

**LITERACY WORKS, INC.**  
**Baton Rouge, Louisiana**

**COMPILED FINANCIAL REPORT**

**As of and for the Year Ended**  
**December 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **SEP 14 2011**

**DONALD C. De VILLE**  
Certified Public Accountant  
7829 Bluebonnet Boulevard  
Baton Rouge, Louisiana 70810

# LITERACY WORKS, INC.

Baton Rouge, Louisiana

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*Certified Public Accountant*



*Donald C. DeVille*

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**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

April 15, 2011

Members of the Board of Directors  
Literacy Works, Inc.  
Baton Rouge, Louisiana

I have compiled the accompanying statement of financial position of Literacy Works, Inc. (a nonprofit organization) as of December 31, 2010, and the related statement of activities, functional expenses and cash flows for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Donald C. DeVille*

# *Financial Statements*

**LITERACY WORKS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010**

**ASSETS:**

Cash	\$46
Grants Receivable	\$10,500
Fixed Assets, net	4,829
<b>Total Assets</b>	<u>15,375</u>

**LIABILITIES AND NET ASSETS:**

**LIABILITIES:**

Loans Payable	\$7,422
Bank Overdraft	37,187
Payroll Taxes Payable	10,534
<b>Total Liabilities</b>	<u>55,143</u>

**NET ASSETS**

Unrestricted	(39,768)
<b>Total Net Assets</b>	<u>(39,768)</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>15,375</u>
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See accompanying notes and independent accountant's compilation report.

**LITERACY WORKS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2010**

**Revenues, gains and other support:**

Grants from Governmental Agencies:	
Department of Education	\$12,887
Grants from Others-Baton Rouge Coalition	104,139
Fee for Service	110,100
Fund Raising	2,695
Other Income	466
<b>Total Revenue, Gains and Other Support</b>	<u>230,287</u>

**EXPENSES:**

Program Services	
Education	207,902
Support Services	
Management	29,767
<b>Total Expenses</b>	<u>237,669</u>

**Increase in Net Assets** (7,382)

**NET ASSETS AT BEGINNING OF YEAR** (32,386)

**NET ASSETS AT END OF YEAR** (39,768)

See accompanying notes and independent accountant's compilation report.

LITERACY WORKS, INC.  
 STATEMENT OF FUNCTIONAL EXPENSE  
 YEAR ENDED DECEMBER 31, 2010

	PROGRAM SERVICES	SUPPORT SERVICES		TOTAL
		MANAGEMENT	FUND DEVELOPMENT	
Salaries	\$159,227	\$28,099	\$0	\$187,326
Benefits and Payroll Taxes	4,085	721	0	4,806
Accounting	0	730	0	730
Bank Charges	224	0	0	224
Contract Labor	3,198	0	0	3,198
Filing Fees	0	5	0	5
Insurance	1,100	0	0	1,100
Interest Expense	0	212	0	212
Memberships	25	0	0	25
Postage	157	0	0	157
Rent	8,285	0	0	8,285
Supplies	2,480	0	0	2,480
Educational Material	2,296	0	0	2,296
Telephone	3,974	0	0	3,974
Equipment	230	0	0	230
Miscellaneous	1,921	0	0	1,921
Promotional	526	0	0	526
Program Supplies	16,741	0	0	16,741
Training	3,233	0	0	3,233
Travel	200	0	0	200
<b>Total Expenses</b>	<b>207,902</b>	<b>29,767</b>	<b>0</b>	<b>237,669</b>

See accompanying notes and independent accountant's report.

**LITERACY WORKS, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets (\$7,382)

**Adjustment to reconcile increases in net assets to net assets provided by operating activities:**

Depreciation 0

**(Increases) decreases in operating assets:**

Accounts receivable 7,097

**Increases (decreases) in operating liabilities:**

Accounts payable 0

Employee payroll taxes 410

**Net Cash Provided by Operating Activities** 125

**Cash Flows From Financing Activities:**

Proceeds from Loans 7,500

Repayment of Loans (14,237)

**Net Cash Provided (used) By Investing Activities** (6,737)

**Net Increase (Decrease) in Cash** (6,612)

**Cash and cash equivalents at beginning of year** (30,529)

**Cash and cash equivalents at end of year** (37,141)

Supplement Interest Paid 212

See accompanying notes and accountant's compilation report.

**LITERACY WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Introduction**

The Literacy Works, Inc. is a Louisiana non-profit corporation, incorporated on February 16, 1996, for the purpose to increase adult literacy and literacy awareness in the Greater Baton Rouge Area with a literacy program that offers adult students a diversified, socially motivating, individualized program of instruction.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Literacy Works, Inc. have been prepared on the accrual basis. The Literacy Works, Inc. reports 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. Currently the Literacy Works, Inc. has no temporarily or permanently restricted net assets.

**Revenue Recognition**

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

Contributions are recognized when the donor makes a promise to give to the Literacy Works, Inc. that is, in substance, unconditional. Contributions are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants 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. Contributions and grants received with donor-imposed restrictions that are met in the same year in which the contributions or grants are received are classified as unrestricted contributions and grants.

The Literacy Works, Inc. 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. There were no allowances for uncollectible because the receivables consist of grants and contracts receivable.

**LITERACY WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Cash and Cash Equivalents**

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

**Income Tax Status**

The Literacy Works, Inc. is exempt from Federal Income Taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Literacy Works, Inc. has been classified as an entity that is not a private foundation within the meaning of Section 509 (a). Accordingly, no provision has been made for income taxes in the financial statements.

**Use of Estimates**

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

**NOTE 2 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK**

At December 31, 2010, the Literacy Works, Inc. had cash and cash equivalents (book balances) totaling \$(37,141). These deposits are stated at cost, which approximates market.

**Custodial Credit Risk-Deposits.** At December 31, 2010, the Literacy Works, Inc. had \$5,965 in deposits (collected bank balances). These deposits are secured from risk by \$5,965 of federal deposit insurance.

**Interest Rate-Deposits.** The Literacy Works, Inc.'s policy does not address interest rate risk.

**NOTE 3 - RECEIVABLES**

At year-end Literacy Works, Inc. had \$10,500 in grants receivable.

Receivables are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge off method is not a material departure from GAAP as it approximates the valuation method.

**LITERACY WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – LOANS PAYABLE**

Literacy Works, Inc. had loans payable to individuals and a \$7,000 revolving line of credit payable at 10% to Whitney National Bank. As of December 31, 2010, the Organization had \$7,422 outstanding and payable.

The future minimum loan payment for 2011 is \$7,422.

**NOTE 5 - JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES**

There was no litigation pending against the Literacy Works, Inc. as of December 31, 2010.

The Literacy Works, Inc., Inc.'s management believes that any potential lawsuits would be covered by insurance or resolved without any material impact upon the Literacy Works, Inc., Inc.'s financial statements.

No claims were paid out or litigation costs incurred during the year ended December 31, 2010.

**NOTE 6 - RISK MANAGEMENT**

The Literacy Works, Inc. is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Literacy Works, Inc., Inc. has purchase commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage for the prior year. No settlements were made during the year that exceeded the Literacy Works, Inc., Inc.'s coverage.

**NOTE 7 - SUBSEQUENT EVENTS**

The Literacy Works, Inc. did not have any subsequent events through April 15, 2011, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2010.

## **SUPPLEMENTAL INFORMATION**

**LITERACY WORKS, INC.**  
**SCHEDULE OF PRIOR YEAR'S FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Re No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Corrective Action Taken</u>
1.	12-31-06	The Organization has Net Deficit of \$32,386.	No	None-Deficit Has increased To \$39,768.

**LITERACY WORKS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**A. Summary of Auditor's Result**

**Financial Statements**

**Type of accountant's report issued: Compilation**

**No noncompliance material to financial statements noted.**

**Federal Awards: Not Applicable**

**B. Findings – Financial Statement Audit**

**2010-1**

**Condition: The Organization has a Net Asset (Deficit) of \$(39,768).**

**Criteria: Good Accounting practices require Organizations not to operate in deficit situations.**

**Effect: There is a \$39,768 deficit to be made up.**

**Recommendation: I recommend that the Organization seek other funding and hold fund raisers to reduce the deficit.**

**Management Response: The Organization is working to increase revenues and decrease expenses.**

**C. Management Letter**

**The accountant did not issue a management letter this year.**

**LITERACY WORKS, INC.**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**Finding 2010-1**

**Description of Findings** – The Organization had a \$39,768 fund deficit as of December 31, 2010.

**Corrective Action Plan** – Management is aggressively seeking additional funding, grants and contributions to get the Organization in a solvent position.

**Name of Contact** – Terry Rew, Executive Director

**Anticipated Completion Date** – December 31, 2011