

Literacy Pittsburgh

Financial Statements and Supplementary Information

Years Ended June 30, 2022 and 2021
with Independent Auditor's Reports

MaherDuessel

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LITERACY PITTSBURGH

YEARS ENDED JUNE 30, 2022 AND 2021

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LITERACY PITTSBURGH

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Independent Auditor's Report

**Board of Directors
Literacy Pittsburgh**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Literacy Pittsburgh, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Pittsburgh as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Literacy Pittsburgh, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Pittsburgh's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Literacy Pittsburgh's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Literacy Pittsburgh's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 supplementary 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 19, 2022 on our consideration of Literacy Pittsburgh'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 Literacy Pittsburgh'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 Literacy Pittsburgh's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
December 19, 2022

LITERACY PITTSBURGH

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 2,438,681	\$ 2,165,445
Grants and accounts receivable	349,500	393,721
Prepaid expenses	55,974	78,063
Total current assets	<u>2,844,155</u>	<u>2,637,229</u>
Fixed assets:		
Furnishings and equipment	347,387	278,398
Leasehold improvements	388,912	388,912
Less: accumulated depreciation	<u>(674,404)</u>	<u>(656,420)</u>
Total fixed assets, net of depreciation	<u>61,895</u>	<u>10,890</u>
Investments - endowment	<u>2,401,129</u>	<u>3,046,313</u>
Other assets	<u>7,644</u>	<u>7,644</u>
Total Assets	<u><u>\$ 5,314,823</u></u>	<u><u>\$ 5,702,076</u></u>
Liabilities and Net Assets		
<hr/>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 128,762	\$ 90,698
Refundable advance	149,978	229,887
Compensated absences	86,048	87,257
Total Liabilities	<u>364,788</u>	<u>407,842</u>
Net Assets:		
Without donor restrictions:		
Board-designated for endowment	527,262	668,688
Undesignated	1,631,585	1,140,722
Total without donor restrictions	<u>2,158,847</u>	<u>1,809,410</u>
With donor restrictions	<u>2,791,188</u>	<u>3,484,824</u>
Total Net Assets	<u>4,950,035</u>	<u>5,294,234</u>
Total Liabilities and Net Assets	<u><u>\$ 5,314,823</u></u>	<u><u>\$ 5,702,076</u></u>

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues:			
Government grants	\$ 2,839,631	\$ -	\$ 2,839,631
Contributions - corporations and foundations	200,706	912,216	1,112,922
Contributions - individual	666,076	-	666,076
Special events	80,020	-	80,020
Investment gain (loss), net	(141,426)	(378,608)	(520,034)
Program income	506,346	-	506,346
Miscellaneous	4,907	-	4,907
Net assets released from restrictions:			
Satisfaction of restrictions	1,102,094	(1,102,094)	-
Endowment earnings appropriated for expenditure	125,150	(125,150)	-
Total operating support and revenues	5,383,504	(693,636)	4,689,868
Operating Expenses:			
Literacy program services	3,955,769	-	3,955,769
Management and general	743,679	-	743,679
Fundraising	334,619	-	334,619
Total operating expenses	5,034,067	-	5,034,067
Change in Net Assets	349,437	(693,636)	(344,199)
Net Assets:			
Beginning of year	1,809,410	3,484,824	5,294,234
End of year	\$ 2,158,847	\$ 2,791,188	\$ 4,950,035

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues:			
Government grants	\$ 2,993,494	\$ -	\$ 2,993,494
Contributions - corporations and foundations	294,156	810,475	1,104,631
Contributions - individual	381,024	-	381,024
Special events	2,495	-	2,495
Investment gain (loss), net	136,926	617,172	754,098
Program income	452,340	-	452,340
Miscellaneous	6,244	-	6,244
Net assets released from restrictions:			
Satisfaction of restrictions	638,502	(638,502)	-
Endowment earnings appropriated for expenditure	130,535	(130,535)	-
Total operating support and revenues	5,035,716	658,610	5,694,326
Operating Expenses:			
Literacy program services	3,333,449	-	3,333,449
Management and general	767,419	-	767,419
Fundraising	201,456	-	201,456
Total operating expenses	4,302,324	-	4,302,324
Change in Net Assets	733,392	658,610	1,392,002
Net Assets:			
Beginning of year	1,076,018	2,826,214	3,902,232
End of year	\$ 1,809,410	\$ 3,484,824	\$ 5,294,234

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,098,268	\$ 433,714	\$ 121,840	\$ 2,653,822
Payroll taxes	191,342	14,780	14,083	220,205
Fringe benefits	345,392	123,354	24,671	493,417
Total salaries and related expenses	<u>2,635,002</u>	<u>571,848</u>	<u>160,594</u>	<u>3,367,444</u>
Subcontractors	636,594	-	-	636,594
Lobbying	12,414	-	-	12,414
Instructional materials and fees	58,935	-	-	58,935
Professional fees	159,881	58,188	94,181	312,250
Office supplies	78,129	25,551	510	104,190
Printing and publications	8,640	3,213	7,495	19,348
Postage and shipping	4,527	6,014	5,023	15,564
Telephone	22,683	16,076	-	38,759
Rent and other occupancy	281,702	19,955	4,693	306,350
Insurance	-	21,101	-	21,101
Travel	10,861	3,293	673	14,827
Staff development and training	28,570	5,971	1,788	36,329
Special events	-	-	56,313	56,313
Bank fees and interest	-	10,481	2,450	12,931
Miscellaneous	2,185	549	-	2,734
Total before depreciation and amortization	<u>3,940,123</u>	<u>742,240</u>	<u>333,720</u>	<u>5,016,083</u>
Depreciation and amortization	<u>15,646</u>	<u>1,439</u>	<u>899</u>	<u>17,984</u>
Total expenses	<u>\$ 3,955,769</u>	<u>\$ 743,679</u>	<u>\$ 334,619</u>	<u>\$ 5,034,067</u>

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,811,925	\$ 460,904	\$ 145,549	\$ 2,418,378
Payroll taxes	159,949	24,661	11,538	196,148
Fringe benefits	313,824	79,502	25,106	418,432
Total salaries and related expenses	<u>2,285,698</u>	<u>565,067</u>	<u>182,193</u>	<u>3,032,958</u>
Subcontractors	481,507	-	-	481,507
Lobbying	18,433	-	-	18,433
Instructional materials and fees	26,680	-	-	26,680
Professional fees	154,389	80,009	1,485	235,883
Office supplies	31,690	51,372	-	83,062
Printing and publications	4,615	608	8,760	13,983
Postage and shipping	1,449	2,926	523	4,898
Telephone	17,261	12,826	-	30,087
Rent and other occupancy	268,053	18,988	4,466	291,507
Insurance	-	19,337	-	19,337
Travel	4,529	1,912	414	6,855
Staff development and training	17,453	11,072	-	28,525
Special events	-	-	-	-
Bank fees and interest	126	1,557	2,524	4,207
Miscellaneous	2,585	-	-	2,585
Total before depreciation and amortization	<u>3,314,468</u>	<u>765,674</u>	<u>200,365</u>	<u>4,280,507</u>
Depreciation and amortization	<u>18,981</u>	<u>1,745</u>	<u>1,091</u>	<u>21,817</u>
Total expenses	<u>\$ 3,333,449</u>	<u>\$ 767,419</u>	<u>\$ 201,456</u>	<u>\$ 4,302,324</u>

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (344,199)	\$ 1,392,002
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,984	21,817
Net realized and unrealized (gain) loss on investments	650,335	(707,392)
Change in assets and liabilities:		
Grants and accounts receivable	44,221	(65,824)
Prepaid expenses	22,089	(2,080)
Accounts payable	38,064	(54,679)
Refundable advance and deferred revenue	(79,909)	(403,713)
Compensated absences	(1,209)	(8,267)
Net cash provided by (used in) operating activities	<u>347,376</u>	<u>171,864</u>
Cash Flows From Investing Activities:		
Purchase of fixed assets	(68,989)	-
Purchase of investments	(500,931)	(286,261)
Proceeds from sales of investments	495,780	370,080
Net cash provided by (used in) investing activities	<u>(74,140)</u>	<u>83,819</u>
Net Increase (Decrease) in Cash and Cash Equivalents	273,236	255,683
Cash and Cash Equivalents:		
Beginning of year	<u>2,165,445</u>	<u>1,909,762</u>
End of year	<u><u>\$ 2,438,681</u></u>	<u><u>\$ 2,165,445</u></u>

See accompanying notes to financial statements.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 2019, 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 55 employees at 10 locations in the Pittsburgh, Pennsylvania, metropolitan area. LP's volunteer tutors, AmeriCorps members, and professional staff served 2,051 and 2,034 learners in the Pittsburgh area during the years ended June 30, 2022 and 2021, 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.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 \$2,242,332 and \$1,972,729 in excess of FDIC insured limits at June 30, 2022 and 2021, 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, 2022 and 2021 expected to be available within one year to meet the cash needs for general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 5,189,310	\$ 5,605,479
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by board designation	(527,262)	(668,688)
Restricted by donor with time or purpose restrictions	(1,894,298)	(2,587,934)
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>\$ 1,870,860</u>	<u>\$ 1,451,967</u>

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021. Grants receivable are expected to be received within one year. The grants receivable balance as of June 30, 2022 and 2021 was \$266,508 and \$299,682, 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, 2022 and 2021. Beginning and ending accounts receivable balances for the year ended June 30, 2022 were \$94,039 and \$82,992, respectively. Beginning and ending accounts receivable balances for the year ended June 30, 2021 were \$39,834 and \$94,039, 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 has one conditional contribution with an original awarded amount of \$300,000. Conditions were met and revenue was recognized in the amount of \$50,022 and \$100,000 during the years ended June 30, 2022 and 2021, respectively. The remaining \$149,978 of the conditional contribution is recorded as refundable advance as of June 30, 2022, as the remaining conditions have not been met.

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

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 statements of financial position. LP was awarded cost-reimbursable grants of \$68,747 and \$47,047 that have not been recognized at June 30, 2022 and 2021, respectively, 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 revenue, other than contributions, received in advance of service delivery are deferred. There was no material deferred revenue at the beginning or end of the years ended June 30, 2022 and 2021.

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.

Refundable Advance

Refundable advances were \$149,978 and \$229,887 for the years ended June 30, 2022 and 2021, respectively. This represents refundable advance amounts, or conditional contributions that have been received in advance of the condition being met. At June 30, 2022 and 2021, refundable advance balance is made up of the following:

	<u>2022</u>	<u>2021</u>
Heinz Endowments - Ready and Relevant	\$ 149,978	\$ 200,000
Event sponsorships	-	29,887
	<u>\$ 149,978</u>	<u>\$ 229,887</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.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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.

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.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 Standard

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

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.”* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization. The provisions of this standard did not have a material impact on LP’s financial statements.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Pending Accounting Standards Updates

The Financial Accounting Standards Board (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 updates 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 2016-13, "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

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.

3. 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.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

The total returns on investments and cash equivalents for the year ended June 30, 2022 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 22,618	\$ 128,913	\$ 151,531
Net realized and unrealized gains (losses)	(142,814)	(507,521)	(650,335)
Management fees	(21,230)	-	(21,230)
Total investment gain (loss), net	<u>\$ (141,426)</u>	<u>\$ (378,608)</u>	<u>\$ (520,034)</u>

The total returns on investments and cash equivalents for the year ended June 30, 2021 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 93	\$ 65,131	\$ 65,224
Net realized and unrealized gains (losses)	155,351	552,041	707,392
Management fees	(18,518)	-	(18,518)
Total investment gain (loss), net	<u>\$ 136,926</u>	<u>\$ 617,172</u>	<u>\$ 754,098</u>

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

As indicated below, at June 30, 2022 and 2021, all LP investments were valued using Level 1 inputs. Fair values of assets measured on a recurring basis as of June 30, 2022 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	\$ 13,197	\$ 13,197	\$ -	\$ -
Mutual funds:				
Large Domestic Stock Funds	609,223	609,223	-	-
Small Domestic Stock Funds	247,359	247,359	-	-
International Stock Funds	516,080	516,080	-	-
Real Estate Investment Trusts	92,940	92,940	-	-
Short-Term Debt Funds	161,200	161,200	-	-
Intermediate Term Debt Funds	641,396	641,396	-	-
Other Equity Assets	119,734	119,734	-	-
Totals	<u>\$ 2,401,129</u>	<u>\$ 2,401,129</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis as of June 30, 2021 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	\$ 50,722	\$ 50,722	\$ -	\$ -
Mutual funds:				
Large Domestic Stock Funds	777,108	777,108	-	-
Small Domestic Stock Funds	391,807	391,807	-	-
International Stock Funds	722,473	722,473	-	-
Real Estate Investment Trusts	107,700	107,700	-	-
Short-Term Debt Funds	293,350	293,350	-	-
Intermediate Term Debt Funds	554,810	554,810	-	-
Other Equity Assets	148,343	148,343	-	-
Totals	<u>\$ 3,046,313</u>	<u>\$ 3,046,313</u>	<u>\$ -</u>	<u>\$ -</u>

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

4. Government Grants

Government grants identified in the statements of activities for the years ended June 30, 2022 and 2021 are composed of the following:

	<u>2022</u>	<u>2021</u>
Federal awards	\$ 1,430,562	\$ 1,362,701
Pennsylvania Department of Education - Act 143	910,236	737,560
Pennsylvania Department of Education - Family Literacy	175,000	175,000
Paycheck Protection Program funds	-	533,600
Other	323,833	184,633
	<u>\$ 2,839,631</u>	<u>\$ 2,993,494</u>

5. Grants Receivable

Grants receivable balances at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
PA Department of Labor - Compass AmeriCorps	\$ 70,606	\$ 44,148
McCune Foundation	75,000	-
Jefferson Regional Foundation	75,000	
PA Department of Education	-	255,534
Other	45,902	-
	<u>\$ 266,508</u>	<u>\$ 299,682</u>

6. Paycheck Protection Program

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 was eligible for 100% forgiveness if certain criteria were met. LP utilized the allowable 24-week period to spend the PPP loan for expenditures that meet the full forgiveness criteria. LP applied for and received full forgiveness of the PPP loan on March 10, 2021. Therefore, LP recorded \$533,600 as a government grant on the statement of activities as of June 30, 2021.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

7. Leases

LP's operations and administration are carried out in various leased spaces throughout their service area. The terms for these leased facilities range from one to ten years. Rent expense incurred during the years ended June 30, 2022 and 2021 totaled \$303,594 and \$289,477, respectively.

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>
2023	\$ 243,967
2024	248,846
2025	248,846
2026	258,605
2027	263,484
Thereafter	<u>614,796</u>
	<u>\$ 1,878,544</u>

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

8. Restrictions on Net Assets

Net asset with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expense for a specified purpose (or purpose and time):		
Adult and Family Literacy	\$ 157,297	\$ 125,539
Ready and Relevant	103,156	609,621
College and Career Readiness	40,000	116,289
Trade Up	181,068	224,982
Math expansion	1,157	20,000
Beaver County	15,538	4,557
Jefferson planning	18,845	-
McKeesport	2,000	-
GED program	-	376
Digital skills development	200,000	-
OASIS	15,074	-
Student needs	4,347	3,720
Human resources	178,437	-
Other programs	402	2,115
Total subject to purpose and time restrictions	<u>917,321</u>	<u>1,107,199</u>
Endowment:		
Investment in perpetuity	896,890	896,890
Accumulated gains on endowment	<u>976,977</u>	<u>1,480,735</u>
Total endowment	<u>1,873,867</u>	<u>2,377,625</u>
Total net assets with donor restrictions	<u>\$ 2,791,188</u>	<u>\$ 3,484,824</u>

During the years ended June 30, 2022 and 2021, net assets in the amount of \$1,102,094 and \$638,502, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose.

During the years ended June 30, 2022 and 2021, net assets in the amount of \$125,150 and \$130,535, respectively, were released as endowment earnings appropriated for expenditure.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

9. 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

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021.

Endowment net asset composition by fund type as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,873,867	\$ 1,873,867
Board-designated endowment funds	<u>527,262</u>	<u>-</u>	<u>527,262</u>
	<u>\$ 527,262</u>	<u>\$ 1,873,867</u>	<u>\$ 2,401,129</u>

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Endowment net asset composition by fund type as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,377,625	\$ 2,377,625
Board-designated endowment funds	668,688	-	668,688
	<u>\$ 668,688</u>	<u>\$ 2,377,625</u>	<u>\$ 3,046,313</u>

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 668,688</u>	<u>\$ 2,377,625</u>	<u>\$ 3,046,313</u>
Investment return:			
Investment income	22,618	128,913	151,531
Net realized and unrealized gains (losses)	<u>(142,814)</u>	<u>(507,521)</u>	<u>(650,335)</u>
Total investment income (loss)	<u>(120,196)</u>	<u>(378,608)</u>	<u>(498,804)</u>
Withdrawals	-	(125,150)	(125,150)
Management fees	<u>(21,230)</u>	<u>-</u>	<u>(21,230)</u>
Endowment net assets, end of year	<u>\$ 527,262</u>	<u>\$ 1,873,867</u>	<u>\$ 2,401,129</u>

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 531,752</u>	<u>\$ 1,890,988</u>	<u>\$ 2,422,740</u>
Investment return:			
Investment income	93	65,131	65,224
Net realized and unrealized gains (losses)	<u>155,351</u>	<u>552,041</u>	<u>707,392</u>
Total investment income (loss)	<u>155,444</u>	<u>617,172</u>	<u>772,616</u>
Withdrawals	-	(130,535)	(130,535)
Management fees	<u>(18,508)</u>	<u>-</u>	<u>(18,508)</u>
Endowment net assets, end of year	<u>\$ 668,688</u>	<u>\$ 2,377,625</u>	<u>\$ 3,046,313</u>

10. 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 three percent of their 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 years ended June 30, 2022 and 2021. 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 \$84,000 during the years ended June 30, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

LITERACY PITTSBURGH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor Number</u>	<u>Program or Award Amount</u>	<u>Expenditures Through June 30, 2021</u>	<u>Amount Passed Through to Subrecipients</u>	<u>2022 Federal Expenditures</u>	<u>Aggregate Expenditures Through June 30, 2022</u>
<u>Corporation for National and Community Service:</u>							
Passed through the Pennsylvania Department of Labor and Industry:							
AmeriCorps State and National	94.006	19AFHPA00100004	\$ 279,478	\$ 232,431	\$ -	\$ 39,533	\$ 271,964
AmeriCorps State and National	94.006	22AC240749	301,740	-	-	232,993	232,993
Total 94.006				232,431	-	272,526	504,957
Total Corporation for National and Community Service				232,431	-	272,526	504,957
<u>U.S. Department of Education:</u>							
Passed through the Pennsylvania Department of Education:							
Adult Education - Basic Grants to States	84.002	064-22-0018	1,160,572	-	323,656	1,158,036	1,158,036
Total U.S. Department of Education				-	323,656	1,158,036	1,158,036
Total Expenditures of Federal Awards				\$ 232,431	\$ 323,656	\$ 1,430,562	\$ 1,662,993

See accompanying notes to schedule of expenditures of federal awards.

LITERACY PITTSBURGH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

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, 2022. 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, 2022, 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, 2022

**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), which comprise the statement of financial position as of June 30, 2022 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 dated December 19, 2022.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

Report on 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 LP'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
December 19, 2022

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

**Board of Directors
Literacy Pittsburgh**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Literacy Pittsburgh (LP)'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of LP's major federal programs for the year ended June 30, 2022. LP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LP complied, in all material respects, with the types of 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, 2022.

Basis for Opinion on Each Major Federal Program

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 audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LP and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to LP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 LP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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*

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

compliance is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Maher Duessel

Pittsburgh, Pennsylvania
December 19, 2022

LITERACY PITTSBURGH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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:

Federal ALN(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, 2022

NONE