LINCOLN LITERACY

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

DANA F. COLE
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lincoln Literacy
Lincoln, Nebraska

We have audited the accompanying financial statements of Lincoln Literacy (a nonprofit organization), which comprise the statements of financial position as of December 31, 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.

Auditors' 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Lincoln Literacy as of December 31, 2015 and 2014, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
April 15, 2016

LINCOLN LITERACY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
ASSETS		
Cash and cash equivalents	244,907	186,061
Accounts receivable	55,029	39,199
Inventory	4,730	4,303
Prepaid expenses	2,249	2,086
Equipment	31,220	38,684
Less accumulated depreciation	(30,455)	(37,225)
TOTAL ASSETS	307,680	233,108

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	16,165	12,460
Sales tax payable	25	47
Payroll tax payable	477	1,392
Wages payable	4,486	4,488
Unearned grant support and deferred revenue	15,149	40,426
Total liabilities	36,302	58,813
NET ASSETS		
Unrestricted		
Designated	78,049	
Undesignated	193,329	174,295
Total unrestricted	271,378	174,295
TOTAL LIABILITIES AND NET ASSETS	307,680	233,108

The accompanying notes are an integral part of these financial statements.

LINCOLN LITERACY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES AND OTHER SUPPORT		
Contributions	193,204	74,149
United Way funding	49,773	45,980
Other grants	54,526	77,893
Membership dues	5,595	5,577
Government grants	170,016	157,245
Fees	39,698	33,315
Workshops, classes, and materials	12,929	2,163
Investment income	946	1,029
Loss on disposal of fixed assets	(215)	
Book sales	177	212
Fundraising	37,495	28,553
Total revenues and other support	564,144	426,116
EXPENSES		
Program services		
FLAIR	87,698	
BASIC	29,812	36,794
ESL	308,976	351,256
Management and general	13,082	12,250
Fundraising	27,493	20,394
Total expenses	467,061	420,694
CHANGE IN NET ASSETS	97,083	5,422
NET ASSETS, beginning of year	174,295	168,873
NET ASSETS, end of year	271,378	174,295

The accompanying notes are an integral part of these financial statements.

LINCOLN LITERACY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015					
	Program Services			Management and General	Fund-raising	Total
	FLAIR	BASIC	ESL			
Wages and payroll taxes	72,113	28,069	207,978	7,684	12,988	328,832
Training/teaching materials			58,543			58,543
Office, postage, printing, supplies	6,027	737	19,556	2,313	1,424	30,057
Conference, workshop, dues, travel	938	184	5,835	276		7,233
Occupancy	8,620	822	17,064	2,809		29,315
Fees					13,081	13,081
	87,698	29,812	308,976	13,082	27,493	467,061

	2014				
	Program Services		Management and General	Fund-raising	Total
	BASIC	ESL			
Wages and payroll taxes	34,197	234,478	4,899	11,051	284,625
Training/teaching materials		58,675			58,675
Office, postage, printing, supplies	775	27,637	2,964		31,376
Conference, workshop, dues, travel	179	3,941			4,120
Occupancy	1,643	26,525	4,387		32,555
Fees				9,343	9,343
	36,794	351,256	12,250	20,394	420,694

The accompanying notes are an integral part of these financial statements.

LINCOLN LITERACY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	97,083	5,422
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	479	669
Unrealized loss on investments		32
Realized gain on investments	(14)	(32)
Donation of stock	(1,033)	
Loss on disposition of fixed assets	215	
(Increase) decrease in accounts receivable	(15,830)	425
(Increase) decrease in inventory	(427)	1,363
Increase in prepaid expenses	(163)	(202)
Increase in accounts payables	3,705	741
Decrease in sales tax payable	(22)	(56)
Decrease in payroll tax payable	(915)	(713)
Decrease in wages payable	(2)	(358)
Increase (decrease) in unearned grants	(25,277)	4,946
Total adjustments	(39,284)	6,815
Net cash provided by operating activities	57,799	12,237
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	1,047	1,067
Net cash provided by investing activities	1,047	1,067
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,846	13,304
CASH AND CASH EQUIVALENTS, beginning of year	186,061	172,757
CASH AND CASH EQUIVALENTS, end of year	244,907	186,061

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lincoln Literacy (the Organization) is a Nebraska nonprofit corporation. Its purpose is to bring students together with volunteers to provide literacy services, support, and awareness to the community. The Organization's primary support comes from donors and grants.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Organization utilizes FASB ASC 958-205 *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 sets standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories utilized by the Organization follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Include amounts received that are designated for future periods or are restricted by the donor for specific purposes. When a donor restriction expires through the expiration of time or satisfaction of the donors; restrictions, restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

Permanently Restricted Net Assets

Include amounts that are subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted purposes.

At December 31, 2015 and 2014, there were no temporarily restricted or permanently restricted net assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives for five years.

Contributions

The Organization utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Concentration of Support

The Organization receives approximately 27% of its annual budget from a contract with the Nebraska Health and Human Services System.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the consolidated statement of functional expenses.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $472 and $10 for the years ended December 31, 2015 and 2014, respectively.

Compensated Absences

Employees' vacation benefits are recognized when paid.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization's U.S. federal, state, and local tax returns for 2012 and after are subject to examination by tax authorities.

NOTE 2. PROLITERACY ENDOWED FUND AND THE LINCOLN COMMUNITY FOUNDATION

The Lincoln Community Foundation is a holder of the Proliteracy Endowed Fund and the Organization is a beneficiary of the income from the fund. The income from this fund is remitted to the Organization in November of each year and the amount will vary depending on the investment returns of the Lincoln Community Foundation. The total received from these funds during the year ended December 31, 2015 and 2014, was $562 and $533, respectively.

NOTE 3. LEASE COMMITMENT

In September 2014, the Organization renewed its lease for its current office space under a noncancellable lease expiring April 30, 2018, including shared complex expenses. On May 1 of each year of the lease term monthly rent will be increased by 2.5%. There is an option to renew the lease for an additional four years at an increased monthly rental plus the shared complex expenses. At December 31, 2015, monthly lease payments were $1,604.

In June 2013, the Organization entered into a sixty-month lease with Eakes Office Plus for a copier requiring payments of $216 due monthly.

At December 31, 2015, a schedule of the future minimum lease payments required under the above is as follows:

Years Ending December 31,	
2016	22,167
2017	22,656
2018	8,148

NOTE 4. DESIGNATED NET ASSETS

The Board of Directors has designated the following net assets as of December 31, 2015 and 2014, respectively.

	2015	2014
Helen Roeske estate donation	78,049	- 0 -

NOTE 5. CONCENTRATION OF CREDIT RISK

At December 31, 2015 and 2014, all deposits held in financial institutions for the Organization were covered by the Federal Deposit Insurance Corporation or other federally insured instruments.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

NOTE 6. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 15, 2016, the date the financial statements were available to be issued.