

***LITERACY COUNCIL OF NORTHERN
VIRGINIA, INC.***

FINANCIAL STATEMENTS

JUNE 30, 2009



HALT BUZAS & POWELL, LTD
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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HALT BUZAS & POWELL, LTD
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Literacy Council of Northern Virginia, Inc.
Falls Church, VA

We have audited the accompanying statement of financial position of Literacy Council of Northern Virginia, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council's 2008 financial statements and, in our report dated October 01, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Council of Northern Virginia, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

September 28, 2009

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
 STATEMENT OF FINANCIAL POSITION
 (with summarized financial information for 2008)

	June 30,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 145,909	\$ 229,604
Accounts receivable	2,533	7,761
Grants receivable	67,284	144,470
Inventory	20,707	29,678
Prepaid expenses	8,200	6,839
Total current assets	244,633	418,352
Investments	701,390	879,851
Property and equipment, net	27,413	22,509
Total assets	\$ 973,436	\$ 1,320,712
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 9,372	\$ 2,202
Accrued payroll	5,511	-
Accrued vacation	14,426	12,061
Accrued payroll liabilities	17,238	16,003
Total current liabilities	46,547	30,266
Net assets:		
Unrestricted	844,496	1,280,446
Temporarily restricted	82,393	10,000
Total net assets	926,889	1,290,446
Total liabilities and net assets	\$ 973,436	\$ 1,320,712



See notes to financial statements

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.

STATEMENT OF ACTIVITIES

(with summarized financial information for 2008)

	For the Year Ended June 30,			
	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
Revenues:				
Contributions and grants	\$ 538,925	\$ 114,817	\$ 653,742	\$ 681,765
Contributed volunteer services, in-kind donations	855,073	-	855,073	666,070
Special fundraising events	21,782	-	21,782	39,991
Workshop and student fees	53,716	-	53,716	33,729
Sales	1,422	-	1,422	3,194
Investment loss	(173,195)	-	(173,195)	(132,582)
Loss on disposal	(748)	-	(748)	-
Net assets released from restrictions:				
Satisfaction of grant restrictions	<u>42,424</u>	<u>(42,424)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,339,399</u>	<u>72,393</u>	<u>1,411,792</u>	<u>1,292,167</u>
Expenses:				
Program services	<u>1,639,344</u>	<u>-</u>	<u>1,639,344</u>	<u>1,412,410</u>
Support services:				
General and administrative	82,298	-	82,298	86,180
Fundraising	<u>53,707</u>	<u>-</u>	<u>53,707</u>	<u>41,791</u>
Total support services	<u>136,005</u>	<u>-</u>	<u>136,005</u>	<u>127,971</u>
Total expenses	<u>1,775,349</u>	<u>-</u>	<u>1,775,349</u>	<u>1,540,381</u>
Net (decrease) increase in net assets	(435,950)	72,393	(363,557)	(248,214)
Net assets, beginning of year	<u>1,280,446</u>	<u>10,000</u>	<u>1,290,446</u>	<u>1,538,660</u>
Net assets, end of year	<u>\$ 844,496</u>	<u>\$ 82,393</u>	<u>\$ 926,889</u>	<u>\$ 1,290,446</u>

See notes to financial statements



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 (with summarized financial information for 2008)

For the Year Ended June 30,					
	Program services	General and administrative	Fundraising	2009 Total	2008 Total
Advertising	\$ 1,191	\$ 110	\$ 84	\$ 1,385	\$ 615
Bad debt expense	-	-	-	-	600
Depreciation	7,836	1,374	339	9,549	8,968
Dues and memberships	1,647	156	109	1,912	1,028
Employee benefits	17,478	1,606	1,237	20,321	20,394
Events	5,698	526	399	6,623	9,633
Insurance	3,580	331	250	4,161	6,109
Payroll taxes	41,816	3,855	2,941	48,612	41,993
Postage and shipping	3,126	2,436	1,974	7,536	9,287
Printing and publications	12,622	2,178	245	15,045	21,519
Professional fees	108,140	9,969	7,606	125,715	110,555
Program books & supplies	45,737	7	100	45,844	43,223
Recruitment	2,493	230	175	2,898	5,767
Repairs and maintenance	3,696	723	141	4,560	4,560
Rent	65,651	12,838	2,511	81,000	97,200
Salaries	481,202	42,685	33,844	557,731	477,698
Salaries - AmeriCorps	78,189	-	-	78,189	68,190
Supplies	13,408	1,237	943	15,588	17,968
Telephone	6,491	598	457	7,546	6,750
Travel	5,438	922	107	6,467	9,256
Volunteer tutoring and teaching services	696,224	-	-	696,224	568,208
Other expenses	2,935	289	182	3,406	3,462
AmeriCorps Expenses	6,534	-	-	6,534	7,398
Student incentives	28,212	228	63	28,503	-
Total expenses	\$ 1,639,344	\$ 82,298	\$ 53,707	\$ 1,775,349	\$ 1,540,381

See notes to financial statements.



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
STATEMENT OF CASH FLOWS
(with summarized financial information for 2008)

	For the Year Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net decrease in net assets	\$ (363,557)	\$ (248,214)
Adjustments to reconcile net decrease in net assets to net cash used in operating activities:		
Depreciation	9,549	8,968
Net realized and unrealized loss on investments	206,291	211,038
Loss on disposal of assets	748	-
Decrease (increase) in assets:		
Accounts receivable	5,228	(5,808)
Inventory	8,971	(4,100)
Prepaid expenses	(1,360)	2,608
Grants receivable	77,186	(119,451)
Increase (decrease) in liabilities:		
Accounts payable	7,170	488
Accrued payroll	5,511	(13,075)
Accrued vacation	2,364	(53)
Accrued payroll liabilities	1,235	(388)
Total adjustments	322,893	80,227
Net cash used in operating activities	(40,664)	(167,987)
Cash flows from investing activities:		
Purchase of property and equipment	(15,201)	(4,076)
Purchase of investments	(28,959)	(68,166)
Proceeds from sales of investments	1,129	110,877
Net cash provided by (used in) investing activities	(43,031)	38,635
Net decrease in cash	(83,695)	(129,352)
Cash, beginning of year	229,604	358,956
Cash, end of year	\$ 145,909	\$ 229,604

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See notes to financial statements

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
STATEMENT OF CASH FLOWS
(with summarized financial information for 2008)

	For the Year Ended June 30,	
	<u>2009</u>	<u>2008</u>
Supplemental disclosures of cash flow information:		
Donated services and materials	\$ <u>774,073</u>	\$ <u>568,208</u>
Donated rent	\$ <u>81,000</u>	\$ <u>97,200</u>



See notes to financial statements

LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. Organization

The Literacy Council of Northern Virginia, Inc. (the Council) is an educational organization founded in 1962 to recruit and train volunteers to tutor adults in the Northern Virginia community who need to develop their basic reading, writing, and English speaking skills.

2. Summary of significant accounting policies

Cash and cash equivalents

For purposes of the statement of cash flows, the Council considers all checking, money market and certificates of deposit with an original maturity of twelve months or less to be cash equivalents.

Accounts receivable

No allowance for uncollectible accounts receivable has been established since management of the Council believes all receivables, including grants receivables, are fully collectible.

Credit risk

At times throughout the year, the Council has deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. There were no deposits in excess of FDIC limits at June 30, 2009. At June 30, 2008, the Council had bank deposits in excess of FDIC limits of \$9,962.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method and using a retail inventory valuation method consistent with prior years. Inventory consists principally of textbooks.



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Property and equipment

Furniture, equipment and library books are capitalized at historical cost and depreciated on the straight-line basis over estimated useful lives of three to seven years. Furniture and equipment with useful lives exceeding one year and costing at least \$500, and all library books, are capitalized.

Income taxes

The Council is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. The Council is taxed on net income from unrelated business activities. There was no income derived from unrelated business during the years ended June 30, 2009 and 2008.

Accounting for uncertain tax positions

In June 2006, the FASB issued Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Accordingly, the Organization has not applied FIN 48 because SFAS No. 109 is not applicable since the Organization is exempt from federal and state income taxes and no provision for federal or state taxes is reflected in the financial statements.



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Basis of presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Non-Profit Organizations* and SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 117, the Council is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset or program 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 Council's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Restricted and unrestricted revenue and support

Unconditional promises to give are recorded as contributions at their net realizable value in the year in which the promise is made. All contributions are available for unrestricted purposes unless specifically restricted by the donor.

The Council reports grants, contracts, and gifts of cash and other assets as restricted support (temporarily restricted or permanently restricted, depending on the nature of the restriction) if they are received with donor stipulations that limit the use of the assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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 restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Allocation of expenses

Certain expenses are allocated among program and support services based on estimates made by management.

Use of estimates

The preparation of financial statements in conformity with U.S. 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 and their functional allocation during the reporting period. Actual results could differ from those estimates.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

Donated goods and services

The Council receives donated services as a significant and integral part of its efforts. The Council records donated services as both revenue and expense. The Council also receives other services which are neither recorded as revenue, nor expense and are not included in the financial statements. For the years ended June 30, 2009 and 2008, the number of such hours contributed was 3,198 and 2,306, respectively.

Volunteers provide the majority of all the tutoring services provided by the Council along with other classroom services. For the years ended June 30, 2009 and 2008, the number of hours contributed was 35,305 and 30,288, respectively. These hours are multiplied by the value of volunteer time based on the Virginia Employment Commission average hourly earnings. The Virginia average hourly value of volunteer time for the years ended June 30, 2009 and 2008 was \$19.72 and \$18.76, respectively. The value of these services for the years ended June 30, 2009 and 2008 was \$696,224 and \$568,208, respectively.



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The Council receives 4,050 square feet of donated space from the county government in which to operate. The space was valued at \$20 and \$24 per square foot for the years ended June 30, 2009 and 2008, respectively. The total value of the donated space for the years ended June 30, 2009 and 2008 was \$81,000 and \$97,200, respectively.

The Council also receives donated professional services, equipment, supplies and other items which are recorded at fair market value on the date of donation. The value of these donated services and items totaled \$77,850 and \$662 for the years ended June 30, 2009 and 2008, respectively.

3. Restatement of in-kind services

The previously reported value of tutoring services for the year ended June 30, 2008 was incorrect. Accordingly, contributed volunteer services revenue and expenses were corrected to reflect all tutoring hours contributed during the year ended June 30, 2008. Contributed volunteer services and volunteer tutoring and teaching services were increased by \$176,270. The restatement did not effect net assets at June 30, 2008.



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Investments

Investments are stated at fair market value. Fair market value has been determined under level 1 inputs, which are from quoted prices in active markets for the securities owned. Investments at fair market value are comprised of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Cash	\$ 5,481	\$ 1,914
Equity	633,118	818,775
Bonds	<u>62,791</u>	<u>59,162</u>
Total investments	<u>\$ 701,390</u>	<u>\$ 879,851</u>

Investment income is comprised of the following for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 33,096	\$ 78,456
Unrealized loss	(206,291)	(221,915)
Realized gain	<u>-</u>	<u>10,877</u>
Total investment loss	<u>\$ (173,195)</u>	<u>\$ (132,582)</u>



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

5. Property and equipment

The following is a summary of property and equipment held as of June 30:

	<u>2009</u>	<u>2008</u>
Library	\$ 18,073	\$ 15,110
Office equipment	<u>69,157</u>	<u>75,077</u>
Subtotal	87,230	90,187
Accumulated depreciation	<u>(59,817)</u>	<u>(67,678)</u>
Total	<u>\$ 27,413</u>	<u>\$ 22,509</u>

Depreciation of property and equipment for the years ended June 30, 2009 and 2008 was \$9,549 and \$8,968, respectively.

6. Commitments and contingencies

Operating leases

In October 2008, the Council entered into two 57 month lease agreements for a postage meter and scale. Leases require monthly rent payments of \$141. Total rent expenses for the year ended June 30, 2009 was \$1,438.

Aggregate future minimum lease payments are as follows:

For fiscal years ending in:	<u>Equipment</u> <u>leases</u>
2010	\$ 1,692
2011	1,692
2012	1,692
2013	<u>1,551</u>
Total	<u>\$ 6,627</u>



LITERACY COUNCIL OF NORTHERN VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

7. Temporarily restricted net assets

At June 30, 2009 and 2008, temporary restricted net assets were comprised of the following:

	2009	2008
Purpose restrictions:		
Family learning program	\$ -	\$ 10,000
Beverly M. Newport memorial student scholarship fund	11,408	-
Family learning books	1,169	-
Total-purpose restrictions	12,577	10,000
Time restriction	69,816	-
Total temporarily restricted net assets	\$ 82,393	\$ 10,000

8. Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Family learning program	\$ 10,000	\$ 20,000
Beverly M. Newport memorial student scholarship fund	28,593	-
Family learning books	3,831	-
Total net assets released from restrictions	\$ 42,424	\$ 20,000

