

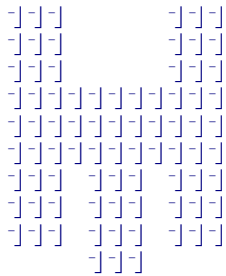
THE PALM BEACH COUNTY LITERACY COALITION, INC.
d/b/a
LITERACY COALITION OF PALM BEACH COUNTY

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018
(with comparable totals for June 30, 2017)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5-6
Consolidated Statement of Functional Expenses	7-8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9-19
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	20-21
SUPPLEMENTARY INFORMATION	
Consolidated Schedule of Program Expenses	22-23



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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, 2018, 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, 2018, 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 28, 2018, 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 22 and 23 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 28, 2018

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

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As of June 30, 2018

(with comparable totals for 2017)

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Current assets:				
Cash and cash equivalents	\$ 727,798	\$ 384,818	\$ 1,112,616	\$ 1,290,386
Receivables:				
Accounts receivable	451,114	-	451,114	271,648
Pledges receivable	2,900	113,000	115,900	144,882
Other receivables	30,750	-	30,750	20,650
Prepaid expenses	38,088	-	38,088	20,246
Total current assets	<u>1,250,650</u>	<u>497,818</u>	<u>1,748,468</u>	<u>1,747,812</u>
Board designated cash	810,352	-	810,352	1,308,948
Foundation investments	489,201	-	489,201	-
Property and equipment, net	2,923,580	-	2,923,580	2,973,176
Deposits	-	-	-	6,630
Total assets	<u>\$ 5,473,783</u>	<u>\$ 497,818</u>	<u>\$ 5,971,601</u>	<u>\$ 6,036,566</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 211,662	\$ -	\$ 211,662	\$ 204,961
Accrued payroll	87,393	-	87,393	68,504
Refundable advance	150,000	-	150,000	150,000
Deferred revenue	100	-	100	1,700
Total current liabilities	<u>449,155</u>	<u>-</u>	<u>449,155</u>	<u>425,165</u>
Net assets:				
Unrestricted:				
Undesignated	3,715,680	-	3,715,680	3,826,284
Board designated	1,308,948	-	1,308,948	1,308,948
Temporarily restricted	-	497,818	497,818	476,169
Total net assets	<u>5,024,628</u>	<u>497,818</u>	<u>5,522,446</u>	<u>5,611,401</u>
Total liabilities and net assets	<u>\$ 5,473,783</u>	<u>\$ 497,818</u>	<u>\$ 5,971,601</u>	<u>\$ 6,036,566</u>

See accompanying notes to financial statements.

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

**CONSOLIDATED STATEMENT OF
ACTIVITIES**

For the Year Ended June 30, 2018

(with comparable totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Public support and revenues				
Public support:				
Federal financial assistance	\$ 540,412	\$ -	\$ 540,412	\$ 518,695
Other grant assistance	2,838,669	-	2,838,669	2,832,609
Contributions	386,437	461,588	848,025	859,865
In-kind contributions	238,631	-	238,631	269,379
Revenues:				
Program service fees	224,448	-	224,448	238,148
Investment income	3,981	-	3,981	2,955
Foundation investment income	3,306	-	3,306	-
Foundation unrealized gain/(loss)	(12,443)	-	(12,443)	-
Special events	349,490	-	349,490	363,812
Total public support and revenues	4,572,931	461,588	5,034,519	5,085,463
Net assets released from restrictions	439,939	(439,939)	-	-
	<u>5,012,870</u>	<u>21,649</u>	<u>5,034,519</u>	<u>5,085,463</u>
Expenses				
Program services:				
After School Reads	127,447	-	127,447	123,851
Budding Readers	146,576	-	146,576	223,323
Building Better Readers	161,774	-	161,774	145,365
Early Literacy Book Distribution	124,494	-	124,494	109,322
Glades Family Education	307,813	-	307,813	295,385
Literacy AmeriCorps	935,372	-	935,372	1,013,852
Parent-Child Home	2,152,516	-	2,152,516	2,068,398
Reach Out and Read	230,095	-	230,095	219,435
Read Together	30,571	-	30,571	-
Turning Bullies into Buddies	118,326	-	118,326	115,118
Village Readers	164,545	-	164,545	155,478
Workplace & Community Education	78,287	-	78,287	57,019
Other Programs & Initiatives	35,873	-	35,873	53,491
	4,613,689	-	4,613,689	4,580,037
Support services:				
Management and general	250,298	-	250,298	260,674
Fundraising	259,487	-	259,487	310,706
Total expenses	5,123,474	-	5,123,474	5,151,417
Change in net assets	(110,604)	21,649	(88,955)	(65,954)
Net assets, beg of year	5,135,232	476,169	5,611,401	5,677,355
Net assets, end of year	<u>\$ 5,024,628</u>	<u>\$ 497,818</u>	<u>\$ 5,522,446</u>	<u>\$ 5,611,401</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, 2018

(with comparable totals for 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 4,076,622	\$ 4,873,397
Cash received from customers	214,348	237,399
Cash received from fundraising	347,891	365,512
Interest income	3,981	2,955
Foundation investment income	3,306	-
Cash paid to employees and suppliers for goods and services	<u>(4,761,236)</u>	<u>(4,797,421)</u>
Net cash (used in)/provided by operating activities	<u>(115,088)</u>	<u>681,842</u>
Cash flows from investing activities:		
Purchase of property and equipment	(59,634)	(8,562)
Purchase of Foundation investments	<u>(501,644)</u>	<u>-</u>
Net cash used in investing activities	<u>(561,278)</u>	<u>(8,562)</u>
Cash flows from financing activities:		
Proceeds from split-interest agreement	<u>-</u>	<u>376,059</u>
Net cash provided by financing activities	<u>-</u>	<u>376,059</u>
Net change in cash and cash equivalents	(676,366)	1,049,339
Cash and cash equivalents, beginning of year	<u>2,599,334</u>	<u>1,549,995</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,922,968</u></u>	<u><u>\$ 2,599,334</u></u>
Cash and cash equivalents:		
Available for operations	\$ 1,112,616	\$ 1,290,386
Available for long-term purposes, subject to variance power	<u>810,352</u>	<u>1,308,948</u>
	<u><u>\$ 1,922,968</u></u>	<u><u>\$ 2,599,334</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, 2018

(with comparable totals for 2017)

	<u>2018</u>	<u>2017</u>
Reconciliation of change in net assets to net cash (used in)/provided by operating activities:		
Change in net assets	\$ (88,955)	\$ (65,954)
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation	114,230	107,955
Unrealized loss in Foundation investments	12,443	-
In-kind donation of fixed asset	(5,000)	
Decrease (increase) in certain assets:		
Accounts receivable	(179,466)	131,341
Pledges receivable	28,982	480,886
Other receivables	(10,100)	(750)
Prepaid expenses	(17,842)	(3,510)
Deposits	6,630	(6,480)
Increase (decrease) in certain liabilities:		
Accounts payable	6,701	(12,701)
Accrued payroll	18,889	(645)
Refundable advance	-	50,000
Deferred revenue	(1,600)	1,700
Net cash (used in)/provided by operating activities	<u>\$ (115,088)</u>	<u>\$ 681,842</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2018

	Program Services	
	2018	2017
Salaries and wages	\$ 1,530,637	\$ 1,607,479
Payroll taxes	125,630	130,981
Employee benefits	195,103	171,777
Total salaries and related expenses	1,851,370	1,910,237
Advertising and promotion	1	818
Event expense	8,407	10,071
Grants paid	1,822,755	1,762,089
Dues and subscriptions	6,291	6,913
In-kind expenses	164,304	156,394
Insurance	35,295	33,417
Licenses and taxes	1,138	18
Local travel	15,947	17,644
Miscellaneous expense	30	-
Occupancy	73,248	70,640
Office supplies and expense	6,438	6,775
Outside services	-	60
Personnel expenses	24,944	25,878
Postage	3,366	5,026
Printing	23,686	22,679
Professional development	17,778	21,481
Professional fees	73,255	58,891
Program supplies	377,810	348,545
Repairs and maintenance	33,658	32,189
Utilities	39,733	57,723
Volunteer recognition	144	331
Total expenses before depreciation	4,579,598	4,547,819
Depreciation	34,091	32,218
Total expenses	<u>\$ 4,613,689</u>	<u>\$ 4,580,037</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

(with comparable totals for 2017)

Support Services				Totals	
Management and General		Fundraising			
2018	2017	2018	2017	2018	2017
\$ 85,714	\$ 117,448	\$ 83,130	\$ 88,354	\$ 1,699,481	\$ 1,813,281
6,540	8,707	6,342	6,550	138,512	146,238
9,518	9,418	9,231	7,087	213,852	188,282
101,772	135,573	98,703	101,991	2,051,845	2,147,801
1,347	750	1,298	145	2,646	1,713
-	8	46,925	61,576	55,332	71,655
-	-	-	-	1,822,755	1,762,089
4,035	2,774	963	863	11,289	10,550
90	-	69,237	112,985	233,631	269,379
2,998	2,903	2,402	2,166	40,695	38,486
5,555	6,451	-	220	6,693	6,689
993	1,050	1,668	1,361	18,608	20,055
73	3,097	3,174	5,173	3,277	8,270
230	195	2,602	21	76,080	70,856
6,067	8,256	4,240	4,705	16,745	19,736
-	-	-	-	-	60
120	-	-	181	25,064	26,059
526	1,189	1,463	3,602	5,355	9,817
2,493	3,253	3,750	3,669	29,929	29,601
2,644	200	163	-	20,585	21,681
24,365	11,589	6,334	3,364	103,954	73,844
1,248	1,064	10,150	1,234	389,208	350,843
14,159	6,695	1,702	2,021	49,519	40,905
3,641	2,441	2,014	2,719	45,388	62,883
502	-	-	159	646	490
172,858	187,488	256,788	308,155	5,009,244	5,043,462
77,440	73,186	2,699	2,551	114,230	107,955
<u>\$ 250,298</u>	<u>\$ 260,674</u>	<u>\$ 259,487</u>	<u>\$ 310,706</u>	<u>\$ 5,123,474</u>	<u>\$ 5,151,417</u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2018

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"). As of June 30, 2017 the Foundation was not funded. 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. This fiscal year the Coalition funded the Foundation with \$500,000 of the Coalition's board designated net assets from the prior year. 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.

Method of Accounting

The consolidated 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 transactions (except income and gains on assets that are restricted by donors or by law) are included as unrestricted net assets.

For the Year Ended June 30, 2018

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

Financial Statement Presentation, continued

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, 2018.

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.

Pledges Receivable

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 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 Equivalents

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

For the Year Ended June 30, 2018

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

Investments

The investments are held by the Foundation and 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. 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. Investment income includes interest and dividends.

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 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 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 \$238,631 are reflected in the statement of activities as part of public support.

For the Year Ended June 30, 2018

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

Advertising

The Coalition expenses advertising costs as incurred. Actual expenditures for advertising costs for the year ended June 30, 2018 was \$2,646.

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 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, 2018. 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, 2017, from which the summarized information was derived. Certain 2017 amounts may be reclassified to conform to 2018 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

For the Year Ended June 30, 2018

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

Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued Accounting Standards Updates (ASUs) that affect the accounting and reporting of not-for-profit entities. The FASB issued ASU 2016-02, *Leases (Topic 842)*, which does not take effect until the Coalition's fiscal year ending June 2021, and provides new guidance for leases, such that virtually all leases will be capitalized and create "right of use" assets along with associated liabilities. This standard will impact the interpretation of certain Coalition transactions, and management is evaluating the effect that the updated standard will have on the consolidated financial statements. ASU 2016-14, *Not-for-Profit Entities (Topic 958)*, imposes new requirements for the presentation and disclosure of not-for-profit financial statements, including a reduction in the number of net asset categories from 3 classes to 2 classes, a requirement to present a statement of functional expenses, a requirement to disclose the quantitative and qualitative aspects of its liquidity, in addition to other provisions. This ASU will be effective for the Coalition's next fiscal period ending June 30, 2019. As with the new guidance on leasing, management is evaluating the effect that this updated standard will have on the consolidated financial statements.

2. **Program Services**

The following programs and supporting services are included in the accompanying consolidated 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.
- 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.
- 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 three 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 birth to five year old well-child checkups.

For the Year Ended June 30, 2018

2. Program Services, continued

- 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. As of Fall 2017, the Read Together event is held every year where thousands of people read and discuss the book selected.
- 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.
- Other Programs & Initiatives – These are small programs not financially significant enough to have their own column in the schedule of program expenses, or program initiatives, which are still program related, not ongoing, but short-term activities such as the Read for the Record, or the Adult Essay Contest.

3. 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.

For the Year Ended June 30, 2018

3. Investments and Fair Value, continued

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, 2018.

Foundation investments: Valued at net asset value ("NAV") 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 Foundation's investments at fair value as of June 30, 2018.

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foundation Investments:				
Bank Deposit Sweep	\$ 6,953	\$ -	\$ -	\$ 6,953
Equity – Mutual Funds	239,459	-	-	239,459
Fixed Income – Mutual Funds	98,339	-	-	98,339
Equity – Exchg Traded Products	<u>144,450</u>	<u>-</u>	<u>-</u>	<u>144,450</u>
Total investments at fair value	<u>\$ 489,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,201</u>

4. Receivables

As of June 30, 2018, the Coalition held the following receivables and allocations, all of which are deemed fully collectible within a year:

Accounts receivable:	
Children's Services Council	\$ 215,830
Volunteer Florida	200,557
Prime Time Palm Beach County	31,677
Palm Beach County Library	<u>3,050</u>
	<u>\$ 451,114</u>
Pledges receivable:	
Town of Palm Beach United Way	\$ 113,000
Other	<u>2,900</u>
	<u>\$ 115,900</u>
Other receivables:	
Lake Worth West Resident Planning Group, Inc.	\$ 22,000
Other	<u>8,750</u>
	<u>\$ 30,750</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.

For the Year Ended June 30, 2018

5. Property and Equipment

Property and equipment consist of the following:

Leasehold improvements	\$ 6,600
Office furniture and equipment	357,280
Computer software	128,421
Vehicles	75,564
Land (Literacy Center)	648,585
Building (Literacy Center)	<u>2,403,959</u>
	3,620,409
(Less) accumulated depreciation	(710,154)
Plus artwork (not depreciated)	<u>13,325</u>
	<u>\$ 2,923,580</u>

6. 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, 2018, was \$72,179, 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, 2018, is as follows:

Year ended June 30,	
2019	\$ 74,345
2020	<u>44,117</u>
Total	<u>\$ 118,462</u>

7. 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, 2018

8. Concentrations of Credit Risk

Government receivables account for approximately 75% 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, 2018, the Coalition had approximately \$1,400,000 in excess of insured limits.

9. 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, 2018 was \$21,047, and is reported under employee benefits in the statement of functional expenses.

10. Restriction and Designation of Net Assets

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

Budding Readers	\$ 10,000
Building Better Readers	14,000
Glades Family Education	247,500
Literacy AmeriCorps	18,000
Literacy Center	113,418
Reach Out and Read	2,400
Village Readers	<u>92,500</u>
	<u>\$ 497,818</u>

The allocation receivable from the Town of Palm Beach United Way of \$113,000 is restricted for both time and purpose; allocated between three of the purposes listed above. The Literacy Center restricted net assets of \$149,093 has its own separate bank account to support Literacy Center building expenses.

As of June 30, 2017, the Coalition's Board of Directors designated \$1,308,948 of its unrestricted net assets to support future needs and to set up an endowment in the subsequent year (See Note 1 *Organization and Nature of Activities*). This amount represents the initial and final cash receipts from the Groot estate as well as pledges received in the prior year. In the fiscal year of June 30, 2018, the Coalition did transfer \$500,000 to the Foundation and the Foundation invested the funds in an investment account (See Note 3 *Investments and Fair Value*). Given these financial statements are consolidated, the \$500,000 resides in the Foundation as designated, rather than in the Coalition, so the consolidated designated net assets remain the same as of June 30, 2018 as was for 2017.

For the Year Ended June 30, 2018

11. 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 board designated to be held for a specific purpose or in perpetuity and earnings on the endowment are unrestricted. 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 permanently restricted net assets (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. Currently there are no permanently restricted net assets in the endowment, as the only contribution to it was its initial funding this year from board designated net assets of the Coalition.

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, 2018

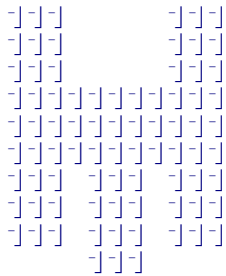
11. Endowment, continued

The changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Board Designated</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ -
Contributions	500,000	500,000
Investment return:		
Investment income	3,306	3,306
Investment expenses	(1,662)	(1,662)
Net unrealized gains/(losses)	(12,443)	(12,443)
Appropriation for expenditure	<u>-</u>	<u>-</u>
Endowment net assets, ending	\$ 489,201	\$ 489,201
Other Board designated net assets	<u>819,747</u>	<u>819,747</u>
Total Board designated net assets	<u>\$ 1,308,948</u>	<u>\$ 1,308,948</u>

12. Subsequent Events

Management has evaluated subsequent events through December 28, 2018, the date on which the consolidated financial statements were available to be issued, and determined there were no events to disclose in these consolidated 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 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, 2018, 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 December 28, 2018.

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. 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 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
December 28, 2018

SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2018

	After School Reads	Budding Readers	Building Better Readers	Early Literacy Book Distribution	Glades Family Education	Literacy AmeriCorps
Salaries and wages	\$ 82,033	\$ 96,036	\$ 115,178	\$ 25,134	\$ 170,665	\$ 586,636
Payroll taxes	6,637	7,812	9,185	2,010	15,411	48,088
Employee benefits	11,563	12,954	14,349	4,703	13,870	80,828
Total salaries and related expenses	100,233	116,802	138,712	31,847	199,946	715,552
Advertising and promotion	-	-	-	-	-	-
Conference expense	180	-	-	-	-	-
Grants paid	-	-	-	-	-	-
Dues and subscriptions	163	-	714	-	130	5,000
In-kind expenses	-	-	1,105	-	-	124,848
Insurance	1,635	6,508	1,447	564	4,081	11,181
Licenses and taxes	228	-	62	88	86	168
Local travel	2,399	119	607	620	2,535	3,599
Miscellaneous expense	-	-	-	-	-	-
Occupancy	30	105	56	15	72,635	105
Office supplies and expense	240	381	710	52	334	1,009
Outside services	-	-	-	-	-	-
Personnel expenses	-	-	490	-	-	22,647
Postage	133	467	233	67	67	475
Printing	617	2,161	1,712	309	2,259	2,370
Professional development	7,343	-	851	-	50	2,398
Professional fees	3,247	9,988	2,221	865	6,893	18,183
Program supplies	6,891	111	6,307	87,150	2,509	8,824
Repairs and maintenance	1,361	4,764	2,718	1,318	4,297	5,610
Utilities	1,805	4,086	2,604	680	9,716	6,492
Volunteer recognition	-	-	31	-	-	-
Total expenses before depreciation	126,505	145,493	160,579	123,574	305,539	928,460
Depreciation	942	1,083	1,195	920	2,274	6,912
Total expenses	\$ 127,447	\$ 146,576	\$ 161,774	\$ 124,494	\$ 307,813	\$ 935,372

See independent auditor's report.

CONSOLIDATED SCHEDULE OF PROGRAM EXPENSES

Parent-Child Home	Reach Out and Read	Turning Bullies into Buddies	Village Readers	Workplace & Community Education	Read Together	Other Programs & Initiatives	Total
\$ 122,746	\$ 85,927	\$ 69,852	\$ 125,851	\$ 43,319	\$ 2,113	\$ 5,147	\$ 1,530,637
9,851	6,891	5,449	10,255	3,487	161	393	125,630
17,584	15,680	10,093	10,542	2,131	235	571	195,103
150,181	108,498	85,394	146,648	48,937	2,509	6,111	1,851,370
-	-	-	-	-	1	-	1
-	5,736	2,491	-	-	-	-	8,407
1,822,755	-	-	-	-	-	-	1,822,755
69	-	120	75	20	-	-	6,291
-	2,800	-	-	22,335	8,797	4,419	164,304
2,767	1,947	1,487	2,630	1,048	-	-	35,295
407	-	99	-	-	-	-	1,138
839	1,127	2,911	603	225	176	187	15,947
-	-	-	30	-	-	-	30
107	105	30	30	30	-	-	73,248
1,402	503	212	171	109	10	1,305	6,438
-	-	-	-	-	-	-	-
1,585	-	-	222	-	-	-	24,944
783	467	133	133	133	-	275	3,366
2,219	5,599	1,057	1,137	617	1,651	1,978	23,686
4,434	-	1,686	1,016	-	-	-	17,778
19,738	2,988	2,307	5,248	1,252	-	325	73,255
120,254	89,214	15,963	2,311	112	17,200	20,964	377,810
4,754	4,754	1,360	1,363	1,359	-	-	33,658
4,315	4,658	2,202	1,712	1,463	-	-	39,733
-	-	-	-	68	-	45	144
2,136,610	228,395	117,452	163,329	77,709	30,345	35,608	4,579,598
15,906	1,700	874	1,216	578	226	265	34,091
\$ 2,152,516	\$ 230,095	\$ 118,326	\$ 164,545	\$ 78,287	\$ 30,571	\$ 35,873	\$ 4,613,689

See independent auditor's report.