

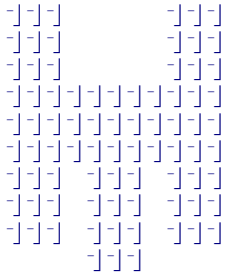
THE PALM BEACH COUNTY LITERACY COALITION, INC.
d/b/a
LITERACY COALITION OF PALM BEACH COUNTY

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021
(with comparable totals for June 30, 2020)

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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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Palm Beach County Literacy Coalition, Inc. (a Florida non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2021, 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 November 5, 2021, 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 consolidated financial statements as a whole. The consolidated schedule of program expenses on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited The Palm Beach County Literacy Coalition, Inc.'s June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 5, 2021

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

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As of June 30, 2021

(with comparable totals for 2020)

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Current assets:				
Cash and cash equivalents	\$ 1,586,833	\$ 275,891	\$ 1,862,724	\$ 2,032,085
Investments	111,000	-	111,000	104,924
Receivables:				
Accounts receivable	465,880	-	465,880	334,941
Pledges receivable	1,973	117,500	119,473	115,850
Other receivables	24,500	-	24,500	24,000
Prepaid expenses	32,671	-	32,671	18,349
Total current assets	2,222,857	393,391	2,616,248	2,630,149
Board designated cash	-	-	-	817,305
Foundation investments	1,310,568	615,081	1,925,649	479,004
Property and equipment, net	2,829,638	-	2,829,638	2,737,118
Total assets	\$ 6,363,063	\$ 1,008,472	\$ 7,371,535	\$ 6,663,576
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 243,613	\$ -	\$ 243,613	\$ 227,284
Accrued payroll	63,823	-	63,823	71,750
Refundable advance	240,000	-	240,000	240,000
Deferred revenue	86,566	-	86,566	14,675
Total current liabilities	634,002	-	634,002	553,709
PPP loan payable	-	-	-	365,891
Total liabilities	634,002	-	634,002	919,600
 Net assets:				
Without donor restrictions:				
Undesignated	4,418,493	-	4,418,493	4,110,990
Board designated	1,310,568	-	1,310,568	817,305
With donor restrictions	-	1,008,472	1,008,472	815,681
Total net assets	5,729,061	1,008,472	6,737,533	5,743,976
Total liabilities and net assets	\$ 6,363,063	\$ 1,008,472	\$ 7,371,535	\$ 6,663,576

See accompanying notes to financial statements.

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

**CONSOLIDATED STATEMENT OF
ACTIVITIES**

For the Year Ended June 30, 2021

(with comparable totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Public support and revenues				
Public support:				
Federal financial assistance	\$ 668,568	\$ -	\$ 668,568	\$ 412,903
Other grant assistance	4,275,787	-	4,275,787	4,023,638
Contributions	417,321	642,268	1,059,589	821,650
In-kind contributions	206,758	-	206,758	189,462
Paycheck Protection Program (PPP)	365,891	-	365,891	-
Revenues:				
Program service fees	279,250	-	279,250	240,483
Investment income, net	19,275	-	19,275	20,299
Investment unrealized gain/(loss)	24,126	115,081	139,207	(27,718)
Special events	157,195	-	157,195	288,649
Total public support and revenues	6,414,171	757,349	7,171,520	5,969,366
Net assets released from restrictions	564,558	(564,558)	-	-
	<u>6,978,729</u>	<u>192,791</u>	<u>7,171,520</u>	<u>5,969,366</u>
Expenses				
Program services:				
Budding Readers	18,078	-	18,078	113,029
Building Better Readers	116,569	-	116,569	92,693
Early Literacy Book Distribution	203,518	-	203,518	127,598
Glades Family Education	349,238	-	349,238	330,714
Literacy AmeriCorps	1,105,949	-	1,105,949	913,364
ParentChild+	2,891,881	-	2,891,881	2,732,297
Reach Out and Read	327,235	-	327,235	306,240
Read! Lead! Succeed!	135,551	-	135,551	134,554
Stories and STEM	116,036	-	116,036	114,652
Village Readers	184,105	-	184,105	164,786
Workplace & Community Education	32,256	-	32,256	34,959
Other Programs & Initiatives	183,860	-	183,860	50,589
	<u>5,664,276</u>	<u>-</u>	<u>5,664,276</u>	<u>5,115,475</u>
Support services:				
Management and general	239,509	-	239,509	439,770
Fundraising	256,588	-	256,588	356,269
Total expenses	<u>6,160,373</u>	<u>-</u>	<u>6,160,373</u>	<u>5,911,514</u>
Loss on disposal of fixed asset	17,590	-	17,590	-
Change in net assets	800,766	192,791	993,557	57,852
Net assets, beg of year	4,928,295	815,681	5,743,976	5,686,124
Net assets, end of year	<u>\$ 5,729,061</u>	<u>\$ 1,008,472</u>	<u>\$ 6,737,533</u>	<u>\$ 5,743,976</u>

See accompanying notes to financial statements.

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

**CONSOLIDATED STATEMENT OF
CASH FLOWS**

For the Year Ended June 30, 2021

(with comparable totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 5,869,382	\$ 5,473,464
Cash received from customers	278,750	242,419
Cash received from fundraising	229,086	303,324
Investment income	10,505	9,840
Foundation investment income	8,770	10,459
Cash paid to employees and suppliers for goods and services	<u>(5,861,690)</u>	<u>(5,660,702)</u>
Net cash provided by operating activities	<u>534,803</u>	<u>378,804</u>
Cash flows from investing activities:		
Purchase of property and equipment	(207,986)	(30,305)
Purchase of investments	<u>(1,313,483)</u>	<u>(11,910)</u>
Net cash used in investing activities	<u>(1,521,469)</u>	<u>(42,215)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	<u>-</u>	<u>365,891</u>
Net cash provided by financing activities	<u>-</u>	<u>365,891</u>
Net change in cash and cash equivalents	(986,666)	702,480
Cash and cash equivalents, beginning of year	<u>2,849,390</u>	<u>2,146,910</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,862,724</u></u>	<u><u>\$ 2,849,390</u></u>
Cash and cash equivalents:		
Available for operations	\$ 1,862,724	\$ 2,032,085
Available for long-term purposes, subject to variance power	<u>-</u>	<u>817,305</u>
	<u><u>\$ 1,862,724</u></u>	<u><u>\$ 2,849,390</u></u>

See accompanying notes to financial statements.

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

**CONSOLIDATED STATEMENT OF
CASH FLOWS**

For the Year Ended June 30, 2021

(with comparable totals for 2020)

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 993,557	\$ 57,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,845	111,584
Unrealized gain in investments	-	(18)
Unrealized loss in Foundation investments	(139,207)	27,736
Loss on disposal of fixed assets	17,590	-
Paycheck Protection Program (PPP)	(365,891)	-
Decrease (increase) in certain assets:		
Accounts receivable	(130,939)	125,848
Pledges receivable	(3,623)	(575)
Other receivables	(500)	1,936
Prepaid expenses	(14,322)	5,546
Increase (decrease) in certain liabilities:		
Accounts payable	16,329	(15,942)
Accrued payroll	(7,927)	(39,838)
Refundable advance	-	90,000
Deferred revenue	71,891	14,675
Net cash provided by operating activities	<u>\$ 534,803</u>	<u>\$ 378,804</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2021

	Program Services	
	2021	2020
Salaries and wages	\$ 1,613,312	\$ 1,472,497
Payroll taxes	128,390	118,400
Employee benefits	203,495	166,797
Total salaries and related expenses	1,945,197	1,757,694
Advertising and promotion	284	25
Event expense	4,181	21,047
Grants paid	2,504,732	2,388,643
Dues and subscriptions	11,119	7,256
In-kind expenses	174,758	100,417
Insurance	42,801	37,571
Licenses and taxes	76	76
Local travel	7,417	12,316
Miscellaneous expense	-	2,000
Occupancy	71,120	74,129
Office supplies and expense	4,972	7,106
Personnel expenses	8,390	13,300
Postage	920	1,871
Printing	9,540	13,978
Professional development	2,717	12,607
Professional fees	102,056	112,385
Program supplies	585,616	443,729
Repairs and maintenance	62,500	34,598
Utilities	44,621	39,729
Volunteer recognition	1,530	1,275
Total expenses before depreciation	5,584,547	5,081,752
Depreciation	79,729	33,723
Total expenses	<u>\$ 5,664,276</u>	<u>\$ 5,115,475</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

(with comparable totals for 2020)

Support Services				Totals	
Management and General		Fundraising			
2021	2020	2021	2020	2021	2020
\$ 151,732	\$ 231,068	\$ 140,052	\$ 141,735	\$ 1,905,096	\$ 1,845,300
12,509	15,973	10,057	10,843	150,956	145,216
29,438	68,613	9,426	-	242,359	235,410
193,679	315,654	159,535	152,578	2,298,411	2,225,926
297	4,500	1,579	1,423	2,160	5,948
-	-	17,635	64,309	21,816	85,356
-	-	-	-	2,504,732	2,388,643
4,583	3,978	5,219	1,001	20,921	12,235
-	-	32,000	89,045	206,758	189,462
3,449	3,238	3,710	2,593	49,960	43,402
395	2,527	413	71	884	2,674
(1,698)	992	405	2,332	6,124	15,640
492	-	578	893	1,070	2,893
246	99	248	48	71,614	74,276
4,812	5,527	3,943	5,525	13,727	18,158
90	36	55	100	8,535	13,436
1,158	604	1,625	3,960	3,703	6,435
927	1,545	3,838	12,652	14,305	28,175
206	82	100	-	3,023	12,689
5,672	16,311	10,232	12,642	117,960	141,338
-	18	223	435	585,839	444,182
7,265	4,764	4,815	1,940	74,580	41,302
6,705	3,875	3,163	2,103	54,489	45,707
362	778	25	-	1,917	2,053
228,640	364,528	249,341	353,650	6,062,528	5,799,930
10,869	75,242	7,247	2,619	97,845	111,584
<u>\$ 239,509</u>	<u>\$ 439,770</u>	<u>\$ 256,588</u>	<u>\$ 356,269</u>	<u>\$ 6,160,373</u>	<u>\$ 5,911,514</u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2021

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, children, 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 area business leaders and dedicated individuals.

On May 30, 2017, Palm Beach Literacy Coalition Foundation, Inc. was formed to act as a supporting organization for the Coalition in the promotion of Literacy. On August 2, 2017 the name was changed to Palm Beach County Literacy Coalition Foundation, Inc. (the "Foundation"). On October 19, 2017 an amendment was filed to add officers to the Foundation, where two of the three officers are employees of the Coalition. In fiscal year 2018, the Coalition funded the Foundation with \$500,000 of the Coalition's temporarily restricted net assets. Given the Foundation is a supporting organization of the Coalition, and the organizations are under common control, these consolidated financial statements include the accounts of both organizations and all material inter-company transactions and balances have been eliminated.

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned, and expenses are recognized when incurred.

Financial Statement Presentation

The accompanying financial statements have been prepared with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth under FASB Accounting Standards Codification (FASB ASC) 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*. Accordingly, the net assets of the Coalition are reported in each of the following classes:

Net Assets Without Donor Restrictions: are not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes arising from exchange transactions are included in this category.

Net Assets With Donor Restrictions: are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued

Contributions

The Coalition reports gifts of cash and other donated assets as support with donor restrictions if they are received with donor stipulations that limit the use of the gifts of cash or donated assets, or if they are restricted as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Pledges Receivable

In accordance with 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 net assets without or with donor restrictions, 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 net assets without donor restrictions.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Coalition considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except such similar investments that are held and remain classified within the investment portfolio.

Investments

The investments held by the Foundation are comprised of publicly-traded mutual funds, exchange traded products, and a bank deposit sweep account. The funds are invested for long-term investment return. The investment held by the Coalition was contributed to the Community Foundation of Palm Beach and Martin Counties (CFPBMC) during fiscal 2019 and is established as a component charitable fund with CFPBMC known as the "Literacy Coalition of Palm Beach County" fund (the "fund"). Control over the administration, investment and distribution of the fund shall be exercised exclusively by the CFPBMC. The Coalition can request distributions from the fund up to 100% of the balance, in writing with a Board Resolution, subject to CFPBMC Board approval. Total investment income, net, includes interest and dividend income of \$26,424, less fees of \$7,149, for a net of \$19,275. Listed separately on the financial statements is the unrealized gain of \$139,207 at June 30, 2021.

Under FASB ASC 958-320, *Investments – Debt and Equity Securities*, investments in marketable securities with readily-determinable fair values are reported at their fair values in the consolidated statement of financial position, with the amount of unrealized gains or losses on investments not previously recognized shown in the consolidated statement of activities.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued

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 two to forty years. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

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 ParentChild+ 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. For fiscal year 2021, the deferred revenue is larger than usual, given three events received funding in advance. One of these events was postponed in response to the COVID-19 pandemic, including the largest event, Love of Literacy Luncheon, which is not scheduled to occur until next fiscal year 2022.

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 consolidated 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 \$206,758 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, 2021 was \$2,160.

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.

For the Year Ended June 30, 2021

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

Income Tax Status

The Coalition and the Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Coalition and Foundation qualify for a charitable contribution deduction under Section 170(b)(1)(A). The Coalition has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation has been classified as an organization other than a private foundation under 509(a)(3), as a supporting organization that is operated, supervised, or controlled by one or more publicly supported charities. Amounts considered to be unrelated business income, if any, are taxed net of related expenses at corporate rates. There was no unrelated business income for the year ended June 30, 2021. There is no provision for income taxes reflected in the accompanying consolidated financial statements.

The Coalition and the Foundation follow 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 and the Foundation assess the income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Coalition and the Foundation use the prescribed more likely than not threshold when making their assessment. There are currently no open Federal or State tax years under audit.

Prior-year Comparable Information

The consolidated 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, 2020, from which the summarized information was derived. Certain 2020 amounts may be reclassified to conform to 2021 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

Recently Adopted Accounting Policies

As of July 1, 2020, the Coalition adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Analysis to various provisions of this standard resulted in no significant changes in the way the Coalition recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods beginning after December 15, 2021. Therefore, the standard will be effective for the Coalition’s fiscal year beginning July 1, 2022 and ending June 30, 2023. Management is currently evaluating the magnitude and other potential impacts on the Coalition’s financial statements.

2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the statement of financial position date, that are without donor restrictions, or other restrictions limiting their use comprise the following as of June 30, 2021:

Cash and cash equivalents	\$ 1,862,724
Receivables:	
Accounts receivable	465,880
Pledges receivable	119,473
Other receivables	<u>24,500</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,472,577</u>

The Coalition is substantially supported by contributions without donor and with donor restrictions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Coalition must maintain sufficient resources to meet those responsibilities to its donors. Some of the Coalition’s net assets with donor restrictions are available for general expenditure within one year of June 30, 2021 because the restrictions on the net assets are expected to be met by conducting the normal program activities of Literacy Coalition of Palm Beach County, Inc. in the coming year. Accordingly, related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year

Additionally, part of the Coalition’s liquidity management plan is to invest cash in excess of the monthly requirements into investments that it is able to access such as its investment with the Community Foundation as described in Note 1.

Furthermore, the Coalition’s endowment funds consist of contributions created to provide ongoing support to the Coalition and are held within the Foundation. The endowment is subject to annual appropriations as determined at the discretion of the Board of Directors as described in Note 13. Although the Coalition does not intend to spend from this endowment (other than amounts appropriated for general expenditures as per the Foundation Board’s approval and appropriation), these amounts could be made available if necessary. There were no amounts appropriated for fiscal year end June 30, 2021.

For the Year Ended June 30, 2021

3. Program Services

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

- Budding Readers – matches three-year-old children at child care centers with a Reading partner for weekly one-to-one interactive reading sessions. This program closed during fiscal 2020-2021.
- Building Better Readers – recruits, trains, and supports volunteers to provide tutoring in reading for children who are reading below grade level.
- 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.
- ParentChild+ – an intensive home visiting program sub-contracted with three agencies that provide weekly home visits for parents and children in need of emerging literacy skills. 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 birth to five-year-old well-child checkups.
- Read! Lead! Succeed! – educates children in after school programs and summer camps through a literature based, social-emotional learning program.
- Stories and STEM – uses children’s literature and hands-on activities to teach science, technology, engineering, and math lessons in afterschool programs and summer camps.
- 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.
- Other Programs & Initiatives – includes small programs or program initiatives, such as the Read for the Record, Adult Essay Contest, Mayors’ Literacy Initiative Luncheon, and Read Together, which is a community-wide reading campaign coordinated by the Coalition.

For the Year Ended June 30, 2021

4. Investments and Fair Value

FASB ASC 820-10, *Fair Value Measurement and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under the standard are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation methodologies are used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used as of June 30, 2021.

Balanced funds valued by the Community Foundation as a sub-fund of underlying fixed income and equity-based securities.

Bank deposit and ETFs (Exchange Traded Funds) valued at quoted market prices; mutual funds valued at net asset value (NAV) as quoted by the custodian as of the close of business at year-end.

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of June 30, 2021:

	<u>Assets at Fair Value</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>%</u>	<u>Total</u>
Coalition investments:					
Balanced funds (80% fixed, 20% equity)	\$ 111,000	\$ -	\$ -	100%	\$ 111,000

For the Year Ended June 30, 2021

4. **Investments and Fair Value, continued**

	<u>Assets at Fair Value, continued</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>%</u>	<u>Total</u>
Foundation investments:					
Bank deposit sweep	\$ 24,073	\$ -	\$ -	1%	\$ 24,073
Fixed income –ETFs & mutual funds	371,106	-	-	19%	371,106
Equities –ETFs & mutual funds	<u>1,530,470</u>	<u>-</u>	<u>-</u>	<u>80%</u>	<u>1,530,470</u>
Foundation investments	<u>1,925,649</u>	<u>-</u>	<u>-</u>	<u>100%</u>	<u>1,925,649</u>
Total investments at fair value	<u>\$ 2,036,649</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 2,036,649</u>

5. **Receivables**

As of June 30, 2021, the Coalition held the following receivables and allocations, all of which are deemed fully collectible within a year:

Accounts receivable:	
Children’s Services Council	\$ 365,847
Volunteer Florida	58,520
Prime Time Palm Beach County	21,321
Boynton Beach City Library	7,000
City of West Palm Beach	8,367
Palm Beach County Community Youth Services	<u>4,825</u>
	<u>\$ 465,880</u>
Pledges receivable:	
Town of Palm Beach United Way	\$ 117,500
Other	<u>1,973</u>
	<u>\$ 119,473</u>
Other receivables:	
Lake Worth West Resident Planning Group, Inc.	<u>\$ 24,500</u>

Pledges receivable relate to promises to give 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.

6. **Property and Equipment**

Property and equipment consist of the following:

Leasehold improvements	\$ 6,600
Office furniture and equipment	469,259
Computer software	125,669
Vehicles	70,564
Building (Literacy Center)	<u>2,403,959</u>
	3,076,051
(Less) accumulated depreciation	(908,323)
Plus Land (Literacy Center, not depreciated)	648,585
Plus artwork (not depreciated)	<u>13,325</u>
	<u>\$ 2,829,638</u>

For the Year Ended June 30, 2021

7. Lease Obligations

The Coalition leases a facility for the Glades Family Education Program in Belle Glade, Florida. The original term expired January 31, 2010. However, the Coalition exercised two five-year options to renew, with the second option expiring on January 31, 2020. A second amendment to the original lease was entered into on January 21, 2020 extending the term another five years to January 31, 2025.

The total lease expense for this facility for the year ended June 30, 2021, was \$68,850, 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, 2021, is as follows:

Year ended June 30,	
2022	\$ 73,658
2023	75,786
2024	77,977
2025	<u>46,017</u>
	<u>\$ 273,438</u>

8. PPP Loan Payable

On May 1, 2020, the Coalition received loan proceeds of \$365,891 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES ACT”), provides for loans to qualifying businesses for an amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. On June 5, 2020, the PPP Flexibility Act extended the covered period during which forgivable costs must be accumulated from eight weeks to 24 weeks. The Coalition intends to use the loan proceeds for purposes consistent with the PPP in order to meet the conditions for full forgiveness of the loan. On February 24, 2021, the loan was forgiven, at which time the Coalition recognized the income.

9. 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.

For the Year Ended June 30, 2021

10. Concentrations of Credit Risk

Government receivables account for approximately 73% 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.

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, 2021, the Coalition had approximately \$1,600,000 in excess of insured limits.

11. 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, 2021 was \$29,864, and is reported under employee benefits in the statement of functional expenses.

12. Restriction and Designation of Net Assets

Net assets with donor restrictions are available for the following purposes or subsequent periods:

Glades Family Education	\$ 216,353
Village Readers	129,063
Literacy AmeriCorps	38,975
Building Better Readers	9,000
Foundation – restricted endowment	<u>615,081</u>
	<u>\$ 1,008,472</u>

The allocation receivable from the Town of Palm Beach United Way of \$117,500 is restricted for both time and purpose; allocated between three of the purposes listed above.

The Coalition's designated net assets are comprised of endowment funds held with the Foundation that are not subject to donor restriction.

13. Endowment

The Organization's endowment consists of investment funds created to provide ongoing financial support to the Coalition and are held within the Foundation. The endowment is to be held for a specific purpose or in perpetuity and the earnings on the endowment are both with and without donor restrictions. The original \$500,000 contribution is temporarily restricted by the donor, along with its allocated earnings.

For the Year Ended June 30, 2021

13. Endowment, continued

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), which became effective July 1, 2012, and provides a) consistent investment and spending standards to all forms of charitable funds, b) strengthens the concept of prudent investing, c) abandons historic dollar value as a floor for expenditures and provides more flexibility to the organization in making decisions about whether to expend any portion of an endowment fund, and d) provides a process for the release or modification of restrictions on a gift instrument.

The adoption by the Foundation of the provisions of the law does not have a significant change in its management and investment policies of endowment.

As a result of this standard, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation has adopted conservative investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return-based distribution strategy, meaning that it will fund distributions from net investment income, net realized capital gains and proceeds from the sale of investments. The distribution of portfolio's assets will be permitted to the extent that such distributions do not exceed a level that would erode the portfolio's real assets over time. The Foundation utilizes the services of a financial advisor who provides input into the investment strategy policy. Furthermore, the Board of Directors of the Foundation will review its investment and spending policies on an annual basis for possible revision.

The Foundations annual appropriations, if any, are determined at the discretion of the Board of Directors unless specific instructions are provided by future endowment donors.

For the Year Ended June 30, 2021

13. Endowment, continued

The changes in endowment net assets for the year ended June 30, 2021 are as follows:

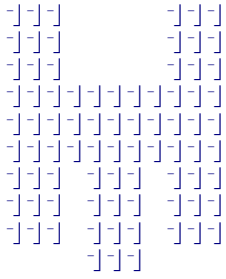
	<u>Total Net Assets</u>
Endowment net assets, beginning	\$ 479,004
Transfer from Literacy Coalition	1,300,000
Contributions	480
Investment return:	
Investment income	15,919
Investment expenses	(8,961)
Net unrealized gains/(losses)	<u>139,207</u>
Endowment net assets, ending	<u>\$ 1,925,649</u>
Endowment net assets, ending	\$ 1,925,649
Endowment net assets, with donor restrictions	<u>615,081</u>
Endowment net assets, board designated	<u>\$ 1,310,568</u>

In connection with the clarification of an existing donor agreement, the Coalition reclassified \$479,004 from board designated net assets, to net assets with donor restrictions that are endowed within the Foundation. This reclassification is reflected in the restated net assets for June 30, 2020 and did not affect the Coalition's change in net assets for that period.

14. Subsequent Events

Management has evaluated subsequent events through November 5, 2021, the date on which the consolidated financial statements were available to be issued, and determined there was one event to disclose in these consolidated financial statements.

The Children's Services Council (CSC) eliminated the "Lead Agency" model for the ParentChild+ program as of Sept. 30, 2021. This transitional action follows many years of solid program performance and reflects the successful guidance, leadership, and support provided by Literacy Coalition to the remaining subcontracting agencies. The Literacy Coalition will continue to provide curriculum materials to the ParentChild+ program, and will be funded for that service. In connection with this change that occurred during the Coalition's 2021-2022 fiscal year, Management expects a decrease of approximately \$135,000 in budgeted net revenue.



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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 consolidated financial statements of The Palm Beach County Literacy Coalition, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Palm Beach County Literacy Coalition, Inc.'s consolidated 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
November 5, 2021

SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2021

	Budding Readers	Building Better Readers	Early Literacy Book Distribution	Glades Family Education	Literacy AmeriCorps	ParentChild+
Salaries and wages	\$ 9,574	\$ 76,960	\$ 28,307	\$ 178,448	\$ 725,328	\$ 128,609
Payroll taxes	754	6,003	2,362	14,515	58,375	10,263
Employee benefits	-	8,751	4,352	13,726	109,846	17,075
Total salaries and related expenses	10,328	91,714	35,021	206,689	893,549	155,947
Advertising and promotion	-	-	-	-	-	-
Conference expense	-	-	-	-	-	-
Grants paid	-	-	-	-	-	2,504,732
Dues and subscriptions	-	905	-	967	152	69
In-kind expenses	-	-	-	-	150,759	-
Insurance	742	2,451	1,158	7,693	9,156	3,571
Licenses and taxes	-	-	-	60	16	-
Local travel	-	244	644	469	2,086	357
Miscellaneous expense	-	-	-	-	-	-
Occupancy	25	169	90	69,333	330	296
Office supplies and expense	99	620	107	300	1,350	929
Personnel expenses	-	-	-	229	7,706	400
Postage	-	176	-	31	54	10
Printing	223	319	195	493	595	395
Professional development	-	149	-	-	400	1,285
Professional fees	1,532	3,910	1,816	27,598	7,954	16,224
Program supplies	-	4,321	156,986	8,881	7,104	178,274
Repairs and maintenance	1,657	3,542	2,351	12,390	7,335	9,583
Utilities	1,074	2,577	1,602	10,817	6,322	5,260
Volunteer recognition	-	-	-	-	1,340	-
Professional fees - foundation	-	-	-	-	-	-
Total expenses before depreciation	15,680	111,097	199,970	345,950	1,096,208	2,877,332
Depreciation	2,398	5,472	3,548	3,288	9,741	14,549
Total expenses	\$ 18,078	\$ 116,569	\$ 203,518	\$ 349,238	\$ 1,105,949	\$ 2,891,881

See independent auditor's report.

CONSOLIDATED SCHEDULE OF PROGRAM EXPENSES

	Reach Out and Read	Read-Lead- Succeed!	Stories & STEM	Villager Readers	WorkPlace & Community Education	Other Programs & Initiatives	Total
\$	75,993	\$ 67,717	\$ 65,474	\$ 124,676	\$ 24,912	\$ 107,314	\$ 1,613,312
	6,135	5,027	5,189	10,124	1,952	7,691	128,390
	12,901	9,575	9,501	9,714	799	7,255	203,495
	95,029	82,319	80,164	144,514	27,663	122,260	1,945,197
	-	-	10	-	-	274	284
	2,594	-	-	-	-	1,587	4,181
	-	-	-	-	-	-	2,504,732
	8,541	51	220	85	75	54	11,119
	-	-	-	-	-	23,999	174,758
	2,811	2,390	2,390	6,305	1,064	3,070	42,801
	-	-	-	-	-	-	76
	1,529	528	1,017	226	-	317	7,417
	-	-	-	-	-	-	-
	267	193	175	54	16	172	71,120
	335	290	220	321	27	374	4,972
	-	-	-	55	-	-	8,390
	-	-	-	33	-	616	920
	4,599	299	309	190	130	1,793	9,540
	99	399	310	-	-	75	2,717
	4,404	3,809	3,807	23,718	1,862	5,422	102,056
	178,643	26,311	13,595	792	37	10,672	585,616
	9,552	6,156	4,420	1,006	381	4,127	62,500
	4,950	3,632	2,875	2,096	577	2,839	44,621
	-	-	-	190	-	-	1,530
	-	-	-	-	-	-	-
	313,353	126,377	109,512	179,585	31,832	177,651	5,584,547
	13,882	9,174	6,524	4,520	424	6,209	79,729
\$	327,235	\$ 135,551	\$ 116,036	\$ 184,105	\$ 32,256	\$ 183,860	\$ 5,664,276

See independent auditor's report.