

Literacy Trust, Inc.

Financial Statements

December 31, 2016



Independent Auditors' Report

Board of Directors Literacy Trust, Inc.

We have audited the accompanying financial statements of Literacy Trust, Inc. (the "Trust"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 auditors' 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 Trust, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 19, 2017

Literacy Trust, Inc.

Statement of Financial Position
December 31, 2016

ASSETS

Cash and cash equivalents	\$ 22,868
Accounts receivable	581,262
Prepaid expenses	3,196
Security deposits	<u>16,725</u>
	<u>\$ 624,051</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 82,920
Net assets	<u>541,131</u>
	<u>\$ 624,051</u>

See notes to financial statements

Literacy Trust, Inc.

Statement of Activities
For The Year Ended December 31, 2016

REVENUE AND PUBLIC SUPPORT

Program service revenue	\$ 582,928
Contributions	<u>1,096,000</u>
Total Revenue and Public Support	<u>1,678,928</u>

EXPENSES

Program	913,363
Management and general	300,847
Fundraising	<u>51,822</u>
Total Expenses	<u>1,266,032</u>
Change in Net Assets	412,896

NET ASSETS

Beginning of year	<u>128,235</u>
End of year	<u>\$ 541,131</u>

See notes to financial statements

Literacy Trust, Inc.

Statement of Functional Expenses
Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 406,760	\$ 60,750	\$ 30,375	\$ 497,885
Fringe benefits	107,335	11,527	7,323	126,185
Contract service	63,650	58,986	-	122,636
Professional fees	-	45,298	-	45,298
Office expenses	21,271	76,954	389	98,614
Program expenses	262,654	8,494	-	271,148
Transportation	9,890	5,974	-	15,864
Occupancy	41,203	13,735	13,735	68,673
Conference	600	13,153	-	13,753
Other expenses	<u>-</u>	<u>5,976</u>	<u>-</u>	<u>5,976</u>
Total Expenses	<u>\$ 913,363</u>	<u>\$ 300,847</u>	<u>\$ 51,822</u>	<u>\$ 1,266,032</u>

See notes to financial statements

Literacy Trust, Inc.

Statement of Cash Flows
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 412,896
Adjustments to reconcile change in net assets to net cash from operating activities	
Net change in operating assets and liabilities	
Accounts receivable	(556,262)
Prepaid expenses	(3,196)
Other assets	3,600
Accounts payable and accrued expenses	<u>81,636</u>
Net Cash from Operating Activities	(61,326)

CASH FLOWS FROM INVESTING ACTIVITIES

Security deposits made	<u>(16,725)</u>
Change in Cash and Cash Equivalents	(78,051)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>100,919</u>
End of year	<u>\$ 22,868</u>

See notes to financial statements

Literacy Trust, Inc.

Notes to Financial Statements
December 31, 2016

1. Organization and Nature of Activities

Literacy Trust, Inc. (the "Trust"), a Florida not-for-profit corporation, is committed to helping children achieve literacy by disseminating high-quality, cost-effective programs for schools and families.

The Trust has been determined to be a non-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Allowance for Doubtful Accounts

The Trust provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Trust's estimate is based on historical collection experience and a review of the current status of receivables. It is reasonably possible that the Trust's estimate of the allowance for doubtful accounts will change. At December 31, 2016, management has concluded that an allowance is not required.

Net Asset Presentation

The Trust reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions. There were no temporary or permanently restricted assets as of December 31, 2016.

Revenue Recognition

Revenue is recognized as services are performed or expenditures are incurred under the Trust's contracts with its clients and funders. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as grant receivables and are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are discounted to the present value of their net realizable value, using discount rates applicable to the years in which the promises are received. The discount is amortized to contribution income over the discount period.

Literacy Trust, Inc.

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (*continued*)

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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.

Accounting for Uncertainty in Income Taxes

The Trust recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Trust had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Trust is no longer subject to examinations by the applicable taxing jurisdictions for years prior to 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 19, 2017.

3. Accounts Receivable

Accounts receivable as of December 31, 2016 consists of revenue earned by the Trust in accordance with the terms of various contracts entered into during 2016. It is the estimate of management that all balances are expected to be collected within one year.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Trust to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Trust maintains its cash in bank deposit accounts which generally exceed federally insured limits. The Trust has not experienced any losses in such accounts. At December 31, 2016, the Trust had accounts receivable of approximately \$554,000 from two entities. This amount represented approximately 95% of total outstanding accounts receivable as of December 31, 2016.

The Trust had contributions of approximately \$1,013,000 from two funders. This amount represented approximately 92% of total contributions for the year end December 31, 2016. The Trust had program service revenue of approximately \$554,000 from two entities. This amount represented approximately 95% of total program service revenue for the year end December 31, 2016.

5. Economic Dependence

The Trust receives its funding from a limited number of foundations and entities. The Trust is economically dependent on the continuation of such funding.

Literacy Trust, Inc.

Notes to Financial Statements
December 31, 2016

6. Contracts

The Trust has also been awarded approximately \$533,000 in contracts which have not been received or expended in the year. These awards, which represent commitments to provide funds on a cost-reimbursement basis for the Trust's programs, will not be reflected in the financial statements until reimbursable activities have been conducted in accordance with the provisions of the contracts.

7. Related Party Transactions

The Trust received 66% of its total contributions for the year from a private foundation, which shares two common board directors with that of the Trust.

8. Commitments

The Trust leases its office facility under two operating leases which expire between January 31, 2017 and December 31, 2017. Rent expense for 2016 amounted to \$68,673.

Future minimum annual lease payments for the year ending December 31, 2017, total \$100,250.

9. Retirement Plan

The Trust offers self-directed savings incentive match plans (simple IRAs) for all employees who have completed 90 days of service at the Trust. The Trust matches up to 3% of an employee's annual salary. Plan expense was \$6,507 in 2016.

* * * * *