

**LITERACY COUNCIL  
OF SOUTHWEST LOUISIANA, INC.  
Lake Charles, Louisiana**

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**FINANCIAL STATEMENTS  
December 31, 2013**

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.

Lake Charles, Louisiana

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Literacy Council of Southwest Louisiana, Inc.  
Lake Charles, Louisiana

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Council of Southwest Louisiana, Inc. as of December 31, 2013, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated May 21, 2014, on my consideration of Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting and on my 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 my 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 Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

May 21, 2014

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 72,386
Unconditional promises to give	53,678
Grants receivable	72,481
Other receivables	551
Total current assets	<u>199,096</u>

**PROPERTY AND EQUIPMENT**

Equipment	110,967
Leasehold improvements	4,051
	<u>115,018</u>
Less accumulated depreciation	<u>(100,482)</u>
	14,536
Land	5,788
Net property and equipment	<u>20,324</u>

**OTHER ASSETS**

Inventory	<u>53,221</u>
Total assets	<u>\$ 272,641</u>

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**December 31, 2013**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 8,829
Accrued expenses	31,580
Current portion of capital lease payable	<u>1,987</u>
Total current liabilities	<u>42,396</u>

**LONG TERM LIABILITIES**

Capital lease obligation payable, net of current portion	<u>2,615</u>
Total long term liabilities	<u>2,615</u>

Total liabilities	<u>45,011</u>
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**NET ASSETS**

Unrestricted	
Board designated	22,328
Net investment in property and equipment	20,324
Undesignated	<u>131,300</u>
Total unrestricted net assets	<u>173,952</u>

Temporarily restricted	<u>53,678</u>
Total net assets	<u>227,630</u>

Total liabilities and net assets	<u>\$ 272,641</u>
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**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF ACTIVITIES AND NET ASSETS**  
**Year Ended December 31, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
United Way of Southwest Louisiana	\$ 53,678	\$ 53,678	\$ 107,356
Federal and State Grants	472,636	-	472,636
Contributions and Private Grants	48,703	-	48,703
Interest income	19	-	19
In-kind donations	13,287	-	13,287
Program fees	28,021	-	28,021
Fund raising	45,773	-	45,773
Total revenues and gains	<u>662,117</u>	<u>53,678</u>	<u>715,795</u>
Net assets released from restrictions	<u>48,072</u>	<u>(48,072)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	710,189	5,606	715,795
<b>EXPENSES</b>			
Program services	630,475	-	630,475
Management and general	40,376	-	40,376
Fund raising	40,731	-	40,731
<b>TOTAL EXPENSES</b>	<u>711,582</u>	<u>-</u>	<u>711,582</u>
<b>CHANGE IN NET ASSETS</b>	(1,393)	5,606	4,213
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>175,345</u>	<u>48,072</u>	<u>223,417</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 173,952</u>	<u>\$ 53,678</u>	<u>\$ 227,630</u>

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2013**

<b>Cash Flows From Operating Activities</b>	
Cash received from Federal and State Grants	\$ 473,310
Cash received from Private Grants, Contracts, and Contributions	226,276
Cash paid to Suppliers and Employees	<u>(672,851)</u>
Net Cash Provided (Used) By Operating Activities	<u>26,735</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchase of capital assets	(8,546)
Proceeds from capital debt	5,658
Principal paid on capital debt	(1,056)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(3,944)</u>
<b>Cash Flows From Investing Activities</b>	
Interest received	<u>19</u>
Net Cash Provided (Used) By Investing Activities	<u>19</u>
<b>Net Increase (Decrease) In Cash</b>	22,810
<b>Cash - Beginning of Year</b>	<u>49,576</u>
<b>Cash - End of Year</b>	<u>\$ 72,386</u>
<b>Cash Flows From Operating Activities</b>	
Increase (decrease) in net assets	\$ 4,213
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	7,065
Interest income	(19)
(Increase) decrease in operating assets:	
Grants and other receivable	(4,932)
Other receivables	(471)
Inventory	5,518
Increase (decrease) in operating liabilities:	
Accounts payable	(2,082)
Accrued expense	<u>17,444</u>
Total Adjustments	<u>22,523</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 26,735</u>

See accompanying notes to financial statements.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2013**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Advertising	\$ 143	\$ -	\$ -	\$ 143
Computer expenses/technology	3,097	168	101	3,366
Contract Labor	6,422	349	209	6,980
Depreciation	6,500	353	212	7,065
Dues	1,002	54	33	1,089
Education and testing fees	15,368	-	-	15,368
Insurance - other	30,641	1,665	999	33,305
Interest expense	361	20	12	392
Miscellaneous	3,771	205	123	4,099
Office expense	64,934	3,529	2,117	70,580
Office occupancy	26,226	1,425	855	28,507
Payroll taxes	31,220	1,697	1,018	33,935
Postage	287	16	9	312
Professional fees	-	7,600	-	7,600
Salaries and wages	400,309	21,756	13,054	435,118
Volunteer tutors	11,859	-	-	11,859
Telephone	5,215	283	170	5,668
Travel	7,972	433	260	8,665
Fundraising expenses	-	-	21,065	21,065
Training and conferences	15,148	823	494	16,465
<b>Total expenses</b>	<b>\$ 630,475</b>	<b>\$ 40,376</b>	<b>\$ 40,731</b>	<b>\$ 711,582</b>

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose:

The Literacy Council of Southwest Louisiana, Inc. was organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing tutoring to the illiterate. The Council operates under a Board of Directors, which appoints an Executive Director and otherwise controls and guides the Council.

The United Way of Southwest Louisiana, Inc., federal and state grants, and private contributions provided the majority of the funding for the Council's 2013 programs.

The Council follows the standards of accounting and financial reporting for voluntary health and welfare agencies prescribed by the American Institute of Certified Public Accountants. The following significant accounting policies are in accordance with these standards.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation:

The Council has adopted Financial Accounting Standards Board (FASB) ASC 958 (formally SFAS No. 117), *Not-for Profit Entities*. Under FASB ASC 958-205-05-6, the Council is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets. As permitted by the codification, the Council does not use fund accounting.

**Unrestricted net assets** are not subject to donor-imposed stipulations and are composed of the following:

**Undesignated:** Net assets that are available for the various programs and administration of the Council.

**Board Designated:** Net assets that are established by the Board and represent unrestricted funds that have been set aside for future operations.

**Net Investment in Property and Equipment:** Net assets that represent amounts expended for property and equipment used in the operations of the Council, net of amounts borrowed, if any.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation:

**Temporarily restricted net assets** consist of donor-restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose or for a particular period are recognized as revenue when the promise to give is received and such amounts are reported as temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that 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.

**Permanently restricted net assets** are those net assets subject to donor-imposed stipulations that the Council maintains them permanently. Generally, the donors of these assets permit the Council to use all or part of the income earned on any related investments for general or specific purposes.

Estimates:

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

Contributions:

The council has also adopted FASB ASC 958-605-50-1 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income taxes:

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Currently, the Council engages in no activities that would be taxed as unrelated business income. The Council's open audit periods are from 2010 through 2012.

Contributed Goods and Services:

FASB ASC 958-605-50-1 (formerly SFAS No. 116) states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance a nonfinancial asset or (b) be specialized skills; provided by entities or persons possessing those skills that would be purchased if not donated. During the year, the value of contributed goods and services which consisted of volunteer tutors totaled \$11,295 and met the requirements for recognition in the financial statements.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

It is the Council's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Cash and Cash Equivalents:

The Council considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable:

Grants, contracts, and contributions receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2013, the Council considers all accounts receivable to be fully collectible; accordingly no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Functional Expenses:

Expenses have been classified by specific functions where ascertainable. Those expenses that cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

Fair Values of Financial Instruments:

The Council has a number of financial instruments, none of which is held for trading purposes. The Council estimates that the fair value of all financial instruments at December 31, 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Council using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Council could realize in a current market exchange. The recorded values of cash, receivables, accounts payable, and accrued expenses approximate their fair values based on their short-term nature.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue:

Grant proceeds that are to be used during the following fiscal year are classified as deferred revenue.

**NOTE B – ACCOUNTS RECEIVABLE**

As of December 31, 2013, accounts receivable from grants and contracts were composed of:

U.S. Department of Education Passthrough Louisiana Department of Education	
Federal Basic/EL Civics	\$ 49,030
Louisiana Department of Education	
State Basic	\$ 23,451

All receivables are expected to be received within less than one year of the financial statement date.

**NOTE C – INVENTORY**

Inventory represents books maintained by the Council for use by program participants. Inventory is reported at cost or the estimated fair market values at the date they are received, if donated.

**NOTE D – PROMISES TO GIVE**

During the year ended December 31, 2013, the Council received its July 1, 2013 through June 30, 2014 United Way allocation of \$107,356. The January 1, 2014 through June 30, 2014 portion of the allocation is temporarily restricted at time of receipt and is properly reflected in the accompanying statement of activities as an increase in temporarily restricted net assets in the amount of \$53,678. Uncollectible allocations are expected to be insignificant. All of the allocation is expected to be received in less than one year.

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2013, temporarily restricted net assets consisted of the January 1, 2014 through June 30, 2014 portion of the United Way allocation.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE F – PROPERTY AND EQUIPMENT**

As of December 31, 2013, property and equipment consisted of:

Equipment	\$110,967
Leasehold Improvements	4,051
Land	<u>5,788</u>
Total Fixed Assets	120,806
Less Accumulated Depreciation	<u>(100,482)</u>
Net Fixed Assets	<u>\$ 20,324</u>

Property and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation expense for the years ended December 31, 2013 was \$7,065.

**NOTE G – CAPITAL LEASE COMMITMENT**

The Council has entered into a lease agreement as lessee for financing the acquisition of telephone equipment with a purchase option. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The capitalized cost of this asset is \$5,658. The Council is depreciating the capital asset over its estimated productive life. The accumulated depreciation on the equipment under this capital lease obligation was \$1,132 at December 31, 2013.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2013:

Year Ending October 31,	
2014	\$ 1,987
2015	1,987
2016	766
Net minimum lease payments	<u>4,740</u>
Less amount representing interest	138
Present value of minimum lease payments	<u><u>\$ 4,602</u></u>

**NOTE H – OPERATING LEASE COMMITMENT**

As of October 1, 1997, the Council entered into a five-year non-cancelable operating lease for its office facility requiring rent of \$821 per month. Over the lease term, monthly payments were adjusted to reflect changes in the space. Monthly payments during the year ended December 31, 2013 approximated \$1,512 per month.

As of December 31, 2013, there are no remaining operating lease payments under the non-cancelable operating lease. The lease expired on October 1, 2002. The Council continues to reside in its current location and rents this and additional classroom space in DeRidder, Louisiana, on a month-to-month basis, with a 30-day notice required upon cancellation.

**LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE I – FUNCTIONAL ALLOCATION OF EXPENSES**

Indirect expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

The allocation of indirect cost was based on the following 2013 percentages:

Program	92%
Management and General	5%
Fund Raising	3%

**NOTE J – CONCENTRATIONS**

The Council maintains bank accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. Balances were not in excess of FDIC insured limits at December 31, 2013.

For the years ended December 31, 2013, the Council received 66% of its funding from federal and state grants and 15% of its funding from the United Way. The operations of the Council are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies and the United Way. Such administrative directives, rules, and regulations are subject to change by legislative acts or administrative changes. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

**NOTE K – SUBSEQUENT EVENTS**

The Council evaluated its December 31, 2013 financial statements for subsequent events through May 21, 2014, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the financial statements

# STEVEN M. DEROUEN & ASSOCIATES

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## **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***

Board of Directors  
Literacy Council of Southwest Louisiana, Inc.  
Lake Charles, Louisiana

I 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 Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, I considered Literacy Council of Southwest Louisiana, Inc.'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 Literacy Council of Southwest Louisiana, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider item 2013-02 from the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

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. I consider items 2013-01 from the deficiencies described in the accompany schedule of findings and questioned costs to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Literacy Council of Southwest Louisiana Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Literacy Council of Southwest Louisiana Inc.'s Response to Findings**

Literacy Council of Southwest Louisiana Inc.'s responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. Literacy Council of Southwest Louisiana Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

*Steven M. DeRouen & Associates*

May 21, 2014

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.  
Lake Charles, Louisiana  
Schedule of Findings and Responses  
Year Ended December 31, 2013

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2013-01; material weakness in internal control – refer to B. 2013-02.
3. No instances of noncompliance noted.

**B. GAGAS Findings:**

2013-01- Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the Council's day-to-day operations.

Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties.

2013-02 Financial Statement Reporting

The Council maintains its books and records on the modified cash basis of accounting. The Council relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Council's internal control structure and because of the limitations of the accounting staff, the design of the Council's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.  
Lake Charles, Louisiana  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2013

**Prior Year Findings:**

2012-01- Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the Council's day-to-day operations.

2012-02 Financial Statement Reporting

The Council maintains its books and records on the modified cash basis of accounting. The Council relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Council's internal control structure and because of the limitations of the accounting staff, the design of the Council's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.