

# **Greater Pittsburgh Literacy Council**

## **Financial Statements and Supplementary Information**

**Years Ended June 30, 2015 and 2014  
with Independent Auditor's Reports**

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# GREATER PITTSBURGH LITERACY COUNCIL

YEARS ENDED JUNE 30, 2015 AND 2014

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## Independent Auditor's Report

Board of Directors  
Greater Pittsburgh Literacy Council

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

We have audited the accompanying financial statements of the Greater Pittsburgh Literacy Council (GPLC), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 GPLC as of June 30, 2015 and 2014, 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 audit was 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 September 23, 2015 on our consideration of GLPC'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 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 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 GLPC's internal control over financial reporting and compliance.

***Maher Duessel***

Pittsburgh, Pennsylvania  
September 23, 2015

# GREATER PITTSBURGH LITERACY COUNCIL

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 1,167,574	\$ 1,164,886
Cash held for capital campaign	-	45,101
Accounts receivable	385	386
Grants receivable	108,854	84,325
Prepaid expenses	2,839	11,949
Total current assets	1,279,652	1,306,647
Fixed assets:		
Furnishings and equipment	278,398	278,398
Leasehold improvements	388,912	388,912
Less: accumulated depreciation	(494,490)	(446,914)
Total fixed assets, net of depreciation	172,820	220,396
Investments - endowment	2,462,901	2,579,473
<b>Total Assets</b>	<b>\$ 3,915,373</b>	<b>\$ 4,106,516</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 13,232	\$ 11,273
Deferred revenues	41,340	75,357
Compensated absences	64,546	69,174
Total Liabilities	119,118	155,804
Net Assets:		
Unrestricted, including \$515,500 and \$529,445 Board-		
designated for endowment for 2015 and 2014, respectively	1,674,606	1,694,803
Temporarily restricted	1,224,759	1,359,019
Permanently restricted	896,890	896,890
Total Net Assets	3,796,255	3,950,712
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,915,373</b>	<b>\$ 4,106,516</b>

See accompanying notes to financial statements.

# GREATER PITTSBURGH LITERACY COUNCIL

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Support and Revenues:</b>				
Grants	\$ 1,380,033	\$ -	\$ -	\$ 1,380,033
Contributions - corporations and foundations	165,869	380,024	-	545,893
Contributions - individual	219,892	-	-	219,892
Special events	200,186	-	-	200,186
Investment gain (loss)	3,930	15,213	-	19,143
Interest income	697	-	-	697
Program income	386,872	-	-	386,872
Miscellaneous	992	-	-	992
In-kind	132,217	-	-	132,217
Net assets released from restrictions:				
Satisfaction of restrictions	366,556	(366,556)	-	-
Endowment earnings appropriated for expenditure	117,840	(117,840)	-	-
Total operating support and revenues	<u>2,975,084</u>	<u>(89,159)</u>	<u>-</u>	<u>2,885,925</u>
<b>Operating Expenses:</b>				
Literacy program services	2,374,458	-	-	2,374,458
Management and general	436,484	-	-	436,484
Fundraising	229,940	-	-	229,940
Total operating expenses	<u>3,040,882</u>	<u>-</u>	<u>-</u>	<u>3,040,882</u>
Excess (deficiency) of operating support and revenues over operating expenses	<u>(65,798)</u>	<u>(89,159)</u>	<u>-</u>	<u>(154,957)</u>
<b>Nonoperating Support and Revenues:</b>				
Contributions - capital campaign	-	500	-	500
Net assets released from restriction for capital campaign	45,601	(45,601)	-	-
Total nonoperating support and revenues	45,601	(45,101)	-	500
<b>Change in Net Assets</b>	(20,197)	(134,260)	-	(154,457)
<b>Net Assets:</b>				
Beginning of year	<u>1,694,803</u>	<u>1,359,019</u>	<u>896,890</u>	<u>3,950,712</u>
End of year	<u>\$ 1,674,606</u>	<u>\$ 1,224,759</u>	<u>\$ 896,890</u>	<u>\$ 3,796,255</u>

See accompanying notes to financial statements.

# GREATER PITTSBURGH LITERACY COUNCIL

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Support and Revenues:</b>				
Grants	\$ 1,268,522	\$ -	\$ -	\$ 1,268,522
Contributions - corporations and foundations	119,687	527,035	-	646,722
Contributions - individual	227,517	-	-	227,517
Special events	200,056	-	-	200,056
Investment gain (loss)	67,125	306,960	-	374,085
Interest income	1,171	-	-	1,171
Program income	289,559	-	-	289,559
Miscellaneous	721	-	-	721
In-kind	110,842	-	-	110,842
Net assets released from restrictions:				
Satisfaction of restrictions	532,804	(532,804)	-	-
Endowment earnings appropriated for expenditure	115,186	(115,186)	-	-
Total operating support and revenues	<u>2,933,190</u>	<u>186,005</u>	<u>-</u>	<u>3,119,195</u>
<b>Operating Expenses:</b>				
Literacy program services	2,362,579	-	-	2,362,579
Management and general	366,000	-	-	366,000
Fundraising	237,071	-	-	237,071
Total operating expenses	<u>2,965,650</u>	<u>-</u>	<u>-</u>	<u>2,965,650</u>
Excess (deficiency) of operating support and revenues over operating expenses	<u>(32,460)</u>	<u>186,005</u>	<u>-</u>	<u>153,545</u>
<b>Nonoperating Support and Revenues:</b>				
Contributions - capital campaign	-	12,044	-	12,044
Net assets released from restriction for capital campaign	55,844	(55,844)	-	-
Total nonoperating support and revenues	55,844	(43,800)	-	12,044
<b>Change in Net Assets</b>	23,384	142,205	-	165,589
<b>Net Assets:</b>				
Beginning of year	<u>1,671,419</u>	<u>1,216,814</u>	<u>896,890</u>	<u>3,785,123</u>
End of year	<u>\$ 1,694,803</u>	<u>\$ 1,359,019</u>	<u>\$ 896,890</u>	<u>\$ 3,950,712</u>

See accompanying notes to financial statements.

# GREATER PITTSBURGH LITERACY COUNCIL

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,494,286	\$ 253,475	\$ 106,282	\$ 1,854,043
Payroll taxes	127,742	17,002	9,561	154,305
Fringe benefits	230,733	65,874	19,882	316,489
Total salaries and related expenses	1,852,761	336,351	135,725	2,324,837
Subcontractors	19,537	-	513	20,050
Volunteer costs	29	-	-	29
Instructional materials and fees	59,450	393	-	59,843
Investment management	-	17,875	-	17,875
Professional fees	15,374	37,001	6,566	58,941
Donated advertising	76,466	-	13,491	89,957
Office supplies	22,593	8,475	3,298	34,366
Printing and publications	12,657	1,348	9,721	23,726
Postage and shipping	5,762	1,160	3,979	10,901
Telephone	15,373	817	483	16,673
Rent and other occupancy	228,019	15,269	6,516	249,804
Insurance	-	7,929	-	7,929
Repair and maintenance	4,769	597	147	5,513
Travel	10,818	5	106	10,929
Staff development and training	5,999	3,486	1,343	10,828
Special events	403	-	40,737	41,140
Bank fees and interest	-	1,566	3,866	5,432
Miscellaneous	3,056	405	1,070	4,531
Total before depreciation and amortization	2,333,066	432,677	227,561	2,993,304
Depreciation	12,893	1,186	741	14,820
Amortization	28,499	2,621	1,638	32,758
Total expenses	\$ 2,374,458	\$ 436,484	\$ 229,940	\$ 3,040,882

See accompanying notes to financial statements.



# GREATER PITTSBURGH LITERACY COUNCIL

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,482,833	\$ 223,116	\$ 104,333	\$ 1,810,282
Payroll taxes	137,293	20,154	8,739	166,186
Fringe benefits	214,650	33,632	14,369	262,651
Total salaries and related expenses	1,834,776	276,902	127,441	2,239,119
Subcontractors	11,677	-	88	11,765
Volunteer costs	2,283	-	-	2,283
Instructional materials and fees	91,486	326	-	91,812
Investment management	-	17,598	-	17,598
Professional fees	7,969	32,696	5,179	45,844
Donated advertising	40,667	-	20,333	61,000
Office supplies	32,940	6,790	3,205	42,935
Printing and publications	12,822	2,022	8,803	23,647
Postage and shipping	5,217	1,069	2,722	9,008
Telephone	12,872	552	317	13,741
Rent and other occupancy	233,311	13,190	6,131	252,632
Insurance	-	7,821	-	7,821
Repair and maintenance	2,929	355	141	3,425
Travel	10,268	41	883	11,192
Staff development and training	11,946	509	-	12,455
Special events	-	-	54,630	54,630
Bank fees and interest	227	1,077	3,528	4,832
Miscellaneous	2,447	570	868	3,885
Total before depreciation and amortization	2,313,837	361,518	234,269	2,909,624
Depreciation	14,992	1,379	862	17,233
Amortization	33,750	3,103	1,940	38,793
Total expenses	\$ 2,362,579	\$ 366,000	\$ 237,071	\$ 2,965,650

See accompanying notes to financial statements.

# GREATER PITTSBURGH LITERACY COUNCIL

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (154,457)	\$ 165,589
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,578	56,026
Net realized and unrealized (gain) loss on investments	99,479	(287,985)
Contributions restricted for long-term purposes:		
Capital campaign contributions	(500)	(12,044)
Change in assets and liabilities:		
Grants and accounts receivable	(24,528)	43,164
Unconditional promises to give	-	13,284
Prepaid expenses	9,110	(9,428)
Accounts payable and accrued expenses	1,959	82
Deferred revenue	(34,017)	(14,623)
Compensated absences	(4,628)	(6,627)
Net cash provided by (used in) operating activities	(60,004)	(52,562)
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	-	(4,338)
Purchase of investments	(695,427)	(471,755)
Proceeds from sales of investments	712,518	518,438
Net cash provided by (used in) investing activities	17,091	42,345
<b>Cash Flows From Financing Activities:</b>		
Collection of contributions restricted for capital campaign	500	12,044
<b>Net Increase (Decrease) in Cash</b>	(42,413)	1,827
<b>Cash:</b>		
Beginning of year	1,209,987	1,208,160
End of year	\$ 1,167,574	\$ 1,209,987

See accompanying notes to financial statements.

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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### 1. ORGANIZATION

The mission of the Greater Pittsburgh Literacy Council (a nonprofit corporation) (GPLC) is to ensure that adults and families acquire reading, writing, math, English language, computer skills, and workforce skills so they may reach their fullest potential in life and participate productively in their community. GPLC envisions a community where all adults have received the education needed to be effective workers, parents, and citizens.

GPLC was incorporated in 1982. GPLC's primary adult and family education programs are coordinated by 38 employees at 15 locations in the Pittsburgh, Pennsylvania, metropolitan area. GPLC's volunteer tutors, AmeriCorps members, and professional staff served 3,816 and 4,092 learners in the Pittsburgh area during the years ended June 30, 2015 and 2014, respectively.

In January 2013, GPLC formed a partnership with OASIS to manage OASIS Intergenerational Tutoring in Pittsburgh. One hundred five and eighty-three tutors served 195 and 198 children in grades K-4 in two area school districts during the years ended June 30, 2015 and 2014, 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

Net assets, support, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of GPLC and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. As discussed further in Note 11, the Board of Directors has designated a portion of unrestricted net assets to function as an endowment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met by actions of GPLC or passage of a prescribed period of time. When a

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be held in perpetuity by GPLC. The donors of those assets permit GPLC to use all of the income earned on any related investments for general or specific purposes.

### 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.

### 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. GPLC maintains its cash accounts at commercial banks located in the City of Pittsburgh. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. GPLC had cash balances of \$898,982 and \$977,097 in excess of FDIC insured limits at June 30, 2015 and 2014, respectively. Management has no concerns regarding the solvency of the financial institutions involved at the current time.

### Grants Receivable

Grants receivable represents amounts awarded by donors that have not been received. Management has determined that no allowance was considered necessary at June 30, 2015 and 2014. Grants receivable are expected to be received within one year.

### Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary. GPLC does not currently recognize or accrue interest on any unpaid receivable balance.

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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### Contributions

Contributions are recognized when a donor makes an unconditional promise to give, and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time period has elapsed or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### 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. During 2015, the Organization changed its fixed asset capitalization threshold to \$5,000. The Organization previously capitalized items costing \$500 or greater. The change in policy was deemed not material to require restatement of the prior year reported totals. Major improvements and betterments to equipment are capitalized.

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 unrestricted support 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 restricted support. In the absence of donor stipulations regarding how long those assets must be maintained, GPLC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GPLC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### 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. Endowment unrealized gains and losses are recognized as increases or decreases in temporarily restricted net assets until the Board appropriates the earnings for use at which time the earnings appropriated are reclassified to unrestricted. The gain or loss can be treated as temporarily or permanently restricted by donor stipulation or by law. Interest on the

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# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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endowment, dividends, and net realized and unrealized gains and losses are reflected as part of investment gain included in the statements of activities.

### Deferred Revenue

Deferred revenue for the years ended June 30, 2015 and 2014 represents advance ticket sales for the Literacy Luncheon and advance ticket sales for the Literacy Luncheon and Korean Class tuition fees collected in advance, respectively. Such amounts are considered to be parts of an exchange transaction rather than a contribution.

### 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 are reflected as in-kind contributions in the accompanying statements at their estimated fair values at the date of receipt.

### Income Taxes

GPLC is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. GPLC 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 GPLC 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.

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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### 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. IN-KIND DONATIONS**

GPLC 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 GPLC. These amounts are identified in the statements of activities as in-kind revenues.

In-kind revenues totaled \$132,217 and \$110,842 for the years ended June 30, 2015 and 2014, respectively, with the corresponding in-kind expenses recognized as donated advertising, rent and other occupancy, and special events in the statement of functional expenses.

During the years ended June 30, 2015 and 2014, respectively, GPLC was the beneficiary of 21,426 and 23,094 hours 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. The total fair value of the funds as of June 30, 2015 and 2014 is \$2,462,901 and \$2,579,473, respectively.

The total returns on investments and cash equivalents for the year ended June 30, 2015 are summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 24,348	\$ 94,274	\$ 118,622
Net realized and unrealized gains (losses)	(20,418)	(79,061)	(99,479)
Total investment income (loss)	<u>\$ 3,930</u>	<u>\$ 15,213</u>	<u>\$ 19,143</u>

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

The total returns on investments and cash equivalents for the year ended June 30, 2014 are summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 17,672	\$ 68,428	\$ 86,100
Net realized and unrealized gains (losses)	49,453	238,532	287,985
Total investment income (loss)	<u>\$ 67,125</u>	<u>\$ 306,960</u>	<u>\$ 374,085</u>

Fair values of assets measured on a recurring basis as of June 30, 2015 are as follows:

Description	6/30/2015	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	\$ 137,166	\$ 137,166	\$ -	\$ -
Mutual funds:				
Large Domestic Stock Funds	665,032	665,032	-	-
Small Domestic Stock Funds	296,014	296,014	-	-
International Stock Funds	472,785	472,785	-	-
Real Estate Investment Trusts	126,059	126,059	-	-
Short Term Debt Funds	344,724	344,724	-	-
Intermediate Term Debt Funds	421,121	421,121	-	-
Other Equity Assets	-	-	-	-
Totals	<u>\$ 2,462,901</u>	<u>\$ 2,462,901</u>	<u>\$ -</u>	<u>\$ -</u>



# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Fair values of assets measured on a recurring basis as of June 30, 2014 are as follows:

Description	6/30/2014	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	\$ 2,273	\$ 2,273	\$ -	\$ -
Mutual funds:				
Large Domestic Stock Funds	676,926	676,926	-	-
Small Domestic Stock Funds	300,972	300,972	-	-
International Stock Funds	497,704	497,704	-	-
Real Estate Investment Trusts	141,003	141,003	-	-
Short Term Debt Funds	434,660	434,660	-	-
Intermediate Term Debt Funds	396,017	396,017	-	-
Other Equity Assets	129,918	129,918	-	-
Totals	<u>\$ 2,579,473</u>	<u>\$ 2,579,473</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including GPLC's own assumptions in determining the fair value of financial instruments. As indicated above, at June 30, 2015 and 2014, all GPLC investments were valued using Level 1 inputs.

## 5. GRANTS

Grants identified in the statements of activities for the years ended June 30, 2015 and 2014 are composed of the following:

	2015	2014
Federal awards	\$ 1,041,823	\$ 935,522
Pennsylvania Department of Education - Act 143	225,000	225,000
Pennsylvania Department of Education - Family Literacy	108,000	108,000
Other	5,210	-
	<u>\$ 1,380,033</u>	<u>\$ 1,268,522</u>

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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### 6. GRANTS RECEIVABLE

Grants receivable balances at June 30, 2015 and 2014 consist of the following:

	2015	2014
PA Department of Labor - Compass AmeriCorps	\$ 50,448	\$ 58,965
Foundations	35,000	-
Other	23,406	25,360
	<u>\$ 108,854</u>	<u>\$ 84,325</u>

### 7. LEASES

GPLC'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, 2015 totaled \$242,193, including donated space valued at \$26,400. Rent expense incurred during the year ended June 30, 2014 totaled \$229,024, including donated space valued at \$26,100. Scheduled lease payments for the remaining term of the leases were as follows:

Fiscal Year	Amount
2016	\$ 207,151
2017	216,137
2018	210,828
2019	210,828
2020	71,276
Thereafter	1,500
	<u>\$ 917,720</u>

### 8. DEFERRED REVENUE

Deferred revenue at June 30, 2015 and 2014 consists of the following:

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# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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	2015	2014
Korean class tuition	\$ -	\$ 42,857
Literacy luncheon advance ticket sales	41,340	32,500
Total	<u>\$ 41,340</u>	<u>\$ 75,357</u>

### 9. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to the grantor agency. Management believes disallowances, if any, will be immaterial.

A review of two Literacy AmeriCorps subrecipient sites was completed by the Office of Inspector General (OIG) in July 2010. Preliminary results of that review indicate possible questioned costs related to the AmeriCorps program that was administered at those sites. GPLC intends to fund any amounts that may be due as a result of this review and expects to be fully reimbursed by the respective subrecipients. Therefore, no net loss to GPLC is currently anticipated. The preliminary findings are being contested and management expects that the final questioned costs will amount to less than \$60,000. There has been no change to the status of this review as of June 30, 2015.

### 10. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purposes:

	2015	2014
Capital campaign	\$ -	\$ 45,101
Family literacy program	13,235	48,498
Adult education	61,866	7,442
GED program	32,892	97,108
Career pathways program	3,754	7,094
Other programs	6,776	638
Agency Assessment and Succession Planning	55,725	-
Accumulated gains on endowment	1,050,511	1,153,138
	<u>\$ 1,224,759</u>	<u>\$ 1,359,019</u>

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# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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During the year ended June 30, 2015, net assets in the amount of \$412,157 were released from donor restrictions by incurring expenses satisfying the restricted purpose and include \$45,601 related to the capital campaign. Capital campaign funds were released by incurring rent expenses.

During the year ended June 30, 2014, net assets in the amount of \$588,648 were released from donor restrictions by incurring expenses satisfying the restricted purpose and include \$55,844 related to the capital campaign. Capital campaign funds were released by incurring rent expenses.

During the years ended June 30, 2015 and 2014, net assets in the amount of \$117,840 and \$115,186, respectively, were released as endowment earnings appropriated for expenditure.

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the GPLC's general activities.

### 11. ENDOWMENTS

GPLC's endowment consists of one fund established to support their mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors 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). GPLC 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, GPLC classifies as permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GPLC in a manner consistent with the standard of prudence prescribed by relevant law.

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# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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### Endowment Spending Policy

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

### Return Objectives and Risk Parameters

Endowment funds include funds actively managed by GPLC 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 GPLC's financial future. The productivity of the endowment must strike a balance between the preservation of principal in real terms for perpetuity and supporting a spending policy that sustains the mission of GPLC. 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, GPLC 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). GPLC 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 original gift amount maintained as permanently restricted net assets. Such deficiencies are recorded in unrestricted net assets. There were no such deficiencies as of June 30, 2015 and 2014.

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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Endowment net asset composition by fund type as of June 30, 2015:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,050,511	\$ 896,890	\$ 1,947,401
Board-designated endowment funds	515,500	-	-	515,500
	<u>\$ 515,500</u>	<u>\$ 1,050,511</u>	<u>\$ 896,890</u>	<u>\$ 2,462,901</u>

Endowment net asset composition by fund type as of June 30, 2014:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,153,138	\$ 896,890	\$ 2,050,028
Board-designated endowment funds	529,445	-	-	529,445
	<u>\$ 529,445</u>	<u>\$ 1,153,138</u>	<u>\$ 896,890</u>	<u>\$ 2,579,473</u>

# GREATER PITTSBURGH LITERACY COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Changes in endowment net assets for the year ended June 30, 2015:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 529,445	\$ 1,153,138	\$ 896,890	\$ 2,579,473
Investment return:				
Investment income	24,348	94,274	-	118,622
Net realized and unrealized gains (losses)	(20,418)	(79,061)	-	(99,479)
Total investment income (loss)	3,930	15,213	-	19,143
Withdrawals	-	(117,840)	-	(117,840)
Management fees	(17,875)	-	-	(17,875)
Endowment net assets, end of year	\$ 515,500	\$ 1,050,511	\$ 896,890	\$ 2,462,901

Changes in endowment net assets for the year ended June 30, 2014:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 479,918	\$ 961,364	\$ 896,890	\$ 2,338,172
Investment return:				
Investment income	17,672	68,428	-	86,100
Net realized and unrealized gains (losses)	49,453	238,532	-	287,985
Total investment income (loss)	67,125	306,960	-	374,085
Withdrawals	-	(115,186)	-	(115,186)
Management fees	(17,598)	-	-	(17,598)
Endowment net assets, end of year	\$ 529,445	\$ 1,153,138	\$ 896,890	\$ 2,579,473

# **GREATER PITTSBURGH LITERACY COUNCIL**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

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### **12. RETIREMENT SAVINGS PLAN**

GPLC 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. GPLC will provide a matching contribution to eligible participants up to a maximum of two percent of their compensation. GPLC 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). Participants will not be vested in either GPLC's matching or discretionary contribution until they complete three years of service. GPLC made matching contributions of \$24,758 and \$24,578 during the years ended June 30, 2015 and 2014, respectively.

### **13. 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.



## **Supplementary Information**

# GREATER PITTSBURGH LITERACY COUNCIL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<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, 2014</u>	<u>2015 Federal Expenditures</u>	<u>Aggregate Expenditures Through June 30, 2015</u>
<u>Corporation for National and Community Service:</u>						
Passed through the Pennsylvania Department of Labor and Industry:						
AmeriCorps - Compass	94.006	06AFHPA0010021	\$ 259,959	\$ 252,624	\$ 7,335	\$ 259,959
AmeriCorps - Compass	94.006	13AFPA0010003	293,250	-	264,849	264,849
Total Corporation for National and Community Service				<u>252,624</u>	<u>272,184</u>	<u>524,808</u>
<u>U.S. Department of Education:</u>						
Passed through the Pennsylvania Department of Education:						
Adult Education - Basic Grants to States	84.002	064-15-0023	587,250	-	587,250	587,250
Adult Education - Basic Grants to States - ESL/Civics	84.002	061-15-0007	182,389	-	182,389	182,389
Total U.S. Department of Education				<u>-</u>	<u>769,639</u>	<u>769,639</u>
Total Expenditures of Federal Awards				<u>\$ 252,624</u>	<u>\$ 1,041,823</u>	<u>\$ 1,294,447</u>

### Note to Schedule of Expenditures of Federal Awards

#### 1. Summary of Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal grant activity of the Greater Pittsburgh Literacy Council and is presented on the accrual basis of accounting.

**Greater Pittsburgh  
Literacy Council**

Independent Auditor's Reports  
Required by OMB Circular A-133

Year Ended June 30, 2015

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  
Greater Pittsburgh Literacy Council

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 the Greater Pittsburgh Literacy Council (GPLC), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 September 23, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered GPLC's internal control over financial reporting (internal control) to determine the 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 GPLC's internal control. Accordingly, we do not express an opinion on the effectiveness of GPLC's internal control over financial reporting.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether GPLC'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

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

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.

***Maheer Duessel***

Pittsburgh, Pennsylvania  
September 23, 2015

Independent Auditor's Report on Compliance for its Major Program and on  
Internal Control over Compliance Required by OMB Circular A-133

Board of Directors  
Greater Pittsburgh Literacy Council

**Report on Compliance for its Major Federal Program**

We have audited the Greater Pittsburgh Literacy Council's (GPLC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on GPLC's major federal program for the year ended June 30, 2015. GPLC'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for GPLC'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GPLC'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 GPLC's compliance.

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

In our opinion, GPLC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of GPLC 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 GPLC's internal control over compliance with the types of

Board of Directors  
Greater Pittsburgh Literacy Council  
Independent Auditor's Report on Compliance for  
its Major Program

requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GPLC'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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Maher Duessel*

Pittsburgh, Pennsylvania  
September 23, 2015

# GREATER PITTSBURGH LITERACY COUNCIL

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

### I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified

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 Section 510(a) of Circular A-133? ☐ 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: \$300,000

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.**



# **GREATER PITTSBURGH LITERACY COUNCIL**

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

**YEAR ENDED JUNE 30, 2015**

**NONE**