

DELAWARE COUNTY LITERACY COUNCIL

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**DELAWARE COUNTY LITERACY COUNCIL
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JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delaware County Literacy Council
Chester, Pennsylvania

We have audited the accompanying financial statements of Delaware County Literacy Council, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 audit 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 Delaware County Literacy Council as of June 30, 2021 and 2020, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 28, 2022, on our consideration of Delaware County Literacy Council'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 Delaware County Literacy Council's internal control over financial reporting and compliance.



Brinker Simpson & Company, LLC
Springfield, Pennsylvania
September 28, 2022

**DELAWARE COUNTY LITERACY COUNCIL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 491,450	\$ 534,167
Accounts receivable	19,478	-
Grants receivable	73,557	20,115
Total Current Assets	584,485	554,282
Property and Equipment, Net	440,379	290,692
Total Assets	\$ 1,024,864	\$ 844,974
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 73,024	\$ 63,057
Grants payable	93,090	80,075
Mortgage payable - current portion	8,283	7,930
Paycheck Protection Program loan	192,200	-
Total Current Liabilities	366,597	151,062
Mortgage Payable - Long Term Portion	94,351	102,671
Total Liabilities	460,948	253,733
Net Assets		
Without donor restrictions	563,916	591,241
Total Liabilities and Net Assets	\$ 1,024,864	\$ 844,974

See accompanying notes.

DELAWARE COUNTY LITERACY COUNCIL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues and Support		
Contributions and grants	\$ 332,225	\$ 153,116
Government agency contracts and grants:		
PA State Department of Education (PDE)	775,582	1,093,351
Delaware County Workforce Development Board (WDB)	258,881	197,000
Program service revenue	-	1,742
Special events	47,461	22,000
In-kind donations	66,823	77,812
Investment income	1,328	1,445
Total Revenues and Support	<u>1,482,300</u>	<u>1,546,466</u>
Expenses		
Program services	1,276,699	1,251,152
Management and general	163,936	179,553
Fundraising	68,990	55,669
Total Expenses	<u>1,509,625</u>	<u>1,486,374</u>
Changes in Net Assets	(27,325)	60,092
Net Assets, Beginning	<u>591,241</u>	<u>531,149</u>
Net Assets, Ending	<u>\$ 563,916</u>	<u>\$ 591,241</u>

See accompanying notes.

**DELAWARE COUNTY LITERACY COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 869,381	\$ 79,419	\$ 48,263	\$ 997,063
Employee benefits	80,611	29,417	3,273	113,301
Payroll taxes	63,706	11,235	3,374	78,315
Fees for service	87,514	22,319	4,733	114,566
Rent expense	49,927	1,366	-	51,293
Repairs and maintenance	20,628	833	1,177	22,638
Utilities	7,121	884	407	8,412
Equipment lease	5,152	329	267	5,748
Insurance	10,271	2,010	587	12,868
Telephone	3,070	196	159	3,425
Advertising	9,100	1,909	-	11,009
Office supplies and expense	4,182	2,805	838	7,825
Information technology and website	18,144	3,795	716	22,655
Textbooks and materials	27,190	1,520	-	28,710
Interest expense	4,160	653	238	5,051
Depreciation	15,964	5,095	913	21,972
Training and staff development	325	-	-	325
Special events	-	-	3,522	3,522
Printing and postage	136	151	523	810
Volunteer related	117	-	-	117
	<u>\$ 1,276,699</u>	<u>\$ 163,936</u>	<u>\$ 68,990</u>	<u>\$ 1,509,625</u>

See accompanying notes.

**DELAWARE COUNTY LITERACY COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 839,962	\$ 120,465	\$ 27,764	\$ 988,191
Employee benefits	99,426	12,523	5,023	116,972
Payroll taxes	68,836	12,147	-	80,983
Fees for service	22,786	24,361	-	47,147
Rent expense	65,703	-	-	65,703
Repairs and maintenance	9,708	511	-	10,219
Utilities	14,746	776	-	15,522
Equipment lease	6,893	363	-	7,256
Insurance	12,336	649	-	12,985
Telephone	5,505	648	324	6,477
Advertising	-	-	1,667	1,667
Travel	681	-	-	681
Office supplies and expense	8,295	3,072	-	11,367
Information technology and website	20,685	2,434	1,217	24,336
Textbooks and materials	35,014	-	-	35,014
Interest expense	4,443	234	-	4,677
Depreciation	26,040	1,370	-	27,410
Training and staff development	2,757	-	-	2,757
Special events	-	-	17,671	17,671
Printing and postage	2,289	-	2,003	4,292
Volunteer related	5,047	-	-	5,047
	<u>\$ 1,251,152</u>	<u>\$ 179,553</u>	<u>\$ 55,669</u>	<u>\$ 1,486,374</u>

See accompanying notes.

**DELAWARE COUNTY LITERACY COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Cash Flows From Operating Activities		
Changes in net assets	\$ (27,325)	\$ 60,092
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,972	27,410
Change in:		
Prepaid expenses	-	1,183
Accounts receivable	(19,478)	-
Grants receivable	(53,442)	5,011
Grants payable	13,015	46,602
Accounts payable and accrued expenses	9,967	9,888
Net Cash Provided by (Used in) Operating Activities	(55,291)	150,186
Cash Flows From Investing Activities		
Purchases of property and equipment	(171,660)	(8,500)
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	192,200	-
Repayments of mortgage payable	(7,966)	(7,016)
Net Cash Provided by (Used in) Financing Activities	184,234	(7,016)
Net Change in Cash	(42,717)	134,670
Cash, Beginning	534,167	399,497
Cash, Ending	\$ 491,450	\$ 534,167
Supplemental Disclosures		
Interest paid	\$ 5,051	\$ 4,677

See accompanying notes.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 1: DESCRIPTION OF OPERATIONS

Delaware County Literacy Council (“the Literacy Council”) is a private, nonprofit adult education organization that was incorporated in 1975. Adult students receive free instruction from classroom teachers or volunteer tutors in the areas of basic reading, writing, math, preparation for the high school equivalency exam, or English as a second language.

During the 2020-21 program year, the Literacy Council served 436 adults in Delaware County, located in Southeastern Pennsylvania. As a result of working with the Literacy Council, adult students achieved quantitative improvements in their lives, including improved basic skill, GED attainment, employment or retained employment, U.S. Citizenship, and post-secondary education enrollment. All adults serviced by the Literacy Council improve their lives in some way, including reading to children, becoming better informed citizens, and becoming engaged in their community.

The Literacy Council is led by a volunteer board of directors which uses a four-year strategic plan to ensure it achieves well-articulated benchmarks while using careful financial management to progress toward its mission.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Literacy Council follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Nonprofit Entities. For financial reporting purposes, the Literacy Council follows the reporting requirements of generally accepted accounting principles, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of Net Assets into two categories: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the Literacy Council.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Literacy Council or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for building and equipment not yet placed in service. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for building and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions. There were no donor restricted net assets at June 30, 2021.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Revenue and Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Literacy Council had conditional promises of \$0 and \$170,000 as of June 30, 2021 and 2020, respectively. The conditional promise of \$170,000 was related to a contract from the Delaware County Office of Housing and Community Development for stucco and dormer repairs at 2217 Providence Avenue, Chester, PA. This work was completed during the year ended June 30, 2021. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. Awards from governmental agencies for which the condition of performance was not met during award period have been recorded as grants payable in the Statements of Financial Position. Grants payable are expected to be repaid within the next fiscal year.

In-kind Contributions

The Literacy Council recognizes in-kind contributions in excess of \$500 as revenue at their estimated fair value as of the date of donation. The related offsetting expense is recorded in the period of use on the Statements of Activities and Changes in Net Assets. In-kind contributions during the years ended June 30, 2021 and 2020 totaled \$66,823 and \$77,812, respectively.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

No amounts have been reflected in the financial statements for donated services. The Literacy Council generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Literacy Council with its mission. The Literacy Council has estimated that 98 volunteers donated approximately 5,700 hours for the year ended June 30, 2021 and 112 volunteers have donated approximately 6,500 hours of their time for the year ended June 30, 2020.

Grants Receivable

Grants receivable represent amounts that are due from grants, but not collected as of June 30, 2021 and 2020. Receivable balances are due from governmental agencies and a private foundation and are expected to be collected within the next fiscal year. Management has determined that all amounts at June 30, 2021 and 2020 are fully collectible and no allowance for doubtful accounts is necessary.

Property and Equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. The Literacy Council capitalizes all expenditures for equipment and building improvements in excess of \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using straight-line depreciation.

Long-Lived Assets

Long-lived assets held and used by the Literacy Council are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. No impairments were noted during the years ended June 30, 2021 and 2020.

Income Taxes

The Literacy Council is a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and state income taxes.

Management evaluates the Literacy Council's tax position to determine if they meet the minimum thresholds for financial statement recognition of the benefits of uncertain tax positions taken or expected to be taken in filing tax returns. Recognition of tax benefits of an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. Management has evaluated the Literacy Council's tax position taken or expected to be taken for all open periods and has concluded that it has no uncertain tax position as of June 30, 2021. The Literacy Council is subject to routine audits by taxing jurisdictions. At June 30, 2021, the Literacy Council's tax returns remain subject to examination for the last three years.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

The Literacy Council's principal financial instrument subject to credit risk is its cash. The Literacy Council maintains its cash in various bank accounts that, at times, may exceed federally insured limits. The Literacy Council's cash is placed with high credit quality institutions. The Literacy Council has not experienced, nor does it anticipate, any losses with respect to such accounts.

Allocation of Functional Expenses

The financial statements report certain expenses that are attributable to one or more program or supporting services, as summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Salaries, employee benefits, payroll taxes, and training and staff development are allocated based on estimates of time and effort. Fees for service are allocated based on full-time equivalent. Occupancy costs have been allocated based upon square footage. All other expenses related to more than one function are allocated based on estimates of time and costs.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 totaled \$11,009 and \$1,667, respectively.

New Accounting Pronouncements

The Literacy Council has adopted Financial Accounting Standards Board (FASB) ASU No. 2014-9, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. Their adoption of this standard for the year ended June 30, 2021 did not result in a change to the accounting for the the Literacy Council's revenue as the Literacy Council did not have any exchange contracts that extended beyond one year. Management believes the standard improves the usefulness and understandability of the Literacy Council's financial reporting.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Literacy Council is currently evaluating the impact that the pronouncement may have on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which affects all entities that hold financial assets and net investment leases that are not accounted for at fair value through net income. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Literacy Council is currently evaluating the impact the pronouncement may have on the financial statements.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In September 2020, the FASB issued ASU 2020-07, Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statements of Activities and Changes in Net Assets, apart from contributions of cash and other financial assets and to disclose contributions of nonfinancial assets. ASU 2020-07 will expand the presentation and disclosure requirements of ASC 958-605 with no change in the recognition and measurement requirements for contributed nonfinancial assets. As part of the additional disclosure requirements, not-for-profit entities must disclose the disaggregation of the amount of contributed nonfinancial assets recognized within the Statements of Activities and Changes in Net Assets that depicts the type of contributed nonfinancial assets. For each disaggregated category, the not-for-profit entity must provide additional qualitative and quantitative information regarding the valuation and usage of the nonfinancial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Literacy Council is currently evaluating the impact that the pronouncement may have on the financial statements.

NOTE 3: CONTRACTS AND GRANTS FROM GOVERNMENTAL AGENCIES

The Literacy Council, in the normal course of business, receives grants and enters into contracts for the performance of specific activities within certain budgetary constraints. Such projects are subject to various stipulations as to operating compliance and financial reporting. For substantially all of these programs, the expenditures are subject to review, audit, and final approval by the contracting agency. Unapproved expenses are subject to recoupment from the governmental agency.

As a result of unspent funds, the Literacy Council has recorded \$93,090 and \$80,075 as grants payable as of June 30, 2021 and 2020, respectively,

NOTE 4: AVAILABILITY AND LIQUIDITY

The following represents the Literacy Council's financial assets at June 30, 2021 and 2020:

	2021	2020
Financial assets at year end:		
Cash	\$ 491,450	\$ 534,167
Accounts receivable	19,478	-
Grants receivable	73,557	20,115
Financial assets available to meet general expenditures over the next twelve months	\$ 584,485	\$ 554,282

The Literacy Council has a goal to maintain financial assets, which consist of cash on hand and grants receivable without donor restrictions, to meet 90 days of normal operating expenses, which currently are, on average, approximately \$370,000. The Literacy Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Literacy Council also has committed a line of credit in the amount of \$140,000, which it could draw upon in the event of an unanticipated liquidity need.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2021	2020
Land	\$ 10,000	\$ 10,000
Building	94,500	94,500
Building improvements	488,825	317,165
Equipment	118,740	118,740
	712,065	540,405
Less: Accumulated depreciation	(271,686)	(249,713)
	\$ 440,379	\$ 290,692

Depreciation expense was \$21,972 and \$27,410 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6: DEBT

The Literacy Council has a \$140,000 line of credit with Franklin Mint Federal Credit Union with a maturity date of December 22, 2024, at a variable interest rate equal to the Wall Street Journal U.S. Prime Rate. The line of credit is secured by the Literacy Council's building located in Chester, Pennsylvania.

There were no borrowings on the Line of Credit at June 30, 2021 and 2020.

On August 1, 2006, the Literacy Council obtained a mortgage loan in the amount of \$180,000 from The Bryn Mawr Trust Company, due August 1, 2031. The loan has a fixed interest rate of 4.03% and is payable in monthly installments of \$1,062, including interest. It is secured by the land and building located in Chester, Pennsylvania.

The future scheduled maturities are as follows:

For the Year Ending June 30:	
2022	\$ 8,283
2023	8,664
2024	9,062
2025	9,478
2026	9,914
Thereafter	57,233
	\$ 102,634

Interest expense for the years ended June 30, 2021 and 2020 totaled \$5,051 and \$4,677, respectively.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 7: DONATED SERVICES, FACILITIES AND SUPPLIES

The Literacy Council received donated professional services, facilities, equipment and supplies during its fiscal year. The value of these items is reflected within the accompanying financial statements for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Advertising	\$ 10,350	\$ -
Fundraising supplies and rentals	3,327	16,489
Classroom space	34,280	48,300
Classroom textbooks, supplies	10,400	-
Internet service	2,205	2,004
Office supplies	1,102	2,389
Software	5,159	-
Technology services	-	8,630
	<u>\$ 66,823</u>	<u>\$ 77,812</u>

NOTE 8: CONCENTRATION OF REVENUES AND OTHER SUPPORT

The Literacy Council received revenues and other support from Commonwealth of Pennsylvania Department of Education grants representing 52% and 71% of total revenues and support for the years ended June 30, 2021 and 2020, respectively. In addition, the Literacy Council received revenues and other support from the U.S. Department of Labor through the Delaware County Workforce Development Board representing 18% and 13% of total revenues and support for the years ended June 30, 2021 and 2020.

NOTE 9: COMMITMENTS

The Literacy Council is leasing office equipment under a five-year operating lease, expiring March 2024, at a monthly lease base amount of \$479 with additional usage overage charges added quarterly. Lease expense for the years ended June 30, 2021 and 2020 was \$5,748 and \$7,256, respectively.

Effective March 1, 2019, the commencement date, the Literacy Council leased space to expand program services to an additional location. The lease is a two-year operating lease, with a two-year automatic renewal option. The monthly base rent is \$1,350. Annually, the base rent is subject to an incremental increase of no more than 3% on the anniversary of the commencement date. Rent expense for the years ended June 30, 2021 and 2020 was \$51,293 and \$65,703, respectively. Rent expense for the years ended June 30, 2021 and 2020 includes donated rent in the amount of \$34,280 and \$48,300, respectively.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 9: COMMITMENTS (CONTINUED)

Future minimum rent payments are as follows:

<u>For the Year Ending June 30:</u>	
2022	\$ 21,948
2023	16,548
2024	3,832
	<u>\$ 42,328</u>

NOTE 10: EMPLOYEE BENEFIT PLAN

The Literacy Council sponsors a contributory Simple IRA plan for all eligible employees. To be eligible, an employee must have earned at least \$5,000 in either of the two preceding years and is expected to be paid at least \$5,000 in the current year. As prescribed in Section 408(p) of the Internal Revenue Code, participating employee contributions are limited to \$13,500 for 2021 and \$13,500 for 2020. In addition, employees who will be age 50 by the end of 2021 and 2020 are permitted to make an additional catch up contribution of \$3,000. The Literacy Council matches the employees' contributions up to 3% of compensation or the amount of an employee's contribution, whichever is less. Matching contributions to the plan by the Literacy Council for the years ended June 30, 2021 and 2020 totaled \$15,737 and \$16,514, respectively.

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions at June 30, 2021 and 2020.

NOTE 12: PAYCHECK PROTECTION PROGRAM LOAN

As a result of COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "Act") was signed into law. The Act amends the Small Business Act to include a new guaranteed, unsecured loan program (the "Paycheck Protection Program"). The Organization applied for a loan under the Paycheck Protection Program. On July 10, 2020, the loan was approved in the amount of \$192,200.

The loan has a term of two years and is subject to interest of 1%, with a deferral of payments for the first six months. The loan and accrued interest can be forgiven up to 100%, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, as defined in the Act.

Since the Organization has a portion of the eligible payroll and rent expenses covered by government agency contracts and grants (see Note 3), the Organization expects to have a significant portion of the loan forgiven, but not 100%. This expectation is based on the current conditions as defined in the Act.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The full amount of the PPP loan has been classified as a current liability in the Statements of Financial Position as it is expected forgiven and repaid within twelve months of June 30, 2021.

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 13: RISKS AND UNCERTAINTIES

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect, economic activity globally, nationally, and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility. The full extent of any adverse impact of the COVID-19 outbreak on the Literacy Council’s financial statements cannot be predicted at this time.

NOTE 14: SUBSEQUENT EVENTS

The Literacy Council has evaluated subsequent events through September 28, 2022, the date on which the financial statements were available to be issued.



940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

**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**

To the Board of Directors
Delaware County Literacy Council
Chester, Pennsylvania

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 Delaware County Literacy Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delaware County Literacy Council'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 Delaware County Literacy Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Delaware County Literacy Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware County Literacy Council'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 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.



Brinker Simpson & Company, LLC
Springfield, Pennsylvania
September 28, 2022



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Delaware County Literacy Council
Chester, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Delaware County Literacy Council’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Delaware County Literacy Council’s major federal program for the year ended June 30, 2021. Delaware County Literacy Council’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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Delaware County Literacy Council’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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Delaware County Literacy Council’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 the major federal program. However, our audit does not provide a legal determination of Delaware County Literacy Council’s compliance.

Opinion on Each Major Federal Program

In our opinion Delaware County Literacy Council 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on the major federal program is not modified with respect to these matters.

Delaware County Literacy Council's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Delaware County Literacy Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Delaware County Literacy Council 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 Delaware County Literacy Council's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 the Uniform Guidance, 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 Delaware County Literacy Council'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Delaware County Literacy Council's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Delaware County Literacy Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brinker Simpson & Company, LLC

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
September 28, 2022

**DELAWARE COUNTY LITERACY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through Grantor Number	Grant Period	Federal CFDA Number	Federal Expenditures	Passed Through to Sub-recipients
U.S. Department of Labor (DOL)					
Passed through the County of Delaware					
WIOA Adult Programs	LIT.IMM.20	07/01/2020 - 06/30/2021	17.258	\$ 113,992	\$ -
Total CFDA #17.258				<u>113,992</u>	<u>-</u>
WIOA Dislocated Worker Formula Grants	LIT.IMM.20	07/01/2020 - 06/30/2021	17.278	122,997	-
Total CFDA #17.278				<u>122,997</u>	<u>-</u>
Total U.S. Department of Labor (DOL)				<u>236,989</u>	<u>-</u>
U.S. Department of Education (ED)					
Passed through Pennsylvania Department of Education					
Adult Education--Basic Grants to States	FA-061-21-0001	07/01/2020 - 06/30/2021	84.002A	195,403	-
Adult Education--Basic Grants to States	FA-064-21-0010	07/01/2019 - 06/30/2020	84.002A	340,816	-
Total CFDA #84.002A				<u>536,219</u>	<u>-</u>
Cares Act Adult Education Agencies GEER Funds	250-20-0012	03/13/2020 - 9/30/2021	84.425C	4,639	-
Total U.S. Department of Education (ED)				<u>540,858</u>	<u>-</u>
U.S. Department of Health and Human Services (HHS)					
Passed through the County of Delaware					
Temporary Assistance for Needy Families (TANF)	LIT.0020.EARN	07/01/2020 - 06/30/2021	93.558	21,892	-
Total CFDA #93.558				<u>21,892</u>	<u>-</u>
Total U.S. Department of Health and Human Services (HHS)				<u>21,892</u>	<u>-</u>
U.S. Department of Housing and Urban Development (HUD)					
Passed through the County of Delaware					
Community Development Block Grant Contract (CDBG)	HUD-CDBG-19-88A	07/01/2019 - 12/31/2020	14.218	170,000	-
Total CFDA #14.218				<u>170,000</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development (HUD)				<u>170,000</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 969,739</u>	<u>\$ -</u>

**DELAWARE COUNTY LITERACY COUNCIL
NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of the Delaware County Literacy Council under the programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Delaware County Literacy Council, it is not intended to, and does not, present the financial position, activities, changes in net assets, functional expenses or cash flows of the Delaware County Literacy Council.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

Delaware County Literacy Council has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**DELAWARE COUNTY LITERACY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued (unmodified, qualified, adverse, or disclaimer):

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditor’s report issued on compliance for major programs (*unmodified, qualified, adverse, or disclaimer*):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 X Yes No

Identification of major program:

CFDA Number

Name of Federal Program of Cluster

84.002A

Adult Education – Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

**DELAWARE COUNTY LITERACY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – CURRENT YEAR

Finding 2021-001: Significant Deficiency – Allowable Costs/Cost Principles

Repeat Finding: 2020-001

Organization did not fully implement the established cost allocation plan during the fiscal year ending June 30, 2021. Therefore, not all costs were shared among different grants consistently.

Criteria: Under the U.S. Code of Federal Regulations (CFR), Title 2: Grants and Agreements, PART 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E - Cost Principles Sec. 200.405 Allocable Costs - the cost must be allocated to the grants/projects based on the proportional benefit. If a cost benefits two or more grants/projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on a reasonable documented basis.

Condition: During our prior year audit as well as during a monitoring visit by PDE, it was discovered that certain expenses were allocated to grants on an unsupported basis. Based on testing performed for current year expenditures, the new cost allocation plan was not fully implemented prior to fiscal year end June 30, 2021.

Questioned Costs: None

Cause: Certain expenses were inconsistently allocated to several grants, with no documented basis for the allocation early during fiscal year prior to implementation of new cost allocation plan. Delaware County Literacy Council was unable to fully implement new cost allocation plan until after the year end.

Effect: DCLC is not in compliance with 2 CFR Sec. 200.405 - Allocable Costs.

Recommendation: We recommend that DCLC work to implement the prepared written supported allocation calculations for all direct and indirect costs that benefit two or more grants or programs. Specifically, DCLC should review actual expenses and make any necessary adjustments to the allocated expenses.

**DELAWARE COUNTY LITERACY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – CURRENT YEAR
(continued)**

Finding 2021-002: Significant Deficiency - Matching

Organization included a Local Match amount in Final Expenditure Report that was not included in the approved budget.

Criteria: Under the U.S. Code of Federal Regulations (CFR), Title 2: Grants and Agreements, PART 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D – Post Federal Award Requirements Sec. 200.306 Cost Sharing or Matching – Acceptable costs and contributions for matching are provided for in the approved budget.

Condition: Our testing of matching found one local matching cost reported on the Final Expenditure Report was not included on the original budget submitted to and approved by the Pennsylvania Department of Education.

Questioned Costs: None

Cause: Because of restrictions resulting from COVID-19, local matching amounts submitted on the approved budget were not reached. The final grant expenditure report submitted to Pennsylvania Department of Education included one local matching amount for a cost not included on the approved budget.

Effect: DCLC is not in compliance with 2 CFR Sec. 200.306 – Cost Sharing or Matching.

Recommendation: We recommend that DCLC only include local match amounts that were included in the approved budget. DCLC should monitor Local Match during the grant year and request approval from Pennsylvania Department of Education, for changes to budgeted local match line items and amounts.

**DELAWARE COUNTY LITERACY COUNCIL
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2021**

2020-001 Cost Allocation Plan not fully implemented

This finding is repeated in the current year as finding 2021-001.

August 2022

L. Patrick Gunnin
Executive Director
610-876-4811
pgunnin@delcoliteracy.org

CORRECTIVE ACTION PLAN

2020-2021 – Finding 1: Significant Deficiency – Allowable Costs/Cost Principles

Management's Response: Despite a transitional change in organizational leadership in early FY2020, and the challenges of COVID-19, DCLC instituted a process to allocate costs based on a time study. The allocable costs include salaries and benefits. We will be within compliance of **U.S. Code of Federal Regulations (CFR), Title 2: Grants and Agreements, PART 200 - Uniform Administrative Requirements, Cost.**

Principles, and Audit Requirements for Federal Awards, Subpart E - Cost

Principles Sec. 200.405 Allocable Costs

Completion Date: September 2021.

Name(s) of Person(s) Responsible: Patrick Gunnin

2020-2021 – Finding 2: Organization included a Local Match account in Final Expenditure Report that was not included in the approved budget.

Management's Response: *Going forward, in order to meet **U.S. code of Federal Regulations (CFR), Title 2: Grants and Agreements, PART 200 – Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards, Subpart D – Post Federal Award Requirements Sec. 200.306 Cost Sharing or Matching** – management will seek approval from funder to modify Local Match budgets prior to submitting expenditures for submission in Final Expenditure Reports in all Federal grants. Expenses will align with Pennsylvania Department of Education guidelines.*

Completion Date: August 2022

Name(s) of Person(s) Responsible: Patrick Gunnin