

# **Literacy Pittsburgh**

## Financial Statements and Supplementary Information

Years Ended June 30, 2020 and 2019  
with Independent Auditor's Reports

**MaherDuessel**

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# LITERACY PITTSBURGH

YEARS ENDED JUNE 30, 2020 AND 2019

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YEARS ENDED JUNE 30, 2020 AND 2019

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## Independent Auditor's Report

**Board of Directors  
Literacy Pittsburgh**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Literacy Pittsburgh (LP), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audits 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 LP as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in 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 financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020 on our consideration of LP'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 solely 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 effectiveness of LP's 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 LP's internal control over financial reporting and compliance.

*Maher Duessel*

Pittsburgh, Pennsylvania  
December 9, 2020

# LITERACY PITTSBURGH

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,909,762	\$ 747,902
Grants and accounts receivable	327,897	147,333
Prepaid expenses	75,983	47,722
Total current assets	<u>2,313,642</u>	<u>942,957</u>
Fixed assets:		
Furnishings and equipment	278,398	278,398
Leasehold improvements	388,912	388,912
Less: accumulated depreciation	<u>(634,603)</u>	<u>(613,237)</u>
Total fixed assets, net of depreciation	<u>32,707</u>	<u>54,073</u>
Investments - endowment	<u>2,422,740</u>	<u>2,606,950</u>
Other assets	<u>7,644</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 4,776,733</u></u>	<u><u>\$ 3,603,980</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 145,377	\$ 81,784
Refundable advance	633,600	-
Compensated absences	95,524	74,661
Deferred revenue	-	7,704
Total Liabilities	<u>874,501</u>	<u>164,149</u>
Net Assets:		
Without donor restrictions:		
Board-designated for endowment	531,752	572,585
Undesignated	<u>544,266</u>	<u>478,331</u>
Total without donor restrictions	1,076,018	1,050,916
With donor restrictions	<u>2,826,214</u>	<u>2,388,915</u>
Total Net Assets	<u>3,902,232</u>	<u>3,439,831</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,776,733</u></u>	<u><u>\$ 3,603,980</u></u>

See accompanying notes to financial statements.

# LITERACY PITTSBURGH

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenues:</b>			
Government grants	\$ 2,445,578	\$ -	\$ 2,445,578
Contributions - corporations and foundations	311,882	1,133,912	1,445,794
Contributions - individual	483,317	-	483,317
Special events	110,588	-	110,588
Investment gain (loss)	(23,616)	(16,295)	(39,911)
Program income	379,806	-	379,806
Miscellaneous	2,021	-	2,021
In-kind	18,144	-	18,144
Net assets released from restrictions:			
Satisfaction of restrictions	553,236	(553,236)	-
Endowment earnings appropriated for expenditure	127,082	(127,082)	-
<b>Total operating support and revenues</b>	<b>4,408,038</b>	<b>437,299</b>	<b>4,845,337</b>
<b>Operating Expenses:</b>			
Literacy program services	3,420,272	-	3,420,272
Management and general	727,397	-	727,397
Fundraising	235,266	-	235,266
<b>Total operating expenses</b>	<b>4,382,936</b>	<b>-</b>	<b>4,382,936</b>
<b>Change in Net Assets</b>	<b>25,102</b>	<b>437,299</b>	<b>462,401</b>
<b>Net Assets:</b>			
Beginning of year	1,050,916	2,388,915	3,439,831
End of year	\$ 1,076,018	\$ 2,826,214	\$ 3,902,232

See accompanying notes to financial statements.

# LITERACY PITTSBURGH

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenues:</b>			
Government grants	\$ 2,446,935	\$ -	\$ 2,446,935
Contributions - corporations and foundations	191,034	571,729	762,763
Contributions - individual	330,540	-	330,540
Special events	122,355	-	122,355
Investment gain (loss)	16,196	69,564	85,760
Program income	276,256	-	276,256
Miscellaneous	7,100	-	7,100
In-kind	25,547	-	25,547
Net assets released from restrictions:			
Satisfaction of restrictions	427,051	(427,051)	-
Endowment earnings appropriated for expenditure	75,000	(75,000)	-
	<u>3,918,014</u>	<u>139,242</u>	<u>4,057,256</u>
<b>Operating Expenses:</b>			
Literacy program services	3,207,119	-	3,207,119
Management and general	691,909	-	691,909
Fundraising	235,482	-	235,482
	<u>4,134,511</u>	<u>-</u>	<u>4,134,511</u>
<b>Change in Net Assets</b>	(216,497)	139,242	(77,255)
<b>Net Assets:</b>			
Beginning of year	<u>1,267,413</u>	<u>2,249,673</u>	<u>3,517,086</u>
End of year	<u>\$ 1,050,916</u>	<u>\$ 2,388,915</u>	<u>\$ 3,439,831</u>

See accompanying notes to financial statements.



# LITERACY PITTSBURGH

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,709,156	\$ 432,985	\$ 136,732	\$ 2,278,873
Payroll taxes	117,302	29,717	9,384	156,403
Fringe benefits	287,207	72,759	22,977	382,943
<b>Total salaries and related expenses</b>	<b>2,113,665</b>	<b>535,461</b>	<b>169,093</b>	<b>2,818,219</b>
Subcontractors	645,916	972	-	646,888
Instructional materials and fees	46,040	2,042	-	48,082
Investment management	-	17,217	-	17,217
Professional fees	223,640	44,393	28,396	296,429
Donated advertising	-	-	-	-
Office supplies	20,940	24,855	1,567	47,362
Printing and publications	12,759	4,169	6,580	23,508
Postage and shipping	-	2,139	5,359	7,498
Telephone	19,069	13,671	-	32,740
Rent and other occupancy	282,615	25,374	4,493	312,482
Insurance	-	10,939	-	10,939
Repair and maintenance	1,044	29	16	1,089
Travel	17,113	2,194	144	19,451
Staff development and training	17,184	42,168	4,614	63,966
Special events	-	-	13,830	13,830
Bank fees and interest	5	65	106	176
Miscellaneous	1,694	-	-	1,694
<b>Total before depreciation and amortization</b>	<b>3,401,684</b>	<b>725,688</b>	<b>234,198</b>	<b>4,361,570</b>
Depreciation and amortization	18,588	1,709	1,068	21,366
<b>Total expenses</b>	<b>\$ 3,420,272</b>	<b>\$ 727,397</b>	<b>\$ 235,266</b>	<b>\$ 4,382,936</b>

See accompanying notes to financial statements.

# LITERACY PITTSBURGH

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,661,872	\$ 421,007	\$ 132,950	\$ 2,215,829
Payroll taxes	133,577	33,840	10,686	178,103
Fringe benefits	301,094	76,277	24,088	401,459
Total salaries and related expenses	<u>2,096,543</u>	<u>531,124</u>	<u>167,724</u>	<u>2,795,391</u>
Subcontractors	592,586	-	-	592,586
Instructional materials and fees	42,284	127	-	42,411
Investment management	-	17,724	-	17,724
Professional fees	29,430	64,738	12,237	106,405
Donated advertising	9,408	-	-	9,408
Office supplies	16,559	17,031	1,723	35,313
Printing and publications	23,738	2,965	8,052	34,755
Postage and shipping	4,226	7,424	3,913	15,563
Telephone	17,346	8,042	91	25,479
Rent and other occupancy	292,330	17,703	4,448	314,482
Insurance	-	8,692	-	8,692
Repair and maintenance	5,036	234	128	5,398
Travel	25,058	2,293	456	27,807
Staff development and training	27,862	8,009	2,481	38,352
Special events	-	-	28,300	28,300
Bank fees and interest	223	2,754	4,466	7,443
Miscellaneous	2,083	989	175	3,247
Total before depreciation and amortization	<u>3,184,712</u>	<u>689,849</u>	<u>234,194</u>	<u>4,108,756</u>
Depreciation and amortization	<u>22,407</u>	<u>2,060</u>	<u>1,288</u>	<u>25,755</u>
Total expenses	<u>\$ 3,207,119</u>	<u>\$ 691,909</u>	<u>\$ 235,482</u>	<u>\$ 4,134,511</u>

See accompanying notes to financial statements.

# LITERACY PITTSBURGH

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 462,401	\$ (77,255)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,366	25,755
Net realized and unrealized (gain) loss on investments	123,144	(49,430)
Change in assets and liabilities:		
Grants and accounts receivable	(180,564)	(88,289)
Prepaid expenses	(28,261)	(4,655)
Other assets	(7,644)	-
Accounts payable	63,593	54,204
Refundable advance and deferred revenue	625,896	(16,296)
Compensated absences	20,863	11,566
Net cash provided by (used in) operating activities	<u>1,100,794</u>	<u>(144,400)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(79,822)	(57,028)
Proceeds from sales of investments	<u>140,888</u>	<u>113,422</u>
Net cash provided by (used in) investing activities	<u>61,066</u>	<u>56,394</u>
<b>Cash Flows From Financing Activities:</b>		
Payments on note payable	-	(44,882)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(44,882)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,161,860</b>	<b>(132,888)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>747,902</u>	<u>880,790</u>
End of year	<u>\$ 1,909,762</u>	<u>\$ 747,902</u>

See accompanying notes to financial statements.

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 1. Organization

The mission of Literacy Pittsburgh (LP), a nonprofit corporation, is better lives through learning. LP provides education for adults and children in reading, writing, math, English language, GED preparation, computer skills, and workforce skills. Starting in fiscal year 2017, LP put an increasing emphasis on preparing students for employment and/or postsecondary education. LP envisions a more inclusive and productive community driven by access to education.

LP was incorporated in 1982 and changed its name from Greater Pittsburgh Literacy Council in February 2018. LP's primary adult and family education programs are coordinated by 44 employees at 12 locations in the Pittsburgh, Pennsylvania, metropolitan area. LP's volunteer tutors, AmeriCorps members, and professional staff served 4,416 and 5,013 learners in the Pittsburgh area during the years ended June 30, 2020 and 2019, respectively.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized as they are earned and expenses are recorded when liabilities are incurred.

#### Basis of Presentation

Literacy Pittsburgh classifies its net assets and its revenue, support, and expenses based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions result from contributions specifically restricted by donors for various programs or future periods. Net assets without donor restrictions represent resources over which the Board of Directors (Board) has discretionary control.

#### Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ significantly from those estimates.

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# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 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. LP maintains its cash accounts at one commercial bank located in the City of Pittsburgh. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. LP had cash balances of \$1,698,477 and \$573,265 in excess of FDIC insured limits at June 30, 2020 and 2019, respectively. Management has no concerns regarding the solvency of the financial institutions involved at the current time.

### Liquidity and Availability

LP manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. LP prepares very detailed budgets and has been very active in cutting costs to ensure the entity remains liquid.

The following reflects LP's financial assets (cash and cash equivalents, grants and accounts receivable, and investments) as of June 30, 2020 and 2019 expected to be available within one year to meet the cash needs for general expenditures:

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 4,660,399	\$ 3,502,185
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by board designation	(531,752)	(572,585)
Restricted by donor with time or purpose restrictions	(1,929,324)	(1,492,025)
Restricted for permanent endowment	<u>(896,890)</u>	<u>(896,890)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,302,433</u>	<u>\$ 540,685</u>

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### Grants and Accounts Receivable

Grants receivable represent amounts awarded by donors and government agencies that have not been received. Management has determined that no allowance was considered necessary at June 30, 2020 and 2019. Grants receivable are expected to be received within one year. The grants receivable balance as of June 30, 2020 and 2019 was \$288,063 and \$47,816, respectively.

Receivables from contracts with customers are reported as accounts receivable, net any allowance. Management determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance was deemed necessary for the years ended June 30, 2020 and 2019. The accounts receivable balance as of June 30, 2020 and 2019 was \$39,834 and \$99,517, respectively

### Revenue and Revenue Recognition

Contributions are recognized when a donor makes an unconditional promise to give and are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional grants received in advance are recorded as refundable advances. LP had one conditional contribution in the amount of \$300,000, of which \$100,000 was received in cash at June 30, 2020, and therefore was recorded as a refundable advance. There were no conditional contributions at June 30, 2019.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time period has elapsed, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

A portion of the LP revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LP has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. LP received cost-reimbursable grants of

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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\$89,509 and \$77,650 that have not been recognized at June 30, 2020 and 2019 because qualifying expenditures have not yet been incurred.

LP recognizes program income at the time services are provided, as that is when the performance obligations are met.

Payments for program services and special event sponsorships received in advance of service delivery are deferred.

The initial application of the revenue recognition standards was applied to contracts that were not completed at the date of the initial application. There have been no changes in the significant judgments related to the amount and timing of revenue from program service contracts, and there are no impairment losses recognized related to these contracts.

### Deferred Revenue

Deferred revenue was \$0 and \$7,704 for the years ended June 30, 2020 and 2019, respectively, and represents advance ticket sales and sponsorships for the Literacy Luncheon. Such amounts are considered to be parts of an exchange transaction rather than a contribution.

### Refundable Advance

Refundable advances were \$633,600 and \$0 for the years ended June 30, 2020 and 2019, respectively. This represents refundable advance amounts, or conditional contributions that have been received in advance of the condition being met. At June 30, 2020, refundable advance balance is made up of the following:

PPP Proceeds (Note 7)	\$ 533,600
Heinz Endowments - Ready and Relevant	<u>100,000</u>
	<u>\$ 633,600</u>

### Fixed Assets, Depreciation, and Amortization

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years. Fixed asset purchases and major leasehold improvements and betterments to equipment in excess of \$5,000 are capitalized.

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# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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Donated furniture, fixtures, and equipment are recorded as support at their estimated fair value at the time of donation. Donated items are capitalized or expensed following the same capitalization threshold as purchased items. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. In the absence of donor stipulations regarding how long those assets must be maintained, LP reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. LP reclassifies net asset with donor restrictions to net assets without donor restrictions at that time.

### Fair Value Measurements

LP applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. LP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, required to be recorded at fair value, LP considers the principal or most advantageous market in which LP would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

LP applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Observable inputs such as quoted prices in active markets for identical investments that LP has the ability to access.
- Level 2 - Inputs 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 in active markets, that are observable either directly or indirectly; Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the management to develop its own estimates and



# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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assumptions relating to the pricing the asset or liability including assumptions regarding risk.

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. The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

### Investments

Investments are composed of money market and mutual funds investing in debt, real estate, and equity securities and are reported at fair value based on readily determinable market quotations. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Donor restricted endowment unrealized gains and losses are recognized as increases or decreases in net assets with donor restrictions until the Board appropriates the earnings for use at which time the earnings appropriated are reclassified to net assets without donor restrictions. Interest on the endowment, dividends, and net realized and unrealized gains and losses are reflected as part of investment gain included in the statements of activities.

### Compensated Absences

Vacation is earned at various rates, depending upon length of service and number of hours worked per week. Employees can carry over up to ten vacation days from the preceding calendar year. Upon termination of employment, employees are paid for accrued vacation; however, employees discharged for cause do not receive payment of accrued vacation.

### Donated Materials, Equipment, and Services

Donated materials, equipment, and services recognizable under generally accepted accounting principles are reflected as in-kind contributions in the accompanying statements at their estimated fair values at the date of receipt.

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### Income Taxes

LP is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. LP annually files federal and state information returns as required. Accordingly, no provision for federal or state income taxes is recorded in the financial statements.

### Financial Instruments

The following methods and assumptions were used by LP in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, and grants receivable: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.
- Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments. See Note 4 for further disclosure.

### Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program and supporting services.

Several non-payroll related costs are subject to a grant/project allocation process (rent, utilities, and communication costs). These allocations use the most relevant allocation methodology as it applies to the cost. A time analysis based on employee percentage of effort is completed to determine how indirect costs will be allocated across the various programs, management and general, and fundraising.

### Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *“Revenue from Contracts with Customers,”* as amended, provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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customers and the related disclosures. LP implemented Topic 606 for all periods presented and has adjusted the disclosures in these financial statements accordingly. The implementation had no impact on how revenue was recognized in the financial statements.

Accounting Standards Updates (ASU) 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).”* The amendments provide guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. LP implemented the provisions of this ASU in these financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with this implementation.

### Pending Accounting Standards Updates

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these statements on the financial statements.

ASU 2016-02, *“Leases (Topic 842),”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-13, *“Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),”* is effective for the financial statements for the year beginning after December 15, 2019. The amendments remove and modify certain fair value hierarchy leveling disclosures.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 3. In-Kind Donations

LP recognized certain in-kind revenues and expenses for rent, supplies, student materials, and special event donations, which were provided by donors or partner agencies at no cost to LP. These amounts are identified in the statements of activities as in-kind revenues.

In-kind revenues totaled \$18,144 and \$25,547 for the years ended June 30, 2020 and 2019, respectively, with the \$10,500 in-kind expenses recognized as rent and other occupancy. The revenue also includes \$7,644 of donated auction items that are included in other assets at June 30, 2020.

During the years ended June 30, 2020 and 2019, LP was the beneficiary of approximately 23,330 and 26,350 hours, respectively, of instructional services provided by volunteers who donated their time for tutoring, training, and student support. No amounts have been reflected in the financial statements since the volunteers' time does not meet the criteria for financial statement recognition.

### 4. Investments

Investments consist of money market and mutual funds. Cash and cash equivalents, reported with investments on the statements of financial position, are available to be invested, with the assistance of external advisors, in equity or longer-term debt instruments. Since there is no intent to liquidate the cash and cash equivalents for short-term operating needs, they are presented as long-term investments.

The total returns on investments and cash equivalents for the year ended June 30, 2020 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 3,428	\$ 79,805	\$ 83,233
Net realized and unrealized gains (losses)	(27,044)	(96,100)	(123,144)
Total investment gain (loss)	<u>\$ (23,616)</u>	<u>\$ (16,295)</u>	<u>\$ (39,911)</u>

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The total returns on investments and cash equivalents for the year ended June 30, 2019 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 27,051	\$ 108,139	\$ 135,190
Net realized and unrealized gains (losses)	<u>(10,855)</u>	<u>(38,575)</u>	<u>(49,430)</u>
Total investment gain (loss)	<u>\$ 16,196</u>	<u>\$ 69,564</u>	<u>\$ 85,760</u>

As indicated below, at June 30, 2020 and 2019, all LP investments were valued using Level 1 inputs.

Fair values of assets measured on a recurring basis as of June 30, 2020 are as follows:

Description	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 30,038	\$ 30,038	\$ -	\$ -
Mutual funds:				
Large Domestic Stock Funds	577,906	577,906	-	-
Small Domestic Stock Funds	282,056	282,056	-	-
International Stock Funds	517,038	517,038	-	-
Real Estate Investment Trusts	91,015	91,015	-	-
Short-Term Debt Funds	360,598	360,598	-	-
Intermediate Term Debt Funds	452,150	452,150	-	-
Other Equity Assets	<u>111,939</u>	<u>111,939</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,422,740</u>	<u>\$ 2,422,740</u>	<u>\$ -</u>	<u>\$ -</u>

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Fair values of assets measured on a recurring basis as of June 30, 2019 are as follows:

Description	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 15,310	\$ 15,310	\$ -	\$ -
Mutual funds:				
Large Domestic Stock Funds	518,452	518,452	-	-
Small Domestic Stock Funds	333,158	333,158	-	-
International Stock Funds	571,808	571,808	-	-
Real Estate Investment Trusts	116,364	116,364	-	-
Short-Term Debt Funds	370,847	370,847	-	-
Intermediate Term Debt Funds	454,326	454,326	-	-
Other Equity Assets	226,685	226,685	-	-
Totals	<u>\$ 2,606,950</u>	<u>\$ 2,606,950</u>	<u>\$ -</u>	<u>\$ -</u>

### 5. Grants

Grants identified in the statements of activities for the years ended June 30, 2020 and 2019 are composed of the following:

	2020	2019
Federal awards	\$ 1,370,515	\$ 1,381,983
Pennsylvania Department of Education - Act 143	817,881	889,184
Pennsylvania Department of Education - Family Literacy	175,000	175,000
Other	82,182	768
	<u>\$ 2,445,578</u>	<u>\$ 2,446,935</u>

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 6. Grants Receivable

Grants receivable balances at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
PA Department of Labor - Compass AmeriCorps	\$ 56,558	\$ 47,816
Birmingham Foundation	50,000	-
PA Department of Education	166,709	-
Other	14,796	-
	<u>\$ 288,063</u>	<u>\$ 47,816</u>

### 7. Paycheck Protection Program Loan

In April 2020, LP received a \$533,600 United States Small Business Administration (SBA) loan through the Federal Government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic. The loan is eligible for 100% forgiveness if certain criteria are met. LP is utilizing the allowable 24-week period to spend the PPP loan for expenditures that meet the full forgiveness criteria. The interest rate for any unforgiven portion is 1%, with the first ten months of interest deferred. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date in April 2022. LP expects to be forgiven during the fiscal year ending June 30, 2021 and therefore is treating the PPP loan as a conditional federal grant for which all conditions have not yet been met as of June 30, 2020. Therefore, the PPP loan proceeds show as a refundable advance at June 30, 2020.

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 8. Leases

LP's operations and administration are carried out in various leased and donated spaces throughout their service area. The terms for these leased facilities range from one to ten years. Rent expense incurred during the year ended June 30, 2020 totaled \$294,174, including donated space valued at \$10,500. Rent expense incurred during the year ended June 30, 2019 totaled \$293,639, including donated space valued at \$10,800.

During the fiscal year ended June 30, 2018, LP signed a lease extension with its landlord for an additional ten years commencing on November 1, 2019. Scheduled lease payments for the remaining term of the leases including extension are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 272,823
2022	269,078
2023	243,967
2024	248,846
2025	248,846
Thereafter	<u>1,136,885</u>
	<u><u>\$ 2,420,445</u></u>



# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 9. Restrictions on Net Assets

Net asset with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expense for a specified purpose (or purpose and time):		
Adult and Family Literacy	\$ 125,439	\$ 63,790
Ready and Relevant	587,153	-
Agency Transition	-	14,622
ABE/ESL	13,705	24,882
Beaver County	50,494	-
Jefferson planning	80,000	36,255
Workplace Services	3,629	165,429
GED program	376	677
Data Systems	59,678	-
OASIS	1,453	29,751
Student needs	3,720	6,808
Staff professional development	8,365	8,365
Other programs	1,214	3,971
Total subject to purpose and time restrictions	<u>935,226</u>	<u>354,550</u>
Endowment:		
Investment in perpetuity	896,890	896,890
Accumulated gains on endowment	<u>994,098</u>	<u>1,137,475</u>
Total net assets with donor restrictions	<u>\$ 2,826,214</u>	<u>\$ 2,388,915</u>

During the years ended June 30, 2020 and 2019, net assets in the amount of \$553,236 and \$427,051, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose.

During the years ended June 30, 2020 and 2019, net assets in the amount of \$127,082 and \$75,000, respectively, were released as endowment earnings appropriated for expenditure.

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# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 10. Endowments

LP's endowment consists of one fund established to support its mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of the Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548 "Investment of Trust Funds," as amended by Pennsylvania State Act 141 of 1998 (Act). LP has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, LP classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment if required by the applicable donor gift instruments. The remaining portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by LP in a manner consistent with the standard of prudence prescribed by relevant law.

#### Endowment Spending Policy

LP's Board -approved endowment spending policy allows LP to spend in any fiscal year, five percent of the prior three-year average endowment fair value to support LP's mission. Endowment transfers in excess of this five percent annual amount may be explicitly approved by LP's Board to support special projects, the nature of which is to build the long-term strength of LP. This spending policy is in accordance with Pennsylvania law and donor restrictions.

#### Return Objectives and Risk Parameters

Endowment funds include funds actively managed by LP as part of a single commingled investment pool. The principal financial objective of the endowment is that the endowment principal should be preserved and if possible enhanced to help ensure LP's financial future. The productivity of the endowment must strike a balance between the preservation of

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# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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principal in real terms for perpetuity and supporting a spending policy that sustains the mission of LP. To monitor the effectiveness of the investment strategy of the endowment, performance goals are established to exceed the expected real rate of return, established benchmark indices, and the median return of comparable endowment funds.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, LP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). LP targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires LP to retain as a fund of perpetual duration or the original corpus of the permanent gift. There were no such deficiencies as of June 30, 2020 and 2019.

Endowment net asset composition by fund type as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,890,988	\$ 1,890,988
Board-designated endowment funds	531,752	-	531,752
	<u>\$ 531,752</u>	<u>\$ 1,890,988</u>	<u>\$ 2,422,740</u>

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Endowment net asset composition by fund type as of June 30, 2019:

	Without Donor <u>Restrictions</u>	With Donor Restrictions	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,034,365	\$ 2,034,365
Board-designated endowment funds	<u>572,585</u>	<u>-</u>	<u>572,585</u>
	<u>\$ 572,585</u>	<u>\$ 2,034,365</u>	<u>\$ 2,606,950</u>

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor <u>Restrictions</u>	With Donor Restrictions	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 572,585</u>	<u>\$ 2,034,365</u>	<u>\$ 2,606,950</u>
Investment return:			
Investment income	3,427	79,805	83,232
Net realized and unrealized gains (losses)	<u>(27,043)</u>	<u>(96,100)</u>	<u>(123,143)</u>
Total investment income (loss)	<u>(23,616)</u>	<u>(16,295)</u>	<u>(39,911)</u>
Withdrawals		(127,082)	(127,082)
Management fees	<u>(17,217)</u>	<u>-</u>	<u>(17,217)</u>
Endowment net assets, end of year	<u>\$ 531,752</u>	<u>\$ 1,890,988</u>	<u>\$ 2,422,740</u>

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 574,113</u>	<u>\$ 2,039,801</u>	<u>\$ 2,613,914</u>
Investment return:			
Investment income	27,051	108,139	135,190
Net realized and unrealized gains (losses)	<u>(10,855)</u>	<u>(38,575)</u>	<u>(49,430)</u>
Total investment income (loss)	<u>16,196</u>	<u>69,564</u>	<u>85,760</u>
Withdrawals	-	(75,000)	(75,000)
Management fees	<u>(17,724)</u>	<u>-</u>	<u>(17,724)</u>
Endowment net assets, end of year	<u>\$ 572,585</u>	<u>\$ 2,034,365</u>	<u>\$ 2,606,950</u>

### 11. Retirement Savings Plan

LP maintains a 401(k) Retirement Savings Plan (Plan) covering substantially all of the employees. Employees are eligible for admittance to the Plan after three months of service. LP will provide a matching contribution to eligible participants up to a maximum of two percent of their compensation. Effective January 2020, the matching contribution was increased to a maximum of three percent of compensation. LP may also make an annual contribution to the Plan at the discretion of the Board of Directors. Participants are eligible to receive this discretionary contribution after completing a year of service (750 hours in a year). A discretionary contribution of 2% was provided to all eligible participants during the year ended June 30, 2020. There was no discretionary contribution provided during year ended June 30, 2019. Participants will not be vested in either LP's matching or discretionary contribution until they complete three years of service. LP made total contributions of approximately \$75,000 and \$24,000 during the years ended June 30, 2020 and 2019, respectively.

# LITERACY PITTSBURGH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### **12. COVID-19**

In early 2020, an outbreak of a novel strain of coronavirus was identified and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on LP's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on the LP's funders, employees, and vendors, and governmental, regulatory, and other responses to the coronavirus. As of June 30, 2020, LP is continuing to hold virtual classes in lieu of in-person classes. LP is having some in-person testing, while continuing still follow the CDC guidelines. There has been a drop off in CCR students, but LP is working diligently to promote the classes and the agency. To accommodate students who may not have access to technology, LP has instituted a Tech Lending Program. This will enable students to have access to a Chrome Book to attend class and prepare for testing.

## **SUPPLEMENTARY INFORMATION**

## LITERACY PITTSBURGH

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>	<u>Expenditures Through June 30, 2019</u>	<u>Amount Passed Through to Subrecipients</u>	<u>2020 Federal Expenditures</u>	<u>Aggregate Expenditures Through June 30, 2020</u>
<u>Corporation for National and Community Service:</u>							
Passed through the Pennsylvania Department of Labor and Industry:							
AmeriCorps - Compass	94.006	18AC204782	\$ 323,240	\$ 245,490	\$ -	\$ 33,526	\$ 279,016
AmeriCorps - Compass	94.006	19AC215577	318,218	-	-	228,709	228,709
Total Corporation for National and Community Service				<u>245,490</u>	<u>-</u>	<u>262,235</u>	<u>507,725</u>
<u>U.S. Department of Education:</u>							
Passed through the Pennsylvania Department of Education:							
Adult Education - Basic Grants to States	84.002	064-19-0023	1,108,280	-	462,519	1,108,280	1,108,280
Total U.S. Department of Education				<u>-</u>	<u>462,519</u>	<u>1,108,280</u>	<u>1,108,280</u>
Total Expenditures of Federal Awards				<u>\$ 245,490</u>	<u>\$ 462,519</u>	<u>\$ 1,370,515</u>	<u>\$ 1,616,005</u>

See accompanying notes to schedule of expenditures of federal awards.



# LITERACY PITTSBURGH

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

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### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Literacy Pittsburgh (LP) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LP.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Schedule is based upon information provided by the various funding sources to LP and other information available at the time this Schedule was prepared. For the year ended June 30, 2020, LP did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

# **Literacy Pittsburgh**

Independent Auditor's Reports  
Required by the Uniform Guidance

Year Ended June 30, 2020

**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***

**Board of Directors  
Literacy Pittsburgh**

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 financial statements of Literacy Pittsburgh (LP), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon December 9, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LP’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LP’s internal control. Accordingly, we do not express an opinion on the effectiveness of LP’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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Literacy Pittsburgh  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether LP's 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 financial statements. 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
December 9, 2020

## Independent Auditor's Report on Compliance for its Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors  
Literacy Pittsburgh

### Report on Compliance for its Major Federal Program

We have audited Literacy Pittsburgh's (LP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on LP's major federal program for the year ended June 30, 2020. LP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for LP's major federal program based on our audit of the types of compliance requirements referred to above. 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 the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 LP'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 on compliance for its major federal program. However, our audit does not provide a legal determination of LP's compliance.

Board of Directors  
Literacy Pittsburgh  
Independent Auditor's Report on Compliance for  
its Major Program and Internal Control over Compliance

***Opinion on its Major Federal Program***

In our opinion, LP complied, in all material respects, with the types of compliance requirements referred to above that that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

Management of LP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LP's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 LP'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Literacy Pittsburgh  
Independent Auditor's Report on Compliance for  
its Major Program and Internal Control over Compliance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
December 9, 2020

# LITERACY PITTSBURGH

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

### I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes  none reported

3. Noncompliance material to financial statements noted?  yes  no

4. Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes  none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?  yes  no

7. Major Programs:

CFDA Number(s)

84.002

Name of Federal Program or Cluster

Adult Education - Basic Grants to States

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee?  yes  no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

**No matters were reported.**

III. Findings and questioned costs for federal awards.

**No matters were reported.**



# **LITERACY PITTSBURGH**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2020**

**NONE**