

**KENOSHA LITERACY COUNCIL, INC.**

**KENOSHA, WISCONSIN**

**FINANCIAL STATEMENTS WITH  
AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

**ANDREA & ORENDORFF LLP  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Kenosha Literacy Council, Inc.

We have audited the accompanying financial statements of Kenosha Literacy Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenosha Literacy Council, Inc. as of June 30, 2014, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Kenosha Literacy Council's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Andrea & Orendorff LLP*

Andrea & Orendorff LLP  
Kenosha, Wisconsin  
November 14, 2014

**KENOSHA LITERACY COUNCIL, INC.**  
**Statement of Financial Position**  
**June 30, 2014**  
**With Comparative Totals as of June 30, 2013**

<b>Assets</b>	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and Cash Equivalents	\$ 27,259	\$ 36,623
Certificates of Deposit	10,019	10,019
Accounts Receivable (Net)	618	353
Prepaid Insurance	1,268	-
Total Current Assets	<u>39,164</u>	<u>46,995</u>
Fixed Assets		
Equipment, less accumulated depreciation of \$12,408	<u>6,449</u>	<u>11,648</u>
Total Fixed Assets	<u>6,449</u>	<u>11,648</u>
<b>Total Assets</b>	<u><u>\$ 45,613</u></u>	<u><u>\$ 58,643</u></u>
 <b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	\$ 4,460	\$ 3,837
Payroll Liabilities	<u>4,428</u>	<u>7,991</u>
Total Current Liabilities	<u>8,888</u>	<u>11,828</u>
Net Assets		
Unrestricted	<u>36,725</u>	<u>46,815</u>
Total Net Assets	<u>36,725</u>	<u>46,815</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 45,613</u></u>	<u><u>\$ 58,643</u></u>

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

**KENOSHA LITERACY COUNCIL, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**  
**With Comparative Totals For the Year Ended June 30, 2013**

	2014	2013
	<u>Unrestricted</u>	<u>Unrestricted</u>
Support and Revenue		
Contributions	\$ 11,536	\$ 14,457
United Way	21,055	18,322
Grants	54,667	56,521
Program and Material Fees (net of financial aid)	3,155	6,978
Special Events (net of expenses)	10,661	14,485
Miscellaneous Income	588	2,364
Investment Income	9	109
	<hr/>	<hr/>
Total Support and Revenue	101,671	113,236
Expenses		
Program Services		
Citizenship Class	16,523	15,532
Adult Learner Support	51,221	55,851
Tutor Training and Support	22,051	33,590
Management and General	21,966	27,767
Total Expenses	<hr/> 111,761	<hr/> 132,740
Change in Net Assets	(10,090)	(19,504)
Net Assets, Beginning of Year	46,815	66,319
Net Assets, End of Year	<hr/> <u>\$ 36,725</u>	<hr/> <u>\$ 46,815</u>

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

**KENOSHA LITERACY COUNCIL, INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**  
**With Comparative Totals For the Year Ended June 30, 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (10,090)	\$ (19,504)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	4,457	4,852
(Increase)/Decrease in Accounts Receivable	(265)	220
(Increase)/Decrease in Prepaid Expenses	(1,268)	-
Increase/(Decrease) in Accounts Payable	623	1,744
Increase/(Decrease) in Payroll Liabilities	(3,563)	6,264
Net Cash (Used)/Provided by Operating Activities	(10,106)	(6,424)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of Fixed Assets	742	-
Investment in Certificates of Deposit	-	(107)
Redemption of Certificate of Deposit	-	5,690
Net Cash (Used)/Provided by Investing Activities	742	5,583
Net Increase/(Decrease) in Cash and Cash Equivalents	(9,364)	(841)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,623	37,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 27,259	\$ 36,623

**SUPPLEMENTAL DISCLOSURE:**

No interest was paid

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

**KENOSHA LITERACY COUNCIL, INC.**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Kenosha Literacy Council, Inc. is a nonprofit corporation organized under the laws of the State of Wisconsin. The organization was established in 1965 and the mission of the Kenosha Literacy Council (the Council) is to “provide and promote literacy education in English to adults in Kenosha County with the assistance of trained volunteers.” The Council offers a wide range of services that help adults acquire the literacy skills they need to become successful students, workers, family members and community citizens by teaching basic reading and math skills to adults, conducting English language classes for immigrants and refugees, offering citizenship preparation classes, recruiting and training volunteers, and collaborating with other literacy providers in the community. The Council is mainly supported through grants, public contributions, nominal registration and material fees, and fundraising activities.

Accounting Method

The financial statements of the Council have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation & Contributions

Kenosha Literacy Council, Inc. is required to report information regarding its financial position and activities according to three classes of net assets. Under these provisions, net assets, revenues, expenses and gains/losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations and consist of the following categories:

Operating – General unrestricted net assets that are available for operations and donor-restricted contributions whose restrictions are met in the same reporting period.

Board Designated – Unrestricted net assets that have been designated by the Board of Directors to be used for future programs.



**KENOSHA LITERACY COUNCIL, INC.**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Financial Statement Presentation & Contributions (continued)

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Council and/or passage of time. These are donor-restricted contributions whose restrictions will not be met in the same reporting period.

Permanently Restricted Net Assets – Net assets permanently restricted by the donor.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fixed Assets

Fixed assets are recorded at historical cost or fair value if contributed. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Amounts over \$1,000 are generally capitalized and depreciated. Depreciation expense was \$4,457 for the year ended June 30, 2014.

Advertising

The Council expenses advertising costs as they are incurred. Ads were placed in the local newspaper to promote fundraising events and volunteer opportunities. For the year ended June 30, 2014, the advertising expense was \$510.

Accounts Receivable

The Council's accounts receivable net balance of \$618 consists of registration and material fees that will be paid by students after June 30, 2014. A \$560 allowance for doubtful accounts has been established and recorded in the financial statements. Management's review of the outstanding accounts receivable determined that balances greater than 90 days are deemed questionable as to their collectability. This \$560 was written off to the financial aid account. For more information regarding financial aid, see Note 6.

**KENOSHA LITERACY COUNCIL, INC.**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time spent. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets.

Income Tax Status

The Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Council has no obligation for any unrelated business income tax. At a minimum, the 2010 through 2012 tax years are open for examination by taxing authorities.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2013, from which the information is derived.

Contributed Services

A substantial number of volunteers have donated significant amounts of their time to the Council and its Adult Learner program; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

**KENOSHA LITERACY COUNCIL, INC.**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 2 – CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS**

At June 30, 2014, the Council had no cash balances in excess of \$250,000 in banks which are insured by the Federal Deposit Insurance Corporation up to that amount.

**NOTE 3 – SPECIAL EVENTS**

Special events revenue on the statement of activities is shown net of all expenses related to all of the events held during the fiscal year. Special events revenue totaled \$20,917 while the special events expense totaled \$10,256, netting to \$10,661 as of June 30, 2014. The 2013 summarized financials reflect special events revenue totaling \$20,120 while the special events expense totaled \$5,635, netting to \$14,485 as of June 30, 2013.

**NOTE 4 – LINE OF CREDIT**

The Council has a \$15,000 on demand line of credit. Amounts borrowed under this agreement bear a 7% interest rate. As of June 30, 2014, the balance was zero and no interest was paid during the fiscal year. The line of credit is secured by the Council's assets.

**NOTE 5 – COOPERATIVE AGREEMENT**

Beginning July 1, 2004, the Council entered into a Cooperative Services Agreement with the Kenosha Public Library at the Uptown Library located at 2419 – 63<sup>rd</sup> Street. Under this agreement, portions of the Library are used for Council administration offices and workspace. The term of the agreement is for ten years but may be terminated by either party for any reason, or no reason, upon giving a one-year notice.

Under the terms of the agreement, Kenosha Literacy Council, Inc. shall pay Kenosha Public Library a quarterly occupancy payment. Under the terms of the lease, the Council pays the Library \$1,500 per quarter. Total rent paid during the fiscal year was \$6,000.

**NOTE 6 – FINANCIAL AID**

On the Statement of Activities, the student program and material fees are shown net of financial aid given to the students. There is generally a \$25 fee to register and a \$10 - \$20 charge for workbooks. Students, who are unable to pay, receive financial aid to encourage them to continue in the program and improve their skills. Financial aid is given in the form of discounts on registration fees when the student is billed. Discounts given to students totaled \$2,050 for the year ending June 30, 2014.

**KENOSHA LITERACY COUNCIL, INC.**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7 – OPERATING LEASE**

The Council entered into a copier lease agreement effective June 30, 2014. The agreement includes the lease of the equipment and servicing of the equipment for a 60 month period at \$114.48 per month plus any applicable fees and image charges. The Council has the option to purchase the copier at the end of the lease for the fair market value. Future lease payments are as follows for the periods ending:

June 30, 2015	\$ 1,374
June 30, 2016	1,374
June 30, 2017	1,374
June 30, 2018	1,374
June 30, 2019	<u>1,373</u>
Total	<u><u>\$ 6,869</u></u>

**NOTE 8 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 14, 2014, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.