

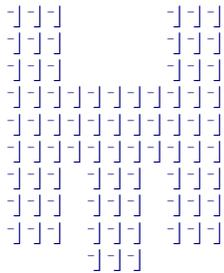
**THE PALM BEACH COUNTY LITERACY COALITION, INC.
d/b/a
LITERACY COALITION OF PALM BEACH COUNTY**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016
(with comparable totals for June 30, 2015)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Palm Beach County Literacy Coalition, Inc.
Boynton Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Palm Beach County Literacy Coalition, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Palm Beach County Literacy Coalition, Inc. as of June 30, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of The Palm Beach County Literacy Coalition, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Palm Beach County Literacy Coalition, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program expenses on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the June 30, 2015 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 27, 2016

**THE PALM BEACH COUNTY
LITERACY COALITION, INC.**

STATEMENT OF FINANCIAL POSITION

As of June 30, 2016

(with comparable totals for 2015)

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Current assets:				
Cash and cash equivalents	\$ 1,153,748	\$ 396,247	\$ 1,549,995	\$ 1,580,790
Receivables:				
Grants	402,989	-	402,989	415,436
Pledges receivable	3,630	500,000	503,630	1,690
Program and other	19,900	-	19,900	1,300
United Way allocations	15,138	107,000	122,138	118,368
Prepaid expenses	16,736	-	16,736	18,973
Total current assets	<u>1,612,141</u>	<u>1,003,247</u>	<u>2,615,388</u>	<u>2,136,557</u>
Property and equipment, net	3,072,569	-	3,072,569	3,141,041
Split-interest agreements	-	376,059	376,059	232,742
Deposits	150	-	150	2,700
Total assets	<u>\$ 4,684,860</u>	<u>\$ 1,379,306</u>	<u>\$ 6,064,166</u>	<u>\$ 5,513,040</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 217,662	\$ -	\$ 217,662	\$ 174,756
Accrued payroll	69,149	-	69,149	55,219
Refundable advance	100,000	-	100,000	150,000
Deferred revenue	-	-	-	1,700
Total current liabilities	<u>386,811</u>	<u>-</u>	<u>386,811</u>	<u>381,675</u>
Net assets:				
Unrestricted:				
Undesignated	3,870,332	-	3,870,332	4,011,468
Board designated	427,717	-	427,717	427,717
Temporarily restricted	-	1,379,306	1,379,306	692,180
Total net assets	<u>4,298,049</u>	<u>1,379,306</u>	<u>5,677,355</u>	<u>5,131,365</u>
Total liabilities and net assets	<u>\$ 4,684,860</u>	<u>\$ 1,379,306</u>	<u>\$ 6,064,166</u>	<u>\$ 5,513,040</u>

See accompanying notes to financial statements.

**THE PALM BEACH COUNTY
LITERACY COALITION, INC.**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

(with comparable totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Public support and revenues				
Public support:				
Federal financial assistance	\$ 548,075	\$ -	\$ 548,075	\$ 523,001
United Way allocations	109,072	107,000	216,072	223,243
Parent-Child Home sub-contracted	1,990,421	-	1,990,421	1,864,143
Other contributions and grants	1,049,347	944,407	1,993,754	1,458,112
Change in split-interest agreements	-	143,317	143,317	(19,585)
In-kind contributions	303,445	-	303,445	325,533
Revenues:				
Program service fees	269,122	-	269,122	233,428
Memberships	9,475	-	9,475	12,600
Investment income	1,943	-	1,943	2,343
Special events	402,557	-	402,557	429,928
Total public support and revenues	4,683,457	1,194,724	5,878,181	5,052,746
Net assets released from restrictions	507,598	(507,598)	-	-
	<u>5,191,055</u>	<u>687,126</u>	<u>5,878,181</u>	<u>5,052,746</u>
Expenses				
Program services:				
After School Reads	112,072	-	112,072	117,581
Budding Readers	350,752	-	350,752	355,770
Building Better Readers	93,183	-	93,183	96,968
Community Outreach	12,567	-	12,567	27,695
Early Literacy Book Distribution	118,988	-	118,988	104,484
Glades Family Education	302,843	-	302,843	304,906
Literacy AmeriCorps	1,030,659	-	1,030,659	998,228
Parent-Child Home	1,975,130	-	1,975,130	1,888,113
Reach Out and Read	188,238	-	188,238	221,787
Read Together	49,218	-	49,218	1,431
Turning Bullies into Buddies	107,693	-	107,693	115,331
Village Readers	190,867	-	190,867	197,936
Workplace & Community Education	56,245	-	56,245	66,690
Other programs	33,136	-	33,136	47,393
	<u>4,621,591</u>	<u>-</u>	<u>4,621,591</u>	<u>4,544,313</u>
Support services:				
Management and general	359,904	-	359,904	257,597
Fundraising	350,696	-	350,696	337,394
Total expenses	<u>5,332,191</u>	<u>-</u>	<u>5,332,191</u>	<u>5,139,304</u>
Change in net assets	(141,136)	687,126	545,990	(86,558)
Net assets, beg of year	4,439,185	692,180	5,131,365	5,217,923
Net assets, end of year	<u>\$ 4,298,049</u>	<u>\$ 1,379,306</u>	<u>\$ 5,677,355</u>	<u>\$ 5,131,365</u>

See accompanying notes to financial statements.

**THE PALM BEACH COUNTY
LITERACY COALITION, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

(with comparable totals for 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 4,205,059	\$ 3,960,728
Cash received from customers	250,522	233,429
Cash received from fundraising	400,857	425,927
Cash received from memberships	9,475	12,600
Interest income	1,943	2,493
Cash paid to employees and suppliers for goods and services	<u>(4,859,312)</u>	<u>(4,744,809)</u>
Net cash provided by/(used in) operating activities	<u>8,544</u>	<u>(109,632)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(39,339)	(44,175)
Redemption of certificates of deposit	-	185,913
Net cash (used in)/provided by investing activities	<u>(39,339)</u>	<u>141,738</u>
Net change in cash and cash equivalents	(30,795)	32,106
Cash and cash equivalents, beginning of year	<u>1,580,790</u>	<u>1,548,684</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,549,995</u></u>	<u><u>\$ 1,580,790</u></u>

See accompanying notes to financial statements.

**THE PALM BEACH COUNTY
LITERACY COALITION, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

(with comparable totals for 2015)

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to net cash (used in)/provided by operating activities:		
Change in net assets	\$ 545,990	\$ (86,558)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,811	97,179
Change in fair value of split-interest agreements	(143,317)	19,585
Capitalized in-kind donation to fixed assets	-	(5,500)
Decrease (increase) in certain assets:		
Accrued interest	-	150
Grants receivable	12,447	(94,226)
Pledges receivable	(503,630)	-
Program and other receivables	(18,600)	(1,300)
United Way allocations receivable	(3,770)	(23,951)
Promises to give - Literacy Center	1,690	11,707
Prepaid expenses	2,237	(115)
Deposits	2,550	700
Increase (decrease) in certain liabilities:		
Accounts payable	42,906	(31,535)
Accrued payroll	13,930	8,232
Refundable advance	(50,000)	-
Deferred revenue	(1,700)	(4,000)
Net cash (used in)/provided by operating activities	<u>\$ 8,544</u>	<u>\$ (109,632)</u>

See accompanying notes to financial statements.

**THE PALM BEACH COUNTY
LITERACY COALITION, INC.**

For the Year Ended June 30, 2016

	<u>Program Services</u>	
	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 1,660,486	\$ 1,619,630
Payroll taxes	124,577	134,834
Employee benefits	153,438	156,106
Total salaries and related expenses	1,938,501	1,910,570
Advertising and promotion	473	622
Conference expense	30,189	24,499
Grants paid	1,708,491	1,600,848
Dues and subscriptions	427	465
In-kind expenses:		
Advertising and promotion	-	83,314
Books, supplies, and other	185,825	170,175
Professional fees	1,500	-
Insurance	34,249	36,973
Licenses and taxes	214	109
Local travel	18,585	21,573
Miscellaneous expense	897	67
Occupancy	68,036	66,217
Office supplies and expense	18,561	29,343
Outside services	1,924	3,355
Personnel expenses	21,820	15,739
Postage	3,772	4,285
Printing	17,620	14,703
Professional development	22,625	22,027
Professional fees	59,854	69,847
Program supplies	378,257	358,711
Repairs and maintenance	33,709	35,214
Utilities	41,180	40,640
Volunteer recognition	2,707	6,015
Total expenses before depreciation	4,589,416	4,515,311
Depreciation	32,175	29,002
Total expenses	<u>\$ 4,621,591</u>	<u>\$ 4,544,313</u>

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

(with comparable totals for 2015)

Support Services					
Management and General		Fundraising		Totals	
2016	2015	2016	2015	2016	2015
\$ 197,214	\$ 107,045	\$ 90,099	\$ 125,470	\$ 1,947,799	\$ 1,852,145
17,043	8,615	6,217	9,643	147,837	153,092
17,043	15,091	7,975	10,559	178,456	181,756
231,300	130,751	104,291	145,672	2,274,092	2,186,993
7,235	-	1,190	980	8,898	1,602
-	-	74,074	92,009	104,263	116,508
-	-	-	-	1,708,491	1,600,848
2,558	2,409	100	-	3,085	2,874
-	-	-	-	-	-
-	10,620	98,440	55,924	98,440	149,858
-	-	17,680	-	203,505	170,175
-	-	-	-	1,500	-
4,064	3,342	1,085	1,127	39,398	41,442
2,774	2,106	-	-	2,988	2,215
1,267	2,009	2,311	2,631	22,163	26,213
2,499	2,153	105	47	3,501	2,267
95	-	-	-	68,131	66,217
8,190	9,209	19,177	5,409	45,928	43,961
289	339	-	7	2,213	3,701
533	1,200	-	-	22,353	16,939
789	1,258	4,270	4,402	8,831	9,945
3,333	8,041	6,637	8,785	27,590	31,529
3,707	2,282	-	25	26,332	24,334
5,185	5,208	4,048	2,698	69,087	77,753
752	2,204	10,197	11,261	389,206	372,176
4,713	5,043	2,576	2,096	40,998	42,353
5,603	3,133	1,967	1,932	48,750	45,705
1,930	410	-	92	4,637	6,517
286,816	191,717	348,148	335,097	5,224,380	5,042,125
73,088	65,880	2,548	2,297	107,811	97,179
<u>\$ 359,904</u>	<u>\$ 257,597</u>	<u>\$ 350,696</u>	<u>\$ 337,394</u>	<u>\$ 5,332,191</u>	<u>\$ 5,139,304</u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2016

1. **Business and Summary of Significant Accounting Policies**

Organization and Nature of Activities

The Palm Beach County Literacy Coalition, Inc. d/b/a Literacy Coalition of Palm Beach County (the "Coalition") is a private non-profit corporation organized under the laws of the State of Florida on November 13, 1989. The Coalition is dedicated to encourage and enable cooperative efforts among groups that promote and coordinate adult and family literacy programs in Palm Beach County, as well as to provide assistance in the development of a county-wide literacy network. The Board of Directors is comprised of adult literacy providers, area business leaders and dedicated individuals.

Method of Accounting

The financial statements are prepared under the accrual method of accounting, whereby revenues and support are recognized when earned, and expenses when the corresponding liability is incurred.

Financial Statement Presentation

In accordance with FASB Accounting Standards Codification (FASB ASC) 958-605, *Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Under the standard, contributions that are initially restricted as to time or use are required to be reported as temporarily restricted support and are later reclassified to unrestricted net assets upon expiration of the time or use restriction. If the restriction placed upon a contribution is met within the same accounting period as the receipt of the contribution, the standard permits both the contribution and the expense to be reported as unrestricted.

Under FASB ASC 958-205, *Presentation of Financial Statements*, the Coalition reports information regarding its financial position and activities according to three classes of net assets, described as follows:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included as unrestricted net assets.

Temporarily Restricted Net Assets: this classification includes those net assets whose use has been limited by donors to either later period of time, or after specified dates, or for a specified purpose.

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained in perpetuity. Permanently restricted net assets increase when the Coalition receives contributions for which donor-imposed restrictions limiting the Coalition's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Coalition meeting certain requirements. The Coalition had no permanently restricted net assets as of June 30, 2016.

For the Year Ended June 30, 2016

1. **Business and Summary of Significant Accounting Policies, continued**

Contributions

The Coalition reports gifts of cash and other donated assets as either permanently restricted or temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Furthermore, restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions on the statement of activities.

Promises to Give

In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, *Revenue Recognition*, unconditional promises to give (including allocations receivable from United Way agencies) are generally recognized at their net realizable value in the period received and as unrestricted or temporarily restricted net assets, depending upon donor restrictions and/or expected time of payment. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 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 reported period. Actual results could differ from those estimates.

Cash Equivalents

The Coalition considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost if purchased, or at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets, which range from five to forty years. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

For the Year Ended June 30, 2016

1. **Business and Summary of Significant Accounting Policies, continued**

Split-interest Agreements

A split-interest agreement is an agreement between a donor and a not-for-profit organization in which the beneficiary and the organization “split” the income and/or principal of the gift. In this case, the Coalition’s split-interest agreements include two charitable remainder trusts where the beneficiary receives the income from the trust and then upon the beneficiary’s death the Coalition will receive a portion of the principal that remains. Split-interest agreements are unconditional promises by the donor to provide future funding to the Coalition. Recognized when the promise is received, these trusts are recorded at fair value.

In all prior years, the fair value of these charitable remainder trusts was computed as the present value of the future distribution projected to be received upon termination of the trust, discounted at a rate that equaled the annual payout rate and the assumed growth rate (i.e. 6%). The fair value of the split-interest agreements was estimated using the Coalition’s percentage interest of the future cash flows of the trust assets.

Concentration of Contributions

The Coalition is funded primarily through grants, contributions, memberships and fundraising events. Government grants are funded principally on a reimbursement basis.

Refundable Advance

The Coalition receives a refundable advance in October for its Parent Child Home program. This advance is to fund the program at the beginning of the grant year and is paid back in three equal installments, as a reduction of the monthly reimbursements for the grantor’s final quarter of July, August, and September. At the Coalition’s discretion, the payments may be made earlier than scheduled.

Deferred Revenue

Cash received in advance for fundraising events is deferred and recognized as revenue when the event occurs.

Donated Services and In-kind Support

Donated services and in-kind support are recognized as contributions in accordance with FASB ASC 958-605, *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. These services are reflected in the financial statements at their estimated fair market value at the date of receipt. The donated services and in-kind support are recorded as gifts in-kind income and expense in the period rendered.

Donated services and in-kind support of \$303,445 are reflected in the statement of activities as part of public support.

Advertising

The Coalition expenses advertising costs as incurred. Actual expenditures for advertising costs for the year ended June 30, 2016 was \$8,898.

For the Year Ended June 30, 2016

1. **Business and Summary of Significant Accounting Policies, continued**

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities, and further detailed by natural classification in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Coalition is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Coalition qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization other than a private foundation under Section 509(a)(2). Amounts considered to be unrelated business income, if any, are taxed net of related expenses at corporate rates. The Coalition did not have any unrelated business income for the year ended June 30, 2016. There is no provision for income taxes reflected in the accompanying financial statements.

The Coalition follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This standard seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Coalition assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Coalition uses the prescribed more likely than not threshold when making its assessment. There are currently no open Federal or State tax years under audit.

Prior-year Comparable Information

The financial statements include certain prior-year summarized comparative information in total, but not necessarily by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Certain 2015 amounts may be reclassified to conform to 2016 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

2. **Program Services**

The following program and supporting services are included in the accompanying financial statements:

- After School Reads – brings literature-based reading, science and math lessons to children in afterschool programs to help them increase their vocabulary and reading comprehension.

For the Year Ended June 30, 2016

2. **Program Services, continued**

- Budding Readers – matches three-year-old children at child care centers with a Reading partner for weekly one-to-one interactive reading sessions.
- Building Better Readers – recruits, trains and supports volunteers to provide tutoring in reading for children who are reading below grade level.
- Community Outreach – recruits and refers to local programs, adults in need of literacy skills and volunteers willing to be trained as tutors.
- Early Literacy Book Distribution – provides children’s books to nine program partners for families who participate in home-visiting and other early childhood programs.
- Glades Family Education – provides comprehensive literacy training for adults and their preschool children in the rural western communities of Palm Beach County.
- Literacy AmeriCorps – recruits, trains and supervises recent college graduates from across the United States to spend a year tutoring, mentoring, and teaching in Palm Beach County.
- Parent-Child Home – an intensive home visiting program sub-contracted with four agencies that provide weekly home visits for parents and children in need of emerging literacy skills over a period of 43 or more weeks. Books and educational toys are given to the families along with instruction on how to use these items to increase verbal interaction between parent and child.
- Reach Out and Read – partners with medical providers to bring early literacy into the pediatric examination room. The pediatricians and nurse practitioners advise the parents about the importance of reading with their children and give books to the families at the six month to five year well-child checkups.
- Read Together – a community-wide reading campaign coordinated by the Coalition, The Palm Beach Post, and the libraries of Palm Beach County to promote the common goal of literacy. The community votes on a book after which thousands of people read and discuss the book selected. This event is held every other year.
- Turning Bullies into Buddies - presents a literature-based anti-bullying curriculum to children in afterschool programs.
- Village Readers – provides comprehensive literacy training for adults and their elementary school age children in the Delray Beach area.
- Workplace & Community Education – helps close the gap between workplace needs and employee skills. This program provides the opportunity for local businesses and community sites to partner with the Coalition to provide on-site educational classes.

For the Year Ended June 30, 2016

3. Receivables and United Way Allocations

As of June 30, 2016, the Coalition held the following receivables and allocations, all of which are deemed fully collectible within a year:

Grants receivable:	
Children's Services Council	\$ 316,149
Volunteer Florida	44,408
Prime Time Palm Beach County	<u>42,432</u>
	<u>\$ 402,989</u>
Pledges receivable:	
Individual pledge	\$ 500,000
Other	<u>3,630</u>
	<u>\$ 503,630</u>
Program service receivables:	
School District of Palm Beach County	\$ 16,000
West Palm Beach Finance Dept.	<u>3,900</u>
	<u>\$ 19,900</u>
United Way allocations:	
United Way of Palm Beach County	\$ 15,168
Town of Palm Beach United Way	<u>107,000</u>
	<u>\$ 122,138</u>

Pledges receivable relate to pledges received from various individuals, foundations, and corporate donors supporting the development of the Coalition. The pledges are recorded at their net realizable value, and are deemed fully collectible. Accordingly, there is no provision for doubtful accounts. The balance is expected to be collected in the following fiscal year.

4. Conditional Promises to Give

The Coalition has one conditional promise to give that has not been recorded on Coalition's statement of financial position due to the existence of certain restrictions. If the Coalition meets all conditions of the donor, the Coalition will receive a total of \$225,000 paid out in semi-annual installments over three years, beginning June 2014. As of year ended June 30, 2016, the Coalition has received and recorded as income, \$187,500 of this promise, leaving \$37,500 to recognize in one final installment.

For the Year Ended June 30, 2016

5. Property and Equipment

Property and equipment consist of the following:

Leasehold improvements	\$ 18,326
Office furniture and equipment	300,522
Computer software	117,696
Vehicles	70,564
Land (Literacy Center)	648,585
Building (Literacy Center)	<u>2,409,922</u>
	3,565,615
(Less) accumulated depreciation	(506,371)
Plus artwork (not depreciated)	<u>13,325</u>
	<u>\$ 3,072,569</u>

6. Split-interest Agreements

The Coalition has been named as a remainder beneficiary of two charitable remainder trusts (“trusts”) arising from the Estate of William Groot. These trusts are represented as split-interest agreements in the financial statements and provide for the payment of distributions of trust assets to the grantor’s beneficiary. Upon the death of the beneficiary, a percentage of the remaining principal in the trust will be distributed to the Coalition. In prior years, an asset for the trusts had been recognized at the present value of the expected future cash flows discounted at a rate of 6%. The expected future cash flows is based on the fair market value of the trust’s principal as of the Coalition’s year-end. Changes in the value of the trusts have been reported in the statement of activities as an increase in temporarily restricted net assets. In May of 2016 the beneficiary passed away and the Coalition received their share of the trust assets in September 2016, subsequent to the Coalition’s year-end of June 30, 2016. Therefore, the value of these trust assets at June 30, 2016 is reported at the amount the Coalition received.

7. Leases

The Coalition leases a facility for the Glades Family Education Program in Belle Glade, Florida. The original lease expired January 31, 2010. The Coalition exercised the first five year option to renew up through January 31, 2015. One additional option to renew for an additional five years has been exercised; resulting in a new expiration date of January 31, 2020 . The total lease expense for this facility for the year ended June 30, 2016, was \$68,036, and is listed on the statement of functional expenses under the occupancy caption.

The approximate future minimum lease payments under this operating lease as of June 30, 2016, is as follows:

Year ended June 30,	
2017	\$ 70,077
2018	72,179
2019	74,345
2020	<u>44,117</u>
Total	<u>\$ 260,718</u>

For the Year Ended June 30, 2016

8. Commitments and Contingencies

Financial awards from governmental entities, in the form of grants, are subject to audit by the various agencies. Such audits could result in claims against the Coalition for disallowed costs or noncompliance with grantor restrictions. Management does not believe that the Coalition owes any significant funds with respect to disallowed costs or noncompliance with grantor restrictions. Accordingly, no provision has been made for any liabilities that may arise from such audits.

The Coalition receives the majority of its funding from public sources and is dependent upon the availability of federal and local grants and awards for its continued existence. A significant reduction in the level of this support, if it were to occur, could have a material effect on the Center's programs and activities.

Government receivables account for approximately 30% of outstanding receivables. Management has evaluated its sources of support and revenue, and does not believe it is subject to significant credit risk as the principal account debtors are governmental agencies and credit worthy organizations. The remaining balance of its receivables is owed by a variety of organizations or companies.

9. Concentrations of Credit Risk

At various times during the year, the Coalition has funds on deposit at financial institutions, which exceed the \$250,000 insured by the Federal Deposit Insurance Corporation. The Coalition minimizes its risk by depositing cash in financial institutions which management believes are in sound financial condition. The Coalition has not experienced any losses of such funds and management believes the Coalition is not exposed to significant risk on cash. As of June 30, 2016, the Coalition had approximately \$721,000 in excess of insured limits.

10. Employee Benefit Plan

The Coalition provides a 401(k) defined contribution retirement plan, covering all employees who have attained 21 years of age and have completed at least thirty days of service. However, part-time, temporary, or seasonal employees are excluded from participation, which would include those employees whose regularly scheduled service is less than 1000 hours in a year. Each year the Coalition's Board has authority to determine the discretionary employer match. This year the board voted to match 100% of employee's contribution up to 2% of the participants' compensation. Total employer expense for the year ended June 30, 2016 was \$23,342, and is reported under employee benefits in the statement of functional expenses.

For the Year Ended June 30, 2016

11. Restrictions and Designations of Net Assets

Temporarily restricted net assets are available for the following purposes or subsequent periods:

Building Better Readers	\$ 99,394
Family Healthy Living	5,000
Family Literacy	123,013
Literacy AmeriCorps	19,658
Literacy Center	148,802
Pledges Receivable	500,000 *
Reach Out and Read	20,771
Split-interest Agreements	376,059 *
Turning Bullies into Buddies	260
Tutor Training	5,632
Village Readers	<u>80,717</u>
	<u>\$ 1,379,306</u>

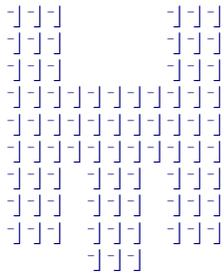
In addition to the various net asset restrictions identified by purpose, the Coalition also has pledges receivable and split-interest agreements that are restricted exclusively for time(*). The allocation receivable from the Town of Palm Beach United Way of \$107,000 is restricted for both time and purpose; allocated between three of the purposes listed above. The Literacy Center restricted net assets of \$148,802 has its own separate bank account to support Literacy Center building expenses.

As of June 30, 2016, the Coalition's Board of Directors continued to designate \$427,717 of its unrestricted net assets to support future needs. This amount represents the initial cash receipts from the Groot estate.

12. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through December 27, 2016, the date on which the financial statements were available to be issued, and determined there were no events to disclose in these financial statements.



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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 of
The Palm Beach County Literacy Coalition, Inc.
Boynton Beach, Florida

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 The Palm Beach County Literacy Coalition, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Palm Beach County Literacy Coalition, 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 The Palm Beach County Literacy Coalition, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Palm Beach County Literacy Coalition, Inc.'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, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Palm Beach County Literacy Coalition, 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 Palm Beach County Literacy Coalition, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 27, 2016

**SUPPLEMENTARY
INFORMATION**

**THE PALM BEACH COUNTY
LITERACY COALITION, INC.**

For the Year Ended June 30, 2016

	After School Reads	Budding Readers	Building Better Readers	Community Outreach	Early Literacy Book Distribution	Glades Family Education	Literacy AmeriCorps
Salaries and wages	\$ 66,581	\$ 267,886	\$ 57,818	\$ 1,322	\$ 20,378	\$ 158,858	\$ 646,127
Payroll taxes	4,767	21,538	4,365	64	1,697	12,153	49,094
Employee benefits	7,198	9,484	6,878	-	3,500	15,814	58,124
Total salaries and related expenses	78,546	298,908	69,061	1,386	25,575	186,825	753,345
Advertising and promotion	-	-	-	-	-	-	-
Conference expense	-	-	-	6,475	-	-	100
Grants paid	-	-	-	-	-	-	-
Dues and subscriptions	100	45	41	-	-	-	141
In-kind expenses:							
Advertising and promotion	-	-	-	-	-	-	-
Books and supplies	-	-	-	-	-	-	185,825
Professional fees	-	-	-	-	-	-	-
Insurance	384	2,137	284	-	6,569	9,926	9,489
Licenses and taxes	-	-	-	-	73	110	31
Local travel	3,232	1,251	1,527	76	531	2,109	3,820
Miscellaneous expense	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	68,036	-
Office supplies and expense	874	2,346	1,620	130	782	2,704	3,480
Outside services	-	-	-	-	-	1,590	334
Personnel expenses	-	90	945	-	-	135	20,370
Postage	169	517	199	134	31	198	873
Printing	509	1,691	1,888	661	147	2,240	2,616
Professional development	4,892	977	1,306	-	-	256	5,794
Professional fees	1,970	9,216	1,773	275	777	4,327	17,594
Program supplies	14,586	21,377	8,557	248	83,403	2,796	10,164
Repairs and maintenance	1,580	5,531	3,152	-	789	1,295	5,595
Utilities	2,418	4,021	2,830	-	311	9,791	6,329
Volunteer recognition	-	-	-	-	-	-	2,182
Total expenses before depreciation	109,260	348,107	93,183	9,385	118,988	292,338	1,028,082
Depreciation	2,812	2,645	-	3,182	-	10,505	2,577
Total expenses	\$ 112,072	\$ 350,752	\$ 93,183	\$ 12,567	\$ 118,988	\$ 302,843	\$ 1,030,659

See independent auditor's report.

SCHEDULE OF PROGRAM EXPENSES

Parent-Child Home	Reach Out and Read	Read Together	Turning Bullies into Buddies	Village Readers	Workplace & Community Education	Other Programs	Total
\$ 118,959	\$ 79,322	\$ 4,866	\$ 65,190	\$ 124,054	\$ 39,889	\$ 9,236	\$ 1,660,486
9,100	5,646	294	4,525	8,139	2,632	563	124,577
17,085	10,307	65	8,474	12,053	4,418	38	153,438
145,144	95,275	5,225	78,189	144,246	46,939	9,837	1,938,501
-	-	375	98	-	-	-	473
-	4,720	6,471	1,411	-	-	11,012	30,189
1,683,491	-	-	-	25,000	-	-	1,708,491
-	-	-	-	100	-	-	427
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	185,825
-	-	-	-	-	-	1,500	1,500
746	531	-	346	3,675	162	-	34,249
-	-	-	-	-	-	-	214
920	686	793	2,365	226	716	333	18,585
40	37	620	-	200	-	-	897
-	-	-	-	-	-	-	68,036
2,743	475	391	379	1,420	224	993	18,561
-	-	-	-	-	-	-	1,924
19	-	-	-	191	70	-	21,820
286	168	210	232	142	45	568	3,772
1,036	2,039	1,213	780	1,016	430	1,354	17,620
6,129	388	-	1,899	238	176	570	22,625
13,924	3,761	275	1,889	3,089	984	-	59,854
108,525	68,227	33,645	15,826	3,927	7	6,969	378,257
5,516	5,513	-	1,579	1,584	1,575	-	33,709
4,037	3,847	-	2,650	2,574	2,372	-	41,180
-	-	-	50	475	-	-	2,707
1,972,556	185,667	49,218	107,693	188,103	53,700	33,136	4,589,416
2,574	2,571	-	-	2,764	2,545	-	32,175
\$ 1,975,130	\$ 188,238	\$ 49,218	\$ 107,693	\$ 190,867	\$ 56,245	\$ 33,136	\$ 4,621,591

See independent auditor's report.