VIRGINIA LITERACY FOUNDATION, INC.

Financial Statements

for the year ended
June 30, 2015
(with comparative financial information
for the year ended June 30, 2014)

VIRGINIA LITERACY FOUNDATION, INC.

Contents

Frank Barcalow CPA, P.L.L.C.

Independent Auditor's Report

Board of Directors
Virginia Literacy Foundation, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Literacy Foundation, Inc. which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 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 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 audit 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 Virginia Literacy Foundation, Inc. as of June 30, 2015 and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Virginia Literacy Foundation, Inc. 2014 financial statements, and our report dated September 12, 2014, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in material respects, with the audited financial statements from which is has been derived.

Frank Barcalow CPA, PLLC

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
July 24, 2015

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Virginia Literacy Foundation

Statements of Financial Position
June 30, 2015
(with comparative totals for the year ended June 30, 2014)

		2015		2014
Assets				
Cash and cash equivalents	$	650,851	$	815,763
Pledges receivable		18,333		65,000
Grants receivables		4,995		59,050
Prepaid expenses		16,514		1,631
Total current assets		690,693		941,444
Pledges receivable		-		30,000
Property and equipment				
Office furniture, fixtures and equipment		6,546		6,546
Less accumulated depreciation		6,546		6,546
Total property and equipment		-		-
Total assets	$	690,693	$	971,444
Liabilities and net assets				
Liabilities				
Accrued expenses	$	-	$	85,230
Deferred revenue		89,067		126,902
Total liabilities		89,067		212,132
Net assets				
Unrestricted		486,896		534,900
Temporarily restricted net assets		114,730		224,412
Total net assets		601,626		759,312
Total liabilities and net assets	$	690,693	$	971,444

See notes to the financial statements.

Virginia Literacy Foundation

Statement of Activities
For the Year Ended June 30, 2015
(with summarized totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
Public support and revenue				
Contributions and grants	$ 29,979	$ 468,117	$ 498,096	$ 781,784
State of Virginia grant	-	200,000	200,000	200,000
Interest income	1,087	-	1,087	453
Other income	1,409	-	1,409	5,595
Total public support and revenue	32,475	668,117	700,592	987,832
Net assets released from restrictions	777,799	(777,799)	-	-
Total public support and revenue	810,274	(109,682)	700,592	987,832
Expenditures				
Program services	766,640	-	766,640	890,748
Supporting services				
General and administrative	43,402	-	43,402	56,252
Development	48,236	-	48,236	25,346
Total supporting services	91,638	-	91,638	81,598
Total expenditures	858,278	-	858,278	972,346
Change in net assets	(48,004)	(109,682)	(157,686)	15,486
Net assets at beginning of year	534,900	224,412	759,312	743,826
Net assets at end of year	$ 486,896	$ 114,730	$ 601,626	$ 759,312

See notes to the financial statements.

Virginia Literacy Foundation

Statement of Functional Expenses
For the Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Program	Management and General	Fundraising	2015 Total Expenses
Salaries	$ 29,887	$ 29,888	$ 39,850	$ 99,625
Employee benefits and payroll taxes	3,273	3,176	3,176	9,625
Supplies	170	165	165	500
Professional fees	-	5,131	-	5,131
Occupancy	3,354	3,255	3,255	9,864
Travel	490	475	475	1,440
Other literacy programs	507,157	-	-	507,157
Program grants	220,957	-	-	220,957
Miscellaneous	1,352	1,312	1,315	3,979
Total expense	$ 766,640	$ 43,402	$ 48,236	$ 858,278

	Program	Management and General	Fundraising	2014 Total Expenses
Salaries	$ 38,171	$ 38,171	$ 19,085	$ 95,427
Employee benefits and payroll taxes	5,509	5,509	2,755	13,773
Supplies	484	485	242	1,211
Professional fees	-	5,560	-	5,560
Occupancy	4,248	4,248	2,124	10,620
Travel	674	674	337	1,685
Other literacy programs	634,988	-	-	634,988
Program grants	205,069	-	-	205,069
Miscellaneous	1,605	1,605	803	4,013
Total expense	$ 890,748	$ 56,252	$ 25,346	$ 972,346

See notes to the financial statements.

Virginia Literacy Foundation

Statement of Cash Flows
June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (157,686)	$ 15,486
Adjustments to reconcile change in net assets		
to net cash (used in) provided by operating activities:		
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivables	76,667	(50,000)
(Increase) decrease in grant receivables	54,055	26,200
(Increase) decrease in prepaid expenses	(14,883)	7,234
Increase (decrease) in accounts payable and accrued expenses	(85,230)	(3,495)
Increase (decrease) in deferred revenue	(37,835)	(23,187)
Net cash (used in) provided by operating activities	(164,912)	(27,762)
Net increase (decrease) in cash and cash equivalents	(164,912)	(27,762)
Cash and cash equivalents at beginning of year	815,763	843,525
Cash and cash equivalents at end of year	$ 650,851	$ 815,763

See notes to the financial statements.

Notes to Financial Statements
June 30, 2015

Note 1 – Nature of organization and summary of significant accounting policies

Nature of organization

The Virginia Literacy Foundation (the "Foundation") was incorporated as a Virginia Non-stock Corporation on February 11, 1987. Its purpose is to promote literacy among the residents of Virginia by supporting public literacy programs, enhancing private sector literacy initiatives and encouraging statewide literacy awareness; and to make grants and gifts in aid and support of that goal. If dissolved, the Foundation's Articles of Incorporation provide that the remaining assets be disbursed to the Commonwealth of Virginia for use in state literacy programs.

Basis of accounting

The accounting system is maintained and financial reports are prepared in accordance with the accrual basis of accounting. Under accounting principles generally accepted in the United States of America, the Foundation 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. Unrestricted net assets are those assets resulting from support and revenue not subject to donor-imposed restrictions. Temporarily restricted net assets are those assets whose use by the Foundation is limited to donor-imposed stipulations that either expire by the passage of time, or that can be fulfilled or removed by the actions of the Foundation pursuant to those stipulations. Temporarily restricted net assets consist of pledges and grants to be used to fund local literacy programs. Currently, there are not any permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with maturity of three months or less to be cash equivalents. Cash equivalents at June 30, 2015 and June 30, 2014 were $650,851 and $815,763, respectively.

Notes to Financial Statements
June 30, 2015

Note 1 - Summary of significant accounting policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant support

The Foundation may receive assistance in the form of capital and operating grants from governmental and non-governmental sources. Grant revenues are recorded when earned. Revenues are accrued when conditions for funding have been met and funding is reasonably assured. Grant funding unearned is reflected as deferred revenue.

Donated property, materials, and services

Property and materials donated to the Foundation are recorded at fair market value at the time of receipt. Substantial time is contributed by the board members for whom no value is reflected in the financial statements since such time is not susceptible to objective measurement or valuation.

The value of donated services, representing services rendered by various organizations and individuals at no charge to the Foundation, is based on the approximate fair market value of the services received. These services are recognized both as support and expenses, and therefore, do not effect the overall net assets.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Promises to give

Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At this time, no allowance is considered necessary. Amounts significantly due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises were received. Amortization of the discounts is included in contribution revenue.

Notes to Financial Statements
June 30, 2015

Income taxes

The Internal Revenue Service has determined that the Foundation is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code. Contributions to the Foundation are tax deductible as defined by Section 170 of the Code. In addition, the Internal Revenue Service has determined that the Foundation is not a "private foundation" within the meaning of Section 509(a) of the Code.

Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives (generally 5 years) of the assets. Expenditures for repairs and maintenance are expensed in the year in which they were incurred. The Foundation capitalizes all equipment over $1,000 purchased.

Note 2 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 24, 2015 the date the financial statements were issued.

Note 3 - Concentration of credit risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash, cash equivalents and pledge receivables. The Foundation maintains its cash balances with a high quality financial institution located in Richmond, Virginia. Such balances, at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation's unsecured receivables are due from pledges; therefore, its ability to collect is affected by the financial condition of the debtor.

Note 4 - Pledges receivable

The pledges receivable are to be received by the Foundation for years subsequent to June 30, 2015 and 2014, and at this time, are deemed to be fully collectible by management.

Receivable in less than one year	$ 18 333	$ 65 000
Receivable in one year or more	-	30 000
	$ 18 333	$ 95 000

Unconditional promises to give are primarily from individuals, corporations, and foundations located in Metropolitan Richmond.

Notes to Financial Statements
June 30, 2015

Note 5 - Related Party

The Corporation shares office space and personnel costs with the Communities in Schools of Virginia. The Foundation's portion of the rental expense is thirty-eight percent. The lease, dated November 1, 2007 is for a twelve month term and may automatically renew with a 3% escalation clause, annually. Current monthly rental expense for the VLF is $830, until November 1, 2015. Total occupancy expense for the year ended June 30, 2015 was $9,864.

Note 6 – Temporarily restricted net assets

Temporarily restricted net assets are composed of the pledges receivable to be received over the next year of $15,000 and $95,000 and the balance of grants unexpended for literacy programs, $99,730 and $129,412, for a total of $114,730 and $224,412 as of June 30, 2015 and 2014, respectively.

Net assets released from restrictions due to purpose restrictions were $777,799 during the year ended June 30, 2015.

Note 7 – Concentration of income

For the year ended June 30, 2015, the Foundation received approximately twenty nine percent of its total support from the Commonwealth of Virginia.

Note 8 – Commitments

The Foundation has an agreement, dated April 2003, with Virginia Commonwealth University (VCU) to establish the Literacy Institute at Virginia Commonwealth University (LI) for the purpose of research and development related to adult and family literacy. The Executive Director of the Foundation is the chairperson of the Board of the LI. The term of this agreement is one year and, unless terminated, will continue from year to year. Either party may terminate this agreement by giving ninety days notice.

Note 9 - Fair value measurements

The Foundation adopted FASB (Accounting Standards Codification) ASC 820-10-50-2A, "Fair Value Measurements", to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This standard clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy under this standard based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments and liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.