

MOORE COUNTY LITERACY COUNCIL, INC.

**Reviewed Financial Statements
June 30, 2016 and 2015**

MOORE COUNTY LITERACY COUNCIL, INC.
Reviewed Financial Statements
June 30, 2016 and 2015

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Moore County Literacy Council, Inc.
Southern Pines, North Carolina

We have reviewed the accompanying statements of financial position of Moore County Literacy Council, Inc. (a nonprofit organization) as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT (CONTINUED)

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information, and accordingly, we do not express an opinion or provide assurance on such supplementary information.

Busby & Co.

Busby & Co.

December 2, 2016

MOORE COUNTY LITERACY COUNCIL
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 41,976	\$ 66,841
Accounts receivable	5,050	-
Sales tax receivable	643	326
Prepaid expenses	6,800	262
Total Current Assets	54,469	67,429
Fixed Assets		
Property and equipment	28,010	27,345
Less accumulated depreciation	(21,697)	(20,337)
Total Fixed Assets	6,313	7,008
Other Assets		
Investment	3,157	992
Security deposit	675	675
Total Other Assets	3,832	1,667
TOTAL ASSETS	\$ 64,614	\$ 76,104
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 909	\$ 3,549
Payroll liabilities	1,487	1,773
Accrued payroll	4,456	2,578
Deferred revenue	31,370	-
Total Current Liabilities	38,222	7,900
Net Assets		
Unrestricted	25,252	67,064
Temporarily restricted	1,140	1,140
Total Net Assets	26,392	68,204
TOTAL LIABILITIES AND NET ASSETS	\$ 64,614	\$ 76,104

See accompanying notes and independent accountant's review report.

MOORE COUNTY LITERACY COUNCIL
Statements of Activities
For the Years Ended June 30, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Contributions	\$ 18,112	\$ -	\$ 18,112
Fund-raising activities	23,270	-	23,270
Grants	58,597	-	58,597
Interest/Dividends	217	-	217
Unrealized gain (loss)	(135)	-	(135)
Miscellaneous	-	-	-
Net assets released from restrictions			
Satisfaction of program restrictions	-	-	-
Total Revenue and Other Support	100,061	-	100,061
Expenses			
Program services	96,546	-	96,546
Supporting services			
General and administrative	19,330	-	19,330
Fund-raising	25,997	-	25,997
Total Expenses	141,873	-	141,873
INCREASE (DECREASE)			
 IN NET ASSETS	(41,812)	-	(41,812)
NET ASSETS, BEGINNING OF YEAR	67,064	1,140	68,204
NETS ASSETS, END OF YEAR	\$ 25,252	\$ 1,140	\$ 26,392

See accompanying notes and independent accountant's review report.

MOORE COUNTY LITERACY COUNCIL
Statements of Activities
For the Years Ended June 30, 2016 and 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Contributions	\$ 20,262	\$ -	\$ 20,262
Fund-raising activities	82,450	-	82,450
Grants	56,957	-	56,957
Interest/Dividends	40	-	40
Unrealized gain (loss)	(15.00)	-	-
Miscellaneous	76	-	76
Net assets released from restrictions			
Satisfaction of program restrictions	540	(540)	-
Total Revenue and Other Support	160,310	(540)	159,785
Expenses			
Program services	91,711	-	91,711
Supporting services			
General and administrative	22,625	-	22,625
Fund-raising	37,540	-	37,540
Total Expenses	151,876	-	151,876
INCREASE (DECREASE)			
IN NET ASSETS	8,434	(540)	7,894
NET ASSETS, BEGINNING OF YEAR	58,630	1,680	60,310
NETS ASSETS, END OF YEAR	\$ 67,064	\$ 1,140	\$ 68,204

See accompanying notes and independent accountant's review report.

MOORE COUNTY LITERACY COUNCIL
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (41,812)	\$ 7,894
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	1,360	1,166
Unrealized (gain) loss of investments	135	15
Decrease (increase) in current assets		
Receivables	(5,367)	3,425
Prepaid expenses	(6,538)	300
Increase (decrease) in current liabilities		
Accounts payable	(2,640)	2,218
Payroll liabilities	1,592	2,398
Deferred revenue	31,370	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(21,900)	17,416
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(665)	(2,600)
Purchase of investments	(2,300)	(1,007)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,965)	(3,607)
NET INCREASE (DECREASE) IN CASH	(24,865)	13,809
CASH AT BEGINNING OF YEAR	66,841	53,032
CASH AT END OF YEAR	\$ 41,976	\$ 66,841

See accompanying notes and independent accountant's review report.

MOORE COUNTY LITERACY COUNCIL, INC.
Notes to Financial Statements
June 30, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

Moore County Literacy Council, Inc. (the Organization) was incorporated as a nonprofit organization in 1987. Its purpose is to provide literacy training for children and adults with grants from public, private and governmental agencies.

CONTRIBUTED SERVICES

During the year ended June 30, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

It is the Organization's policy to capitalize property and equipment over \$200. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Equipment	5 – 10 years
Furniture and fixtures	5 – 10 years

MOORE COUNTY LITERACY COUNCIL, INC.
Notes to Financial Statements
June 30, 2016 and 2015

INVESTMENTS

Investments in marketable securities are stated at fair market value. Securities not publicly traded are stated at estimated fair market values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

FINANCIAL STATEMENT PRESENTATION

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flow, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

FAIR VALUE MEASUREMENTS

FASB ASC 820, *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes

MOORE COUNTY LITERACY COUNCIL, INC.
Notes to Financial Statements
June 30, 2016 and 2015

FAIR VALUE MEASUREMENTS (CONTINUED)

the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 inputs: Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measure date. This input, therefore, reflects the entity's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Financial assets carried at fair value measured on a recurring basis as of June 30, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 3,157	\$ -	\$ -	\$ 3,157

NOTE 1 – PREPAID EXPENSES

Prepaid expenses included prepaid insurance, prepaid rent, and expenses incurred to prepare for events that will occur in the subsequent fiscal year.

MOORE COUNTY LITERACY COUNCIL, INC.
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 2 – ADVERTISING COSTS

All advertising costs are expensed when incurred. Advertising costs totaled \$13,000 in 2016 and 2015.

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 20,462	\$ 19,797
Furniture and fixtures	5,340	5,340
Books	<u>2,208</u>	<u>2,208</u>
	28,010	27,345
Less accumulated depreciation	<u>21,697</u>	<u>20,337</u>
Property and equipment - net	<u><u>\$ 6,313</u></u>	<u><u>\$ 7,008</u></u>

Depreciation expense for 2016 and 2015 was \$1,360 and \$1,166, respectively.

NOTE 4 - INVESTMENTS

Investments as of June 30, 2016 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Stocks	\$ 3,271	\$ 3,157

The following schedule summarized the investment return of the preceding investments and its classification in the statements of activities for the year then ended June 30, 2016.

Dividends	\$ 217
Realized gain (loss)	-
Unrealized gain (loss)	<u>(135)</u>
Total investment return	<u><u>\$ 82</u></u>

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NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available from the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Child Care	\$ 1,140	\$ 1,140

NOTE 6 – OPERATING LEASES

The Organization leases office space on a month to month basis. Total rent expense on all leases for 2016 and 2015 was \$13,200 and \$13,200, respectively. The Organization entered a one year lease agreement for a piece of office equipment on February 16, 2014. Office equipment rental expense totaled \$0 and \$300 for 2016 and 2015, respectively.

There are no future minimum lease payments as of June 30, 2016.

NOTE 7 - DEFERRED REVENUE

Deferred revenue results from the Organization recognizing fundraising revenue in the period in which the related fundraiser is performed. Accordingly, fundraising revenues received for the next fiscal period are deferred until the fundraiser occurs.

NOTE 8 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through December 2, 2016, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

SUPPLEMENTARY INFORMATION

MOORE COUNTY LITERACY COUNCIL
Schedules of General and Administrative Expenses
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries	\$ 11,169	\$ 14,538
Rent	2,640	2,640
Accounting	1,251	1,153
Payroll taxes	796	1,108
Utilities	488	561
Telephone and internet	595	523
Office expenses	632	750
Depreciation	503	431
Insurance	350	343
Equipment maintenance	260	198
Postage	237	168
Travel	189	-
Supplies	187	212
Bank service charges	33	-
	<u>\$ 19,330</u>	<u>22,625</u>

See independent accountant's review report.