

Audited Financial Statements

**THE LITERACY COOPERATIVE OF GREATER
CLEVELAND**

December 31, 2010

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

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Dingus and Daga, Inc.

Certified Public Accountants

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Board of Directors
The Literacy Cooperative of Greater Cleveland.
Cleveland, Ohio

We have audited the accompanying statement of financial position of The Literacy Cooperative of Greater Cleveland (a nonprofit corporation, the "Organization") as of December 31, 2010, and the related as of statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Literacy Cooperative of Greater Cleveland at December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Shaker Heights, Ohio
June 3, 2011

Dingus and Daga, Inc.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

STATEMENT OF FINANCIAL POSITION

December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 173,568	\$ 146,962	\$ 320,530
Receivables - government	143,600		143,600
Receivables - corporations and foundations	100,000	15,000	115,000
Prepaid Insurance	1,440		1,440
TOTAL ASSETS	<u><u>\$ 418,608</u></u>	<u><u>\$ 161,962</u></u>	<u><u>\$ 580,570</u></u>
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses	\$ 44,216		\$ 44,216
TOTAL LIABILITIES	<u>44,216</u>		<u>44,216</u>
NET ASSETS	374,392	\$ 161,962	536,354
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 418,608</u></u>	<u><u>\$ 161,962</u></u>	<u><u>\$ 580,570</u></u>

See accompanying notes to the financial statements and Accountants' Review Report.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Grants - corporations and foundations	\$ 684,424	\$ 161,962	\$ 846,386
Fees from governmental agencies	182,177		182,177
Investment income	<u>2,199</u>		<u>2,199</u>
TOTAL REVENUES	<u>868,800</u>	<u>161,962</u>	<u>1,030,762</u>
EXPENSES:			
Program services:			
SPARK	193,420		193,420
Americorp	215,274		215,274
Other literacy programs	334,597		334,597
Management and General	<u>133,481</u>		<u>133,481</u>
TOTAL EXPENSES	<u>876,772</u>		<u>876,772</u>
CHANGE IN NET ASSETS	(7,972)	161,962	153,990
NET ASSETS AT BEGINNING OF YEAR	382,364		382,364
NET ASSETS AT END OF YEAR	<u><u>\$ 374,392</u></u>	<u><u>\$ 161,962</u></u>	<u><u>\$ 536,354</u></u>

See accompanying notes to the financial statements and Accountants' Review Report.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	SPARK	Americorp	Other Literacy Programs	Total Program Services	Management and General	Total
Salaries	\$ 53,434	\$ 18,896	141,036	\$ 213,366	\$ 62,804	\$ 276,170
Fringe benefits and taxes	9,838	3,480	25,968	39,286	11,564	50,850
Total salaries and related expenses	<u>63,272</u>	<u>22,376</u>	<u>167,004</u>	<u>252,652</u>	<u>74,368</u>	<u>327,020</u>
Professional fees and contract services	93,470	191,296	146,289	431,055	22,927	453,982
Supplies	24,905		5,311	30,216	5,448	35,664
Postage and shipping	135	48	358	541	159	700
Printing and publications	1,197		845	2,042	624	2,666
Membership dues	325	115	857	1,297	382	1,679
Travel	3,530	1,249	9,318	14,097	4,150	18,247
Conference and meetings	3,600		3,177	6,777	1,811	8,588
Insurance	537	190	1,418	2,145	631	2,776
Management fee					20,940	20,940
Utilities					607	607
Miscellaneous	2,449		20	2,469	1,205	3,674
Total before depreciation	<u>193,420</u>	<u>215,274</u>	<u>334,597</u>	<u>743,291</u>	<u>133,252</u>	<u>876,543</u>
Depreciation					229	229
Total expenses	<u>\$ 193,420</u>	<u>\$ 215,274</u>	<u>\$ 334,597</u>	<u>\$ 743,291</u>	<u>\$ 133,481</u>	<u>\$ 876,772</u>

See accompanying notes to the financial statements and Accountants' Review Report.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ (7,972)	\$ 161,962	\$ 153,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	229		229
Changes in operating liabilities:			
Increase in receivables - government	(143,600)		(143,600)
Increase in receivables - corporations and foundations	(100,000)	(15,000)	(115,000)
Increase in prepaid insurance	(1,440)		(1,440)
Increase in accounts payable and accrued expenses	18,242		18,242
Decrease in short term borrowings	(2,500)		(2,500)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>(237,041)</u>	<u>146,962</u>	<u>(90,079)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment on short term borrowings	<u>(2,500)</u>		<u>(2,500)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(2,500)</u>		<u>(2,500)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(237,041)	146,962	(90,079)
BEGINNING CASH AND CASH EQUIVALENTS	<u>410,609</u>		<u>410,609</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 173,568</u>	<u>\$ 146,962</u>	<u>\$ 320,530</u>

See accompanying notes to the financial statements and Accountants' Review Report.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENT

Year ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Literacy Cooperative of Greater Cleveland (the Organization) is a nonprofit organization that works to advance literacy through an effective service delivery system reflecting the highest standards in the field.

The Organization's programs are supported primarily by contributions from corporations and foundations and contracts with state and local governments.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Property and Equipment

The Organization's policy is to capitalize assets with estimated useful lives greater than one year and acquisition cost of \$500 or greater. Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (3-5 years). Donated items are reflected as contribution at their estimated fair values at the date of contribution.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions pending completion of related events. These estimates and assumptions affect the amounts reported at the date of the financial statements for assets, liabilities and changes in net assets and disclosures of contingencies. Actual results could differ from those estimates.

Functional Allocation of Expenses

Direct expenses are charged to the appropriate functional expense classification. Indirect expenses are allocated to the related functional expense classifications as a function of the personnel costs.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENT (CONTINUED)

Year ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term nature of these instruments.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through June 3, 2011, the date the financial statements were available to be issued.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENT (CONTINUED)

Year ended December 31, 2010

2. TEMPORARILY RESTRICTED NET ASSETS

SPARK program	\$ 78,581
AmeriCorps program	<u>83,381</u>
Total	<u>\$ 161,962</u>

3. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances and money market funds at a financial institution located in Cleveland, Ohio. Accounts at such institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had an uninsured balance at December 31, 2010 amounting to \$70,530.

Credit risk for receivables is concentrated because substantially all of the balances are receivable from entities located within the same geographic area.

4. MANAGEMENT FEE

The Organization received certain fiscal and administrative services from Suite 1300, Inc. a nonprofit organization under an agreement that expired at December 31, 2010. Under the terms of such agreement, quarterly payments of \$5,235 were required. Total payments for the year ended December 31, 2010 amounted to \$20,940.

5. SHORT TERM BORROWING

The Organization has an overdraft protection facility of up to \$2,500 from its financial institution. At December 31, 2010, the Organization did not have an outstanding balance under such facility.

6. RETIREMENT PLAN

The Organization provides a Simple Individual Retirement Plan (IRA) to all its eligible employees. The Organization matches the employees' contributions by an amount up to 3% of the eligible employee's salary. Additionally, the Organization may provide a discretionary but taxable contribution of 2% of the employee's salary. Expense under such plans amounted to \$5,290 for the year ended December 31, 2010.

THE LITERACY COOPERATIVE OF GREATER CLEVELAND

NOTES TO FINANCIAL STATEMENT (CONTINUED)

Year ended December 31, 2010

7. SUBSEQUENT EVENTS

The Organization is currently in negotiations to lease its office space under a three-year non-cancelable lease that would expire in 2013. Base rent is \$11,445 annually, that would be payable in monthly installments of approximately \$954. The lease contains a renewal option for an additional two-year period at lower rates that are to be established at the time the renewal option is exercised.

The lease also requires payments computed on a pro-rata basis for utilities costs incurred by the landlord.