

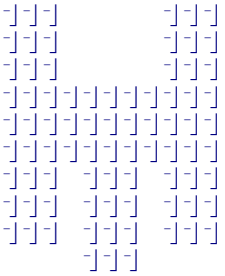
**THE PALM BEACH COUNTY LITERACY COALITION, INC.  
d/b/a  
LITERACY COALITION OF PALM BEACH COUNTY**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011  
(with comparable totals for June 30, 2010)**

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# Holyfield & Thomas, LLC

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## INDEPENDENT AUDITOR’S REPORT

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

We have audited the accompanying statement of financial position of The Palm Beach County Literacy Coalition, Inc. (a non-profit organization) as of June 30, 2011, and the related statements of activities, cash flows, and functional expenses, for the year then ended. These financial statements are the responsibility of The Palm Beach County Literacy Coalition, Inc.’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 Palm Beach County Literacy Coalition, Inc.’s 2010 financial statements and, in our report dated November 30, 2010, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Palm Beach County Literacy Coalition, Inc.’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The Palm Beach County Literacy Coalition, Inc. as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 on our consideration of The Palm Beach County Literacy Coalition, Inc.’s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of The Palm Beach County Literacy Coalition, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the schedule of program expenses is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the financial statements. The information has been subjected to the auditing procedures applied on the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
December 16, 2011

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

**STATEMENT OF FINANCIAL POSITION**

*As of June 30, 2011*

*(with comparable totals for 2010)*

<b>ASSETS</b>	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 501,043	\$ 1,274,150	\$ 1,775,193	\$ 1,027,044
Cash and cash equivalents - designated	427,717		427,717	-
Investments	241,230	-	241,230	400,397
Accrued interest	956	-	956	3,284
<b>Receivables:</b>				
Grants	408,936	-	408,936	272,871
Program and other	13,760	-	13,760	32,947
United Way allocations	-	101,000	101,000	76,000
Promises to give - new Literacy Center	-	552,391	552,391	-
Prepaid expenses	1,410	-	1,410	1,421
<b>Total current assets</b>	<b>1,595,052</b>	<b>1,927,541</b>	<b>3,522,593</b>	<b>1,813,964</b>
Property and equipment, net	133,753	-	133,753	74,645
Split interest agreements	-	259,740	259,740	239,591
Deposits	10,151	50,000	60,151	971
Promise to give, non- current - new Literacy Center	-	372,000	372,000	-
<b>Total assets</b>	<b>\$ 1,738,956</b>	<b>\$ 2,609,281</b>	<b>\$ 4,348,237</b>	<b>\$ 2,129,171</b>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>				
Accounts payable	\$ 118,668	\$ -	\$ 118,668	\$ 112,588
Accrued payroll	27,459	-	27,459	18,270
Deferred revenue	11,100	-	11,100	5,500
<b>Total current liabilities</b>	<b>157,227</b>	<b>-</b>	<b>157,227</b>	<b>136,358</b>
<b>Net Assets:</b>				
<b>Unrestricted:</b>				
Undesignated	1,154,012	-	1,154,012	1,551,042
Board designated	427,717	-	427,717	-
Temporarily restricted	-	2,609,281	2,609,281	441,771
<b>Total net assets</b>	<b>1,581,729</b>	<b>2,609,281</b>	<b>4,191,010</b>	<b>1,992,813</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,738,956</b>	<b>\$ 2,609,281</b>	<b>\$ 4,348,237</b>	<b>\$ 2,129,171</b>

*See accompanying notes to financial statements.*

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

**STATEMENT OF ACTIVITIES**

*For the Year Ended June 30, 2011*

*(with comparable totals for 2010)*

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
<b>Public Support and Revenues</b>				
Public Support:				
Federal financial assistance	\$ 830,579	\$ -	\$ 830,579	\$ 513,405
United Way allocations	87,823	102,623	190,446	184,446
Parent-Child Home sub-contracted	1,375,646	-	1,375,646	1,469,258
Literacy Center contributions	-	2,191,220	2,191,220	-
Other contributions and grants	1,165,414	-	1,165,414	1,279,258
Change in split interest agreements	-	20,149	20,149	239,591
In-kind contributions	173,850	-	173,850	224,287
Revenues:				
Program service fees	245,809	-	245,809	152,817
Memberships	19,475	-	19,475	12,675
Investment income	9,281	-	9,281	16,626
Special events	203,314	-	203,314	194,400
	<u>4,111,191</u>	<u>2,313,992</u>	<u>6,425,183</u>	<u>4,286,763</u>
Net assets released from restrictions	146,482	(146,482)	-	-
Total public support and revenues	<u>4,257,673</u>	<u>2,167,510</u>	<u>6,425,183</u>	<u>4,286,763</u>
<b>Expenses</b>				
Program services:				
Glades Family Education	301,032	-	301,032	341,762
Village Readers	155,086	-	155,086	159,411
Community Outreach	166,805	-	166,805	167,282
Literacy* AmeriCorps	799,940	-	799,940	514,691
Regional Training Center	121,051	-	121,051	96,793
Budding Readers	402,356	-	402,356	328,131
Reach Out and Read	120,837	-	120,837	103,913
Workforce & Community Education	100,878	-	100,878	94,069
After School Reads	158,092	-	158,092	116,596
Care to Read	66,499	-	66,499	122,692
Read Together	-	-	-	165,684
Parent-Child Home	1,399,891	-	1,399,891	1,352,820
Other programs	27,225	-	27,225	22,684
	<u>3,819,692</u>	<u>-</u>	<u>3,819,692</u>	<u>3,586,528</u>
Support services:				
Management and general	124,516	-	124,516	130,636
Fundraising	282,778	-	282,778	172,682
Total expenses	<u>4,226,986</u>	<u>-</u>	<u>4,226,986</u>	<u>3,889,846</u>
Change in net assets	30,687	2,167,510	2,198,197	396,917
Net assets, beginning of year	1,551,042	441,771	1,992,813	1,595,896
Net assets, end of year	<u>\$ 1,581,729</u>	<u>\$ 2,609,281</u>	<u>\$ 4,191,010</u>	<u>\$ 1,992,813</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF CASH FLOWS**

***For the Year Ended June 30, 2011***

***(with comparable totals for 2010)***

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 4,867,661	\$ 3,320,011
Cash received from customers	244,634	151,342
Cash received from fundraising	203,314	186,000
Cash received from memberships	19,475	12,675
Interest income	11,609	19,862
Cash paid to employees and suppliers for goods and services	<u>(4,247,227)</u>	<u>(3,530,348)</u>
Net cash provided by operating activities	<u>1,099,466</u>	<u>159,542</u>
Cash flows from investing activities:		
Purchase of property and equipment	(82,767)	(17,150)
Purchase of certificates of deposit	(241,230)	(400,397)
Redemption of certificates of deposit	<u>400,397</u>	<u>606,379</u>
Net cash provided by investing activities	<u>76,400</u>	<u>188,832</u>
Net increase in cash and cash equivalents	1,175,866	348,374
Cash and cash equivalents, beginning of year	<u>1,027,044</u>	<u>678,670</u>
Cash and cash equivalents, end of year	<u>\$ 2,202,910</u>	<u>\$ 1,027,044</u>
Cash and cash equivalents	\$ 1,775,193	\$ 1,027,044
Cash and cash equivalents - designated	<u>427,717</u>	<u>-</u>
	<u>\$ 2,202,910</u>	<u>\$ 1,027,044</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF CASH FLOWS**

*For the Year Ended June 30, 2011*

*(with comparable totals for 2010)*

	<u>2011</u>	<u>2010</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 2,198,197	\$ 396,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,659	29,705
Change in fair value of split interest agreements	(20,149)	-
Changes in operating assets and liabilities:		
Accrued interest	2,328	3,236
Grants receivable	(136,065)	(89,895)
Program and other receivables	19,187	(1,474)
United Way allocations receivable	(25,000)	(36,462)
Promises to give - new Literacy Center	(924,391)	-
Prepaid expenses	11	(755)
Split interest agreements	-	(239,591)
Deposits	(59,180)	2,600
Accounts payable	6,080	98,367
Accrued payroll	9,189	5,294
Deferred revenue	5,600	(8,400)
Net cash provided by operating activities	<u>\$ 1,099,466</u>	<u>\$ 159,542</u>

*See accompanying notes to financial statements.*

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

***For the Year Ended June 30, 2011***

	<u>Program Services</u>	
	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 1,601,495	\$ 1,360,128
Payroll taxes	152,860	112,934
Employee benefits	168,871	131,075
Total salaries and related expenses	1,923,226	1,604,137
Advertising and promotion	2,900	6,355
Conference expense	31,124	55,217
Grants paid	1,187,910	1,159,153
Dues and subscriptions	832	1,109
In-kind expenses:	-	
Advertising and promotion	32,320	149,239
Books and supplies	12,852	18,224
Professional fees	12,736	12,472
Insurance	12,503	11,346
Licenses and taxes	80	210
Local travel	34,035	32,427
Miscellaneous expense	531	430
Occupancy	129,399	125,501
Office supplies and expense	20,647	24,251
Outside services	45,916	39,751
Personnel expenses	2,821	3,825
Postage	5,284	5,953
Printing	24,146	19,412
Professional development	45,016	41,420
Professional fees	55,035	40,550
Program supplies	194,731	196,808
Utilities	25,484	20,940
Volunteer recognition	1,767	2,186
Total expenses before depreciation	3,801,295	3,570,916
Depreciation	18,397	15,612
Total expenses	<u>\$ 3,819,692</u>	<u>\$ 3,586,528</u>

*See accompanying notes to financial statements.*

**STATEMENT OF FUNCTIONAL EXPENSES**

*(with comparable totals for 2010)*

Support Services					
Management & General		Fundraising		Totals	
2011	2010	2011	2010	2011	2010
\$ 66,589	\$ 70,876	\$ 73,536	\$ 58,334	\$ 1,741,620	\$ 1,489,338
8,521	2,882	7,262	4,643	168,643	120,459
10,089	9,299	8,588	6,252	187,548	146,626
85,199	83,057	89,386	69,229	2,097,811	1,756,423
-	410	-	500	2,900	7,265
-	-	63,367	48,152	94,491	103,369
-	-	-	-	1,187,910	1,159,153
1,571	664	-	300	2,403	2,073
-	-	-	-	-	-
-	-	111,304	40,908	143,624	190,147
-	-	3,481	2,249	16,333	20,473
636	730	521	466	13,893	13,668
321	613	404	241	13,228	12,200
420	420	-	-	500	630
3,445	2,851	866	542	38,346	35,820
224	509	-	-	755	939
7,142	6,976	3,978	3,946	140,519	136,423
6,331	6,213	178	213	27,156	30,677
719	341	-	-	46,635	40,092
-	-	-	-	2,821	3,825
1,150	1,178	1,072	1,046	7,506	8,177
2,281	1,853	3,870	1,400	30,297	22,665
1,277	1,834	66	25	46,359	43,279
5,817	4,882	1,394	1,105	62,246	46,537
736	783	2,147	1,744	197,614	199,335
1,388	1,145	744	521	27,616	22,606
597	2,084	-	95	2,364	4,365
119,254	116,543	282,778	172,682	4,203,327	3,860,141
5,262	14,093	-	-	23,659	29,705
<u>\$ 124,516</u>	<u>\$ 130,636</u>	<u>\$ 282,778</u>	<u>\$ 172,682</u>	<u>\$ 4,226,986</u>	<u>\$ 3,889,846</u>

*See accompanying notes to financial statements.*

*For the Year Ended June 30, 2011*

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

*Organization and Nature of Activities*

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

*Method of Accounting*

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

*Financial Statement Presentation*

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

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

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

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

*Permanently Restricted Net Assets*: this classification includes those net assets that must be maintained in perpetuity. Permanently restricted net assets increase when the Coalition receives contributions for which donor-imposed restrictions limiting the Coalition's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Coalition meeting certain requirements.

*For the Year Ended June 30, 2011*

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

*Contributions*

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

*Promises to Give*

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

*Use of Estimates*

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

*Cash equivalents*

Other than money market fund investments that are held in the investment portfolio, the Coalition considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 with a high credit standing. 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, 2011, the Center had approximately \$1,500,000 in excess of insured limits.

*Investments*

Certificates of deposits held by the Coalition that have an initial maturity of three months or more are classified as investments.

*For the Year Ended June 30, 2011*

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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 five–fifteen 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.

*Deferred Revenue*

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

*Donated Services and In-kind Support*

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

Donated services and in-kind support of approximately \$173,800 are reflected in the statement of activities as public support.

*Advertising*

The Coalition expenses advertising costs as incurred. Actual expenditures for advertising costs for the year ended June 30, 2011 was \$2,900.

*Expense Allocation*

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

For the Year Ended June 30, 2011

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

*Income Tax Status*

The Coalition is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Coalition qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization other than a private foundation under Section 509(a)(2). Amounts considered to be unrelated business income, if any, are taxed net of related expenses at corporate rates. The Coalition did not have any unrelated business income for the year ended June 30, 2011. There is no provision for income taxes reflected in the accompanying financial statements.

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

*Prior-year Comparable Information*

The financial statements include certain prior-year summarized comparative information in total, but not necessarily by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended June 30, 2010, from which the summarized information was derived. Certain 2010 amounts may be reclassified to conform to 2011 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

2. **Program Services**

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

- Glades Family Education Program – provides comprehensive literacy training for adults, children, and families in the Glades Tri-City area.
- Village Readers – provides comprehensive literacy training for adults, children, and families in the Delray Beach area.
- Community Outreach – recruits and refers to local programs, adults in need of literacy skills, and volunteers willing to be trained as tutors. A toll-free hotline is available for individuals to call and obtain information about literacy programs and educational opportunities.

*For the Year Ended June 30, 2011*

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**2. Program Services, continued**

- Literacy\* AmeriCorps – is a national service program that provides members of all ages and backgrounds, education awards, and a small living stipend in exchange for a commitment to community service. These members promote and provide literacy education and training throughout Palm Beach County.
- Regional Training Center – coordinates professional development opportunities for teachers and tutors in Palm Beach, Broward, Miami-Dade and Monroe counties.
- Budding Readers – recruits, trains, and places Learning Partner staff members who provide reading enrichment on a one-to-one basis to three year olds.
- Reach Out and Read – includes pediatricians who give books and prescriptions for reading to low income families.
- Workforce & 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.
- After School Reads – trains staff at after school programs on how to integrate reading and literacy strategies and activities into after school programs.
- Care to Read – trains childcare providers in childcare centers and family care homes on how to implement reading strategies throughout their programs. Books are provided to homes, centers, and visiting nurses.
- Read Together – a community-wide reading campaign coordinated by the Coalition, The Palm Beach Post, and the libraries of Palm Beach County to promote the common goal of literacy. The community votes on a book after which thousands of people read and discuss the book selected. This event is held every other year.
- Parent-Child Home – an intensive home visiting program sub-contracted with 5 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.

**3. Fair Value Measurements**

The Coalition applies the standards of FASB ASC 820, *Fair Valuation and Disclosures*. This standard defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and required expanded disclosures about fair value measurements.

The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

*For the Year Ended June 30, 2011*

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**3. Fair Value Measurements, continued**

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level of input that is significant to the fair value measurement of the instrument.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Coalition has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities of similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value estimates discussed herein are based upon certain market assumptions and the pertinent information available to management as of June 30, 2011. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2011.

*Investments* - consist of certificates of deposit valued at cost plus accrued interest at year end.

*Split interest agreements* - valued at the present value of the estimated future cash flows, using the life expectancy of the income beneficiary and a risk free discount rate of approximately 3.2%.

The following table sets forth by level, within the fair value hierarchy, the Coalition's assets at fair value as of June 30, 2011:

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Investments	\$ 241,230	\$ -	\$ -	\$ 241,230
Split interest agreements	-	-	259,740	259,740
	\$ 241,230	\$ -	\$ 259,740	\$ 500,970

*For the Year Ended June 30, 2011*

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**3. Fair Value Measurements, continued**

The table below sets forth a summary of changes in the fair value of the Coalition's level 3 assets for the year ended June 30, 2011.

	<u>Split Interest Agreements</u>
Balance, beginning of year	\$ 239,591
Change in present value of split interest agreement	20,149
Contributions (settlements)	<u>-</u>
Balance, end of year	<u>\$ 259,740</u>

**4. Grants Receivable, Program Receivables and United Way Allocations**

As of June 30, 2011, the Coalition held the following:

Grants receivable:	
Children's Services Council	\$ 196,471
Volunteer Florida	136,123
Prime Time	15,978
School District of Palm Beach County	60,364
	<u>\$ 408,936</u>
Program and other receivables:	
Program	\$ 7,476
Other receivables	6,284
	<u>\$ 13,760</u>
United Way Allocations:	
Town of Palm Beach United Way	<u>\$ 101,000</u>

**5. Promises to Give**

Promises to give relate to pledges received from various individuals, foundations, and corporate donors supporting the development of a new literacy center. The majority of pledges are due by December 13, 2013, are recorded at their net realizable value, and are deemed fully collectible. Accordingly, there is no provision for doubtful accounts.

Unconditional promises to give	<u>\$ 924,391</u>
Due: less than one year	\$ 552,391
One to two years	<u>372,000</u>
	<u>\$ 924,391</u>

*For the Year Ended June 30, 2011*

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**6. Property and Equipment**

Property and equipment consist of the following:

Leasehold improvements	\$ 11,726
Office furniture & equipment	144,462
Computer software	50,533
Vehicles	43,580
Construction in progress	68,224
	<u>318,525</u>
Less accumulated depreciation	184,772
	<u><u>\$ 133,753</u></u>

The Coalition's construction in progress includes engineering and architectural fees associated with the development of a new Literacy Center to be located in Boynton Beach, Florida. Depreciation expense for the year ended June 30, 2011 was approximately \$23,700.

**7. Split Interest Agreements**

The Coalition has been named the remainder beneficiary of two charitable remainder trusts. Each of the charitable remainder trusts provides for periodic distributions of trust assets to the grantor's beneficiaries. Upon the death of the beneficiaries, a percentage of the remaining principal in the trusts will be distributed to the Coalition. An asset for the charitable remainder trusts has been recognized at the present value of the expected future cash flows discounted at a rate of approximately 3.2% (the risk free rate of US Treasury securities for a similar expected term). Changes in the value of the trusts have been reported in the statement of activities as increases in temporarily restricted net assets.

**8. Leases**

The Coalition's lease for its main office space and book storage in Delray Beach, Florida was renewed and will expire January 31, 2014. The Coalition also leases a facility for the Glades Family Education Program in Belle Glade, Florida. The Belle Glade lease expired January 31, 2010. The Coalition exercised the first five year option to renew; this option will expire January 31, 2015. One additional option to renew for an additional five years is available. The total lease expense for these facilities for the year ended June 30, 2011, was approximately \$140,500, and is listed on the statement of functional expenses under the occupancy caption.

The approximate future minimum lease payments under these operating leases as of June 30, 2011, are as follows:

Year ended	
2012	\$ 144,400
2013	148,700
2014	115,400
2015	38,056
	<u><u>\$ 446,556</u></u>

*For the Year Ended June 30, 2011*

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**8. Commitments and Contingencies**

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

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

Government receivables account for approximately 78% of outstanding receivables, and a single donor is responsible for approximately 81% of the Coalition's pledges receivable. Management has evaluated its sources of support and revenue, and does not believe it is subject to significant credit risk as the principal account debtors are governmental agencies and credit worthy organizations. The remaining balance of its receivables is owed by a variety of organizations or companies.

**9. 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 one year of service. 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 4% of the participants' compensation. Total employer expense for the year ended June 30, 2011 was approximately \$30,900, and is reported under employee benefits in the statement of functional expenses.

**10. Restrictions / Designations of Net Assets**

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

Glades Family Education	\$ 95,132
Community Outreach	20,887
Literacy* AmeriCorps	17,018
Reach Out and Read	24,421
Village Readers	16,000
Literacy Center	2,174,460
Split Interest Agreements	259,740
Miscellaneous administration	1,623
	<u>\$ 2,609,281</u>

*For the Year Ended June 30, 2011*

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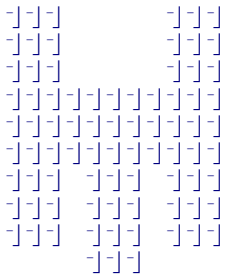
**10. Restrictions / Designations of Net Assets, continued**

As of June 30, 2011, the Center's Board of Directors designated \$427,717 of its unrestricted net assets to support future needs.

**11. Subsequent Events**

*Date of Management Evaluation*

Management has evaluated subsequent events through December 16, 2011 the date on which the financial statements were available to be issued, and determined that the following matter should be disclosed in these financial statements: As of the date of this report, the Coalition completed the purchase of land in Boynton Beach for the purpose of constructing the new Literacy Center.



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## 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.  
Delray Beach, Florida

We have audited the financial statements of The Palm Beach County Literacy Coalition, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. 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.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered The Palm Beach County Literacy Coalition, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Palm Beach County Literacy Coalition, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Palm Beach County Literacy Coalition, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

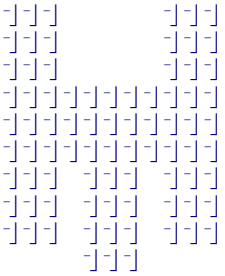
As part of obtaining reasonable assurance about whether The Palm Beach County Literacy Coalition, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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*.

We noted certain matters that we reported to management of The Palm Beach County Literacy Coalition, Inc. in a separate letter dated December 16, 2011.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
December 16, 2011



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of The Palm Beach County Literacy Coalition, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Palm Beach County Literacy Coalition, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Palm Beach County Literacy Coalition, Inc.’s management. Our responsibility is to express an opinion on The Palm Beach County Literacy Coalition, Inc.’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Palm Beach County Literacy Coalition, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Palm Beach County Literacy Coalition, Inc.’s compliance with those requirements.

In our opinion, The Palm Beach County Literacy Coalition, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### ***Internal Control Over Compliance***

Management of The Palm Beach County Literacy Coalition, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Palm Beach County Literacy Coalition, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Palm Beach County Literacy Coalition, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
December 16, 2011

*For the Year Ended June 30, 2011*

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditor’s report issued: Unqualified Opinion

Internal control over financial reporting:

- Material weakness(es) identified?                   Yes              X   No
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses?           Yes              X   None reported
- Noncompliance material to financial  
statements noted?                                           Yes              X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?                   Yes              X   No
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses?           Yes              X   None reported

Type of auditor’s report issued on compliance  
of major programs: Unqualified Opinion

Any audit findings disclosed that are required  
to be reported in accordance with  
section 501(a) of Circular A-133?                       Yes              X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster  
U.S. Corporation for National and  
Community Service:

94.006

Literacy\*AmeriCorps

Dollar Threshold used to distinguish  
between type A and type B programs:                \$ 300,000

Auditee qualified as a low-risk auditee?                   Yes              X   No

*For the Year Ended June 30, 2011*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no findings reported for the year ended June 30, 2011, relative to federal awards for The Palm Beach County Literacy Coalition, Inc.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no findings or questioned costs reported for the year ended June 30, 2011, relative to federal awards for The Palm Beach County Literacy Coalition, Inc.

**PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:**

There were no prior year audit findings or questioned costs for the year ended June 30, 2011, relative to federal awards requiring action on the part of The Palm Beach County Literacy Coalition, Inc. for that fiscal year.

**CORRECTIVE ACTION PLAN:**

There is no corrective action plan required, as there were no findings for the prior year ended June 30, 2010 in the auditor's report with respect to federal awards.

**MANAGEMENT LETTER:**

We noted certain matters that we reported to management of The Palm Beach County Literacy Coalition, Inc. in a separate letter dated December 16, 2011.

**SUPPLEMENTARY  
INFORMATION**

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

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

***For the Year Ended June 30, 2011***

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Contract No.</u>	<u>Award Expenditures</u>
U.S. Programs:			
Corporation for National and Community Service:			
Passed through Volunteer Florida Literacy*AmeriCorps	94.006	06AFHFL0010034	\$ 540,136
U.S. Department of Education:			
Passed through the			
Florida Department of Education: Regional Training Council	84.002A	513-1921A-1PL01 513-1941A-1PL01	<u>112,443</u> **
			<u>652,579</u>
Other Federal Awards:			
School District of Palm Beach County:			
Workplace	84.000		18,000 **
Glades Family Literacy	84.000		60,000
Community Outreach	84.000		<u>100,000</u>
			<u>178,000</u>
	Total		<u>\$ 830,579</u>

Additional Information:

A. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of The Palm Beach County Literacy Coalition is presented on the accrual basis of accounting, which is the same basis of accounting as used by the Literacy Coalition in the preparation of its financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

B. Service Provided Contracts

Contracts that have a double asterisk (\*\*) next to the expenditure column are reimbursed on a service provided basis. This means that the Coalition is reimbursed on a fixed dollar amount per unit of service or per deliverable, as provided in the terms of the agreement, rather than based upon the actual cost of providing the service. Therefore, only revenues earned in accordance with the contract terms are reported as expenditures above.

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

***For the Year Ended June 30, 2011***

	Glades Family Education	Village Readers	Community Outreach	Literacy * AmeriCorps	Regional Training Cntr
Salaries and wages	\$ 152,176	\$ 109,934	\$ 92,398	\$ 589,221	\$ 42,745
Payroll taxes	14,689	10,589	9,357	51,955	4,560
Employee benefits	14,084	8,748	10,930	76,058	6,162
Total salaries and related expenses	180,949	129,271	112,685	717,234	53,467
Advertising and promotion	-	-	2,900	-	-
Conference expense	5,016	-	9,421	5,702	-
Grants paid	-	-	-	-	-
Dues and subscriptions	-	-	235	-	328
In-kind expenses:	-	-	-	-	-
Advertising and promotion	-	-	-	-	-
Books and supplies	-	-	-	336	-
Professional fees	1,339	996	809	3,755	368
Insurance	4,926	770	623	3,115	338
Licenses and taxes	80	-	-	-	-
Local travel	3,169	267	4,324	5,303	1,435
Miscellaneous expense	-	-	-	500	31
Occupancy	60,928	3,067	10,688	12,914	2,490
Office supplies and expense	3,008	240	4,468	2,074	1,590
Outside services	3,617	283	-	4,739	37,053
Personnel expenses	412	214	729	1,012	-
Postage	517	258	363	1,024	781
Printing	1,084	1,135	4,743	3,001	5,105
Professional development	3,176	728	731	16,112	10,082
Professional fees	6,306	7,139	2,205	15,093	975
Program supplies	7,463	4,645	1,962	5,084	5,829
Utilities	7,853	1,707	9,337	827	792
Volunteer recognition	159	-	25	1,532	-
Total expenses before depreciation	290,002	150,720	166,248	799,357	120,664
Depreciation	11,030	4,366	557	583	387
Total expenses	\$ 301,032	\$ 155,086	\$ 166,805	\$ 799,940	\$ 121,051

*See independent auditor's report.*

**SCHEDULE OF PROGRAM EXPENSES**

Budding Readers	Reach Out and Read	Workforce Education	After School Reads	Care to Read	Parent-Child Home	Other Programs	Total
\$ 281,271	\$ 55,861	\$ 75,687	\$ 71,074	\$ 32,899	\$ 96,564	\$ 1,665	\$ 1,601,495
27,811	6,014	8,654	7,090	2,629	9,335	177	152,860
14,174	6,242	3,058	10,988	3,647	14,780	-	168,871
323,256	68,117	87,399	89,152	39,175	120,679	1,842	1,923,226
-	-	-	-	-	-	-	2,900
1,413	4,270	-	500	2,965	537	1,300	31,124
-	-	-	-	-	1,187,910	-	1,187,910
39	-	-	45	110	75	-	832
4,625	-	-	-	4,625	-	23,070	32,320
12,516	-	-	-	-	-	-	12,852
2,726	543	695	652	-	853	-	12,736
1,479	332	265	246	86	323	-	12,503
-	-	-	-	-	-	-	80
1,928	3,844	5,726	5,073	844	2,051	71	34,035
-	-	-	-	-	-	-	531
10,525	6,633	3,309	7,068	2,842	8,935	-	129,399
3,225	466	409	1,373	1,124	2,660	10	20,647
-	-	-	64	-	-	160	45,916
187	-	164	103	-	-	-	2,821
808	173	154	380	475	313	38	5,284
1,228	3,579	189	1,031	1,891	948	212	24,146
3,248	83	16	3,936	174	6,730	-	45,016
7,124	1,380	1,851	1,695	971	10,296	-	55,035
26,685	29,717	70	45,783	10,602	56,369	522	194,731
1,168	1,361	424	827	361	827	-	25,484
-	-	-	-	51	-	-	1,767
402,180	120,498	100,671	157,928	66,296	1,399,506	27,225	3,801,295
176	339	207	164	203	385	-	18,397
<b>\$ 402,356</b>	<b>\$ 120,837</b>	<b>\$ 100,878</b>	<b>\$ 158,092</b>	<b>\$ 66,499</b>	<b>\$ 1,399,891</b>	<b>\$ 27,225</b>	<b>\$ 3,819,692</b>

*See independent auditor's report.*