

COMMUNITY LITERACY CENTERS, INC.

**AUDIT REPORT
ON
FINANCIAL STATEMENTS
ENDING
JUNE 30, 2017**

**ISSUED
NOVEMBER 27, 2017**

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Independent Auditor's Report

To the Board of Directors
Community Literacy Centers, Inc.
Oklahoma City, OK

We have audited the accompanying financial statements of Community Literacy Centers, Inc. (an Oklahoma nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the fiscal 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.

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.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Community Literacy Centers, Inc. as of June 30, 2017, 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.

Compliance Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of Community Literacy Centers, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Barbara Henry, CPA
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November 27, 2017

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COMMUNITY LITERACY CENTERS, INC.
STATEMENT OF FINANCIAL POSITION
FOR YEAR ENDED JUNE 30, 2017

ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	61,787
Treasury Fund Account		136,216
Accounts Receivable - Grants		1,504
Accounts Receivable - other		0
Prepaid Expenses		2,120
Total Current Assets		<u>201,627</u>
 Property and Equipment		
Equipment, Furniture, and Fixtures	<u>18,277</u>	
Total		18,277
Less: Accumulated Depreciation		<u>(18,277)</u>
Total Property and Equipment		0
 TOTAL ASSETS	 \$	 <u><u>201,627</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$	<u>0</u>
Total Current Liabilities		0
 Net Assets		
Unrestricted		201,627
Restricted		
Total Net Assets		<u>201,627</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>201,627</u></u>

See accompanying notes to financial statements

**COMMUNITY LITERACY CENTERS, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2017**

	Unrestricted	Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions/Newsletters	\$ 18,254		18,254
Foundations	126,052	10,000	136,052
United Way of Metro Oklahoma City	76,610	8,646	85,256
Investment Revenue	642		642
Program Fees	14,686		14,686
Special Events (net)	26,279		26,279
Net Assets Released From Restrictions	18,646	(18,646)	0
Total Revenues and Other Support	\$ 281,169	0	281,169
 <u>EXPENSES</u>			
Program Services:			
L.E.A.P.	178,641		178,641
Tutor Training	37,194		37,194
Total Program Services	\$ 215,835	0	215,835
Supporting Services:			
Administrative	34,046		34,046
Total Supporting Services	34,046		34,046
Total Expenses	\$ 249,881	0	249,881
Change in Net Assets	\$ 31,288		31,288
Net Assets, June 30, 2016	170,339		170,339
Net Assets, June 30, 2017	\$ 201,627	0	201,627

See accompanying notes to financial statements

COMMUNITY LITERACY CENTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Administrative	L.E.A.P	Tutor Training	Total
Salaries and Wages	\$ 14,839	126,427	19,403	160,669
Payroll Taxes	1,079	10,527	1,559	13,165
Employee Benefits	6,416	2,049	2,899	11,364
Contract Labor	2,686	9,031	2,975	14,692
Total Salaries and Related Expenses	\$ 25,020	148,034	26,836	199,890
Advertising/Marketing	467	147	49	663
Fundraising	10	10	10	30
Licenses and Permits	115	0	0	115
Professional Fees	1,050	2,400	800	4,250
Equipment	25	213	59	297
Supplies	665	427	229	1,321
Program Supplies	0	2,027	467	2,494
Telephone	695	2,113	820	3,628
Postage and Shipping	329	1,530	584	2,443
Occupancy	1,976	12,344	4,407	18,727
Office Expense	1,795	919	792	3,506
Outside Printing & Artwork	445	1,792	795	3,032
Transportation	146	2,898	86	3,130
Conferences, Conventions	220	155	275	650
Subscriptions/Professional Publications	3	20	7	30
Membership Dues	325	415	35	775
Awards and Grants	22	915	32	969
Rental/Maintenance of Equipment	84	663	130	877
Insurance (Director)	231	978	781	1,990
Miscellaneous Expenses	423	641	0	1,064
Total Expenses Before Depreciation	\$ 9,026	30,607	10,358	49,991
Depreciation				0
Total Expenses Per Program	\$ 34,046	178,641	37,194	249,881

See accompanying notes to financial statements

**COMMUNITY LITERACY CENTERS, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	31,288
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		0
Accounts Receivable		(1,204)
Prepaid Expenses		(188)
Accounts Payables		
Total adjustments		(1,392)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	29,896

CASH FLOWS FROM INVESTING ACTIVITIES:

NET CASH PROVIDED BY INVESTING ACTIVITIES		0
INCREASE IN CASH AND CASH EQUIVALENTS		29,896
CASH AND CASH EQUIVALENTS, June 30, 2016	\$	168,107
CASH AND CASH EQUIVALENTS, June 30, 2017	\$	198,003

See accompanying notes to financial statements

Community Literacy Centers, Inc.
Notes to Financial Statements
For Year Ended June 30, 2017

Summary of Significant Accounting Policies

Organization

Community Literacy Centers, Inc. was formed in 1987 for the purpose of addressing the problem of adult illiteracy by teaching adults to read, write, and perform basic math skills. The organization provides adult basic literacy classes (nighttime and daytime) instructed by certified teachers to lower income individuals, provides English as a Second Language classes, provides individual tutoring to those needing such instruction, and trains volunteer literacy tutors. Cooperative partnerships have been formed with various Oklahoma City, OK service agencies to provide literacy training to those agencies' clients at satellite locations, and to train the participating agencies' staffs and volunteers to conduct literacy classes/tutoring on an ongoing basis. The organization also provides outreach activities, such as networking with other educational entities, coordinating volunteer activities, and providing enrichment activities, such as speakers, to motivate and encourage its students. As a community service organization, it relies almost exclusively on grants and contributions received from individuals, corporations, and foundations as sources of operating funds.

Organizational Structure

The staff of The Community Literacy Centers, Inc. is dedicated to promoting the purpose of the organization. They provide an exceptional environment for success.

Public Support and Revenue

Annual board campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. At year-end, there were no outstanding unconditional promises to give. The majority of the promises to give are received from a broad base of Oklahoma County contributors.

Grants and other contributions of cash and other assets are reported as restricted net support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the organization's policy to report contributions as unrestricted support if the donor-imposed restrictions are met in the same period the revenue is received. There were no restricted assets as of June 30, 2017.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for the purposes of the statement of cash flows.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets, which generally range from five to seven years for office furniture and equipment. Assets held by the organization were fully depreciated at June 30, 2014. Therefore, depreciation expense for equipment, furniture, and fixtures for the fiscal year ended June 30, 2017 is \$ -0-.

Receivables

Accounts receivable are deemed to be fully collectible by management at June 30, 2017. The direct write off method is used for uncollectible accounts receivables and this method approximates generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing the various programs and 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.

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts Receivable and Accounts Payable: The carrying amount of accounts receivable and accounts payable in the balance sheet approximates fair value.

Concentration of Credit Risk for Cash Held in Bank

The total cash held by the organization at June 30, 2017 is \$198,003 all of which is covered by insurance provided by the federal government. Management and the Board of Directors review the funds periodically to ascertain the risk as related to the referred financial institution.

Accrued Liabilities

The Organization's leave policy was revised to no longer allow a carryover of accrued leave into succeeding fiscal years.

Going Concern

The Organization's long-term financial outlook is good. It maintains excellent control over budgetary issues and has a strong finance committee and Board oversight.

Subsequent Events

The Organization has evaluated events through November 27, 2017, the date on which financial statements were available to be issued. There were no subsequent events to be reported.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Community Literacy Centers, Inc.
Oklahoma City, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Literacy Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Literacy Centers, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Literacy Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Literacy Centers, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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November 27, 2017

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