



**Literacy Services of
Indian River County, Inc.**
FINANCIAL STATEMENTS
Year Ended June 30, 2023

Literacy Services of Indian River County, Inc.

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McCain Samons & Fiorini

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

October 18, 2023

To the Board of Directors of
Literacy Services of Indian River County, Inc.
Vero Beach, Florida

Opinion

We have audited the accompanying financial statements of Literacy Services of Indian River County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Literacy Services of Indian River County, Inc. as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Literacy Services of Indian River County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Services of Indian River County, Inc. ability to continue as a going concern within one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Literacy Services of Indian River County, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Services of Indian River County, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

McCain Samons and Fiorini, LLC

Vero Beach, FL

Literacy Services of Indian River County, Inc.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Assets		
Cash and cash equivalents	\$ 64,148	\$ 276,210
Investments	376,787	174,958
Grant receivable	25,000	-
Prepaid expenses	2,750	2,398
Interest Accrued	5,604	304
Deposits	1,000	-
Net property and equipment	4,721	6,612
Total assets	\$ 480,010	\$ 460,482

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 1,304	\$ 651
Accrued payroll	10,013	14,097
Total liabilities	11,317	14,748
Net assets		
Without donor restriction	467,693	445,734
With donor restriction	1,000	-
Total net assets	468,693	445,734
Total liabilities and net assets	\$ 480,010	\$ 460,482

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

Literacy Services of Indian River County, Inc.

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

	2023			2022
	Without donor restriction	With donor restriction	Total	Total
Revenues and grants				
Contributions and grants	\$ 117,391	\$ 105,521	\$ 222,912	\$ 215,001
Special events	47,520	-	47,520	99,435
Investment income	12,060	-	12,060	671
In-kind donation	4,500	-	4,500	6,000
Net assets released from donor restrictions	104,521	(104,521)	-	-
Total public support and revenue	285,992	1,000	286,992	321,107
Expenses				
Program services				
Literacy program	169,752	-	169,752	179,794
Total program services	169,752	-	169,752	179,794
Support services				
Management and general	56,283	-	56,283	57,614
Fundraising expenses	37,998	-	37,998	51,515
Total support services	94,281	-	94,281	109,129
Total expenses	264,033	-	264,033	288,923
Change in net assets	21,959	1,000	22,959	32,184
Net assets, beginning of year	445,734	-	445,734	413,550
Net assets, end of year	\$ 467,693	\$ 1,000	\$ 468,693	\$ 445,734

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

Literacy Services of Indian River County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

	2023				2022
	Program Services	Support Services			
	Literacy	Management and General	Fundraising	Total	Total
Compensation					
Salaries	\$ 124,311	\$ 24,003	\$ 24,003	\$ 172,317	\$ 179,066
Payroll taxes & fringes	16,151	1,949	1,949	20,049	21,712
Total compensation	140,462	25,952	25,952	192,366	200,778
Business licenses and permits	-	266	-	266	266
Charitable contribution	-	100	-	100	100
Credit card and bank fees	-	714	-	714	187
Depreciation	-	1,891	-	1,891	1,800
Dues and subscriptions	3,436	3,486	-	6,922	7,054
Equipment leased	-	3,460	-	3,460	3,535
Fundraising	-	-	10,857	10,857	22,808
Insurance	-	2,590	-	2,590	2,499
Marketing	-	2,069	-	2,069	1,878
Meals	1,996	50	-	2,046	1,731
Office expenses	-	1,471	1,189	2,660	3,358
Postage & shipping	-	-	-	-	2,644
Professional fees	-	11,250	-	11,250	9,300
Rent expense	4,800	900	-	5,700	5,700
Repairs and maintenance	1,500	-	-	1,500	-
Supplies and skill books	16,988	-	-	16,988	22,489
Telephone and internet	-	2,084	-	2,084	1,884
Travel and seminars	570	-	-	570	912
Total expenses	\$ 169,752	\$ 56,283	\$ 37,998	\$ 264,033	\$ 288,923

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

Literacy Services of Indian River County, Inc.

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 22,959	\$ 32,184
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,891	1,800
Investment adjustment	(1,829)	
Changes in operating assets and liabilities which (used) provided cash:		
Grant receivable	(25,000)	-
Prepaid insurance	(352)	1,459
Interest accrued	(5,300)	(304)
Deposits	(1,000)	-
Accounts payable	653	251
Accrued payroll	(4,084)	8,984
Net cash provided/used by operating activities	<u>(12,062)</u>	<u>44,374</u>
Cash flows from investing activities		
Purchase of furniture and equipment	-	(5,756)
Purchase of certified deposits	(200,000)	(150,000)
Purchase and sales of marketable securities	-	(24,958)
Net cash used in investing activities	<u>(200,000)</u>	<u>(180,714)</u>
Net increase in cash and cash equivalents	(212,062)	(136,340)
Cash and cash equivalents, beginning of year	<u>276,210</u>	<u>412,550</u>
Cash and cash equivalents, end of year	<u>\$ 64,148</u>	<u>\$ 276,210</u>

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

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Literacy Services of Indian River County, Inc. (the Organization) is a Florida nonprofit organization incorporated on October 16, 1975. The Organization's mission is to deliver comprehensive and innovative learning opportunities to local adults seeking English language and literacy skills to achieve their goals. The Organization's vision is that all adults are empowered with the literacy skills they need to thrive in our community. The Organization's support comes primarily from private foundations and individual donors' contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence of absence of donor-imposed restrictions. Accordingly, net assets of Literacy Services of Indian River County, Inc. and changes therein are classified and reported as follows:

Without donor restriction – Net assets that are not subject to donor-imposed stipulations. Assets without donor restriction are resources available to support operations. The only limits on the use of assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

With donor restriction – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. This category also includes net assets subject to donor imposed stipulations that neither expire by being used in accordance with a donor's restriction nor by the passage of time

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and time deposits with original maturities of three months or less. The market value of the fixed income securities and money market investments approximates cost.

Investments

Purchased investments are reported at fair value. Donated investments are recorded at fair value market value on the date of the donation and adjusted for changes in market value at year end. Investment interest, dividends and realized and unrealized gains and losses are reported on the statement of activities.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment acquisitions greater than \$500 are capitalized and stated at cost less accumulated depreciation. Donated property and equipment is capitalized at fair market value at the date of the gift. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 15 years.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded when received. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as without donor restriction.

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

Functional Allocation of Expenses

Literacy Services of Indian River County, Inc. allocates expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are charged directly according to their natural expense classification. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities.

Donated Services

In accordance with SFAS 116, Literacy Services of Indian River County, Inc. does not record donated services for any volunteers working in a nonprofessional capacity.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Accordingly, actual results may differ from those estimates. Significant estimates include but are not limited to allowance for bad debts, present value discounts, and the carrying value of assets required.

Income Taxes

Literacy Services of Indian River County, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income. The Organization has been classified as not a private foundation. The Organization’s income tax filings are subject to audit by various taxing authorities.

In accordance with, Accounting Standards Codification (“ASC”) Topic 740 “*Accounting for Uncertainty in Income Taxes*,” the Organization analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Organization also treats interest and penalties attributable to income taxes, and reflects and charges for such, to the extent they arise as a component of its management and general expenses. The continued application of ASC Topic 740 has no impact on the Organization’s financial statements.

The Organization has evaluated the provisions of ASC Topic 740 regarding accounting for uncertainty in income taxes. The evaluation was performed for the fiscal years 2020 through 2023, the years which remain subject to examination by major tax jurisdictions as of June 30, 2023. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The Organization does not expect the total of unrecognized tax benefits (“UTB”) (e.g., tax deductions, exclusions, or credits claimed, or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2023, and it is not aware of any claims for such amounts by federal or state tax authorities other than listed in the preceding paragraph.

The Organization form 990 related to the year ended June 30, 2023 is due on November 15, 2023, and it will be filed on a timely basis.

Subsequent Events

In preparing these financial statements, Literacy Services of Indian River County, Inc. has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2023, the most recent statement of financial position presented herein, through

October 18, 2023, the date these financial statements were available to be issued. No significant such events or transactions were identified.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

2. CREDIT RISK

Literacy Services of Indian River County, Inc. maintains its cash accounts at several financial institutions. Cash balances at each institution are insured by the FDIC up to \$250,000. Literacy Services of Indian River County, Inc. had uninsured cash of \$38,580 at a money market account for the fiscal year ended June 30, 2023 and no uninsured cash for the fiscal year ended 2022.

3. PROPERTY AND EQUIPMENT

Net property and equipment consist of the following at June 30, 2023:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Equipment	\$ 17,935	\$ -	\$ -	\$ 17,935
Furniture and fixtures	10,940	-	-	10,940
Total property and equipment	28,875	-	-	28,875
Less: Accumulated depreciation	(22,263)	(1,891)	-	(24,154)
Net property and equipment	<u>\$ 6,612</u>	<u>\$ (1,891)</u>	<u>\$ -</u>	<u>\$ 4,721</u>

Depreciation expense was \$1,891 and \$1,800 for the years ended June 30, 2023 and 2022, respectively.

4. INVESTMENTS

The following is a summary of investments at June 30, 2023:

Certified deposits	\$ 349,493
IRCF Endowment fund	<u>27,294</u>
Total investments	<u>\$ 376,787</u>

The Organization invested in seven different certified deposits with original maturities of over three months but less than a year. During May 2022 the Board of Directors voted to set up an Endowment Fund with Indian River Community Foundation (IRCF) with an initial \$25,000. The Organization's IRCF endowment is invested in five individual funds established for general charitable uses and purposes. Since the endowment consist of funds designated by the board, it is classified as net asset without donor restrictions.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

5. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Organization is substantially supported by unrestricted contributions. Thus, financial assets will be available for general expenditure within one year. The Organization does not have any long term or short-term debt that needs to be paid monthly; therefore, financial assets are available for general expenditures and current liabilities. In addition to unrestricted contributions, the Organization receives donations with donor’s restrictions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

The following reflects the Organization’s financial assets as of June 30, 2023, reduced by amounts not available for general use because of donor-imposed restrictions or not available within one year of the balance sheet date:

Financial assets at year end:	
Cash and cash equivalents	\$ 64,148
Investments	376,787
Interest accrued	5,604
Prepaid expenses	<u>2,750</u>
Total financial assets	449,289
Less amounts not available to be used within one year:	
Endowment fund	<u>27,294</u>
	<u>27,294</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 421,995</u></u>

6. OPERATING LEASES

The Organization used to lease a copier under a non-cancelable operating lease which expired in June 2023. The Organization decided not to renew the lease agreement and instead has a month-to-month lease. Lease expense was \$3,460 and \$3,535 for the years ended June 30, 2023 and 2022, respectively.

Literacy Services of Indian River County, Inc.

NOTES TO FINANCIAL STATEMENTS

7. DONATED OFFICE SPACE

The Organization is provided with office space from the Indian River County Library, Brackett Library and North County Library in which to operate. The estimated fair market value of these in-kind contributions and offsetting rental expenses is \$4,500 for years ended June 30, 2023 and 2022.

8. 403(b) PLAN

The Organization initiated a 403(b) plan during fiscal year ending June 30, 2008. The plan is not subject to ERISA rules and regulations. Employees may make elective contributions to the plan. No contributions have been made to date by the Organization pursuant to the plan.

9. NET ASSETS WITH DONOR RESTRICTION

Donations with donor restrictions received during the fiscal year ended June 30, 2023 were \$105,521, of which \$104,521 were expended and released during the fiscal year. As of June 30, 2023 the Organization had \$1,000 of net assets with donor restriction.