring is done on a one-on-one basis or with small group tutoring. All tutoring classes are free. The Organization provides training materials to its tutors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Organization uses the accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) No. 958. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost. Donated property and equipment are recorded at their estimated fair value. Depreciation is computed using the straight-line method over their estimated useful lives. Maintenance and repairs are charged to expense and major improvements are capitalized. Any gain or loss on retirement, sale or other disposition of the equipment is recognized as revenue or expense.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC

NOTES TO FINANCIAL STATEMENTS

Federal Income Taxes

The Organization is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Date of Management's Review

Subsequent events have been evaluated through September 19, 2017, which is the date the financial statements were available to be issued.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

At June 30, 2017 and 2016, unconditional promises to give consist of the following:

	<u>2017</u>	<u>2016</u>
Governmental Financial Assistance		
Fort Bend County CDBG	\$ 3,182	\$ 2,613
Sugar Land CDBG	827	1,331
Sugar Land Rotary Foundation	5,000	
Henderson-Wessendorff Foundation	60,000	
	<u>\$ 69,009</u>	<u>\$ 3,944</u>

Generally, receipt of the funding is contingent only on providing the grantor with a written annual or semi-annual report summarizing the Organization's progress and activities and/or expenditures. Where applicable, the Organization has timely filed the required information and management believes that remaining grant monies will be received in the fiscal year 2017, in accordance with the terms of the grant agreements. Based on prior experience, pledges receivable are deemed, by management, to be fully collectible. Thus, no allowance for uncollectible accounts is considered necessary.

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – GRANTS

The following is a summary of grant revenues for the years ended June 30, 2017 and 2016.

Grant	2017	2016
Governmental Support and Revenue		
Fort Bend County CDBG	\$ 37,984	\$ 32,475
Missouri City CDBG		1,966
Sugar Land CDBG	11,196	11,504
Total Governmental Support and Revenue	<u>49,180</u>	<u>45,945</u>
Temporarily Restricted Private Foundation		
The George Foundation	78,861	78,759
Total Temporarily Restricted Private Foundation	<u>78,861</u>	<u>78,759</u>
Private Foundation		
Albert Herzstein Foundation		2,500
Charles Frueauff Foundation	25,000	25,000
EcoLab Foundation	3,500	5,000
Exchange Club of Houston		2,500
Fred and Mable Parks Foundation	20,000	20,000
Hederson-Wessendorff Foundation	90,000	30,000
Houston Center for Literacy		3,143
Houston Endowment, Inc.	50,000	50,000
Junior Service League	14,000	20,000
Madison Foundation	50,000	
Other grants	250	2,200
The Simmons Foundation	10,000	
Vanguard Charitable Endowment	5,000	5,000
Wells Fargo	10,000	10,000
Wynn and Mary Geiger Foundation	2,000	1,500
Total Private Foundation	<u>279,750</u>	<u>176,843</u>
Grant Total	<u>\$ 407,791</u>	<u>\$ 301,547</u>

LITERACY VOLUNTEERS OF FORT BEND COUNTY, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – PROPERTY AND EQUIPMENT

The changes in property and equipment for the year ended June 30, 2017 are as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Land	\$ 82,370	\$	\$	\$ 82,370
Building	411,159			411,159
Improvements	40,587	25,809		66,396
Furniture & fixtures	26,756			26,756
Office equipment	60,429	7,564		67,993
	<u>621,301</u>	<u>33,373</u>		<u>654,674</u>
Accumulated depreciation	<u>(274,916)</u>	<u>(12,795)</u>		<u>(287,711)</u>
	<u>\$ 346,385</u>	<u>\$ 20,578</u>	<u>\$</u>	<u>\$ 366,963</u>

NOTE 6 – DONATED MATERIALS AND SERVICES

SFAS No. 116 establishes new criteria for recognizing donated services. Services must be recognized as contributions if either 1) the services create or enhance nonfinancial assets, or 2) the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization receives a significant amount of donated services from unpaid volunteers who act as tutors and others who assist in fund raising and special projects. No amounts have been recognized for these donated services in the accompanying statements of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following:

	<u>2017</u>	<u>2016</u>
Student/tutor match program	\$ 1,766	\$ 2,323
Program Director	2,243	1,621
GED Program	5,000	
Operating	60,000	
Jan Schiff Scholarship	17,341	17,844
	<u>\$ 86,350</u>	<u>\$ 21,788</u>

NOTE 8 – RESTATEMENT

Beginning temporarily restricted net assets for the year ended June 30, 2016 has been restated by \$17,844 to include the balance of the Jan Schiff Scholarship.

(End of Report)