

**THE CENTER FOR LITERACY, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

**THE CENTER FOR LITERACY, INC.  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2009**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>3</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>4</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>

# LarsonAllen<sup>®</sup> LLP

CPAs, Consultants & Advisors  
www.larsonallen.com

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
The Center for Literacy, Inc.  
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of The Center for Literacy, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated December 11, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Literacy, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

  
LarsonAllen LLP

Blue Bell, Pennsylvania  
October 7, 2009

**THE CENTER FOR LITERACY, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

<b>ASSETS</b>	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 548,175	\$ 581,202
Contracts and Accounts Receivable	346,385	486,181
Other Receivables, Net of Allowances	17,093	12,900
Prepaid Expenses	7,884	8,502
Total Current Assets	<u>919,537</u>	<u>1,088,785</u>
<b>PROPERTY AND EQUIPMENT</b>	283,982	287,627
<b>OTHER ASSETS</b>		
Security Deposit	7,653	7,653
Mortgage Modification Fees, Net of Accumulated Amortization of \$1,782 in 2009 and \$1,470 in 2008.	1,363	1,675
Total Other Assets	<u>9,016</u>	<u>9,328</u>
Total Assets	<u>\$ 1,212,535</u>	<u>\$ 1,385,740</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Long-Term Debt, Current Maturities	\$ 12,126	\$ 9,764
Accounts Payable and Other Accrued Expenses	44,823	81,165
Accrued Salaries	202,049	85,795
Deferred Revenue	16,000	-
Total Current Liabilities	<u>274,998</u>	<u>176,724</u>
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>	<u>222,443</u>	<u>234,236</u>
Total Liabilities	497,441	410,960
<b>NET ASSETS</b>		
Unrestricted	608,427	578,321
Temporarily Restricted	106,667	396,459
Total Net Assets	<u>715,094</u>	<u>974,780</u>
Total Liabilities and Net Assets	<u>\$ 1,212,535</u>	<u>\$ 1,385,740</u>

See accompanying Notes to Financial Statements.

**THE CENTER FOR LITERACY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Government Contracts	\$ 1,914,186	\$ -	\$ 1,914,186	\$ 2,201,238
Corporate/Foundation Contributions	198,020	122,500	320,520	458,549
Individual Contributions	83,426	-	83,426	45,133
In-Kind Contributions	389,879	-	389,879	396,243
Fundraising Event	106,055	-	106,055	31,839
Investment Income	8,198	-	8,198	8,254
Fee for Service	1,370,230	-	1,370,230	968,273
Other Income	5,274	-	5,274	27,710
Subtotal	<u>4,075,268</u>	<u>122,500</u>	<u>4,197,768</u>	<u>4,137,239</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>412,292</u>	<u>(412,292)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	4,487,560	(289,792)	4,197,768	4,137,239
<b>EXPENSES</b>				
Program Services	3,996,629	-	3,996,629	3,385,879
General and Administrative Expenses	422,655	-	422,655	324,137
Total Expenses	<u>4,419,284</u>	<u>-</u>	<u>4,419,284</u>	<u>3,710,016</u>
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION</b>	68,276	(289,792)	(221,516)	427,223
<b>DEPRECIATION AND AMORTIZATION</b>	<u>38,170</u>	<u>-</u>	<u>38,170</u>	<u>40,328</u>
<b>CHANGE IN NET ASSETS</b>	30,106	(289,792)	(259,686)	386,895
Net Assets - Beginning of Year	<u>578,321</u>	<u>396,459</u>	<u>974,780</u>	<u>587,885</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 608,427</u>	<u>\$ 106,667</u>	<u>\$ 715,094</u>	<u>\$ 974,780</u>

See accompanying Notes to Financial Statements.

**THE CENTER FOR LITERACY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

	2009				2008	
	Student Training	Tutor Training	Special Projects	Total Program Services	General and Administrative Expenses	Total Expenses
Salaries	\$ 1,981,024	\$ 156,397	\$ 208,529	\$ 2,345,950	\$ 260,661	\$ 2,606,611
Payroll Taxes	163,822	12,933	17,244	193,999	21,555	215,554
Benefits	207,999	16,421	21,895	246,315	27,369	273,684
Bad Debts	-	-	-	-	12,900	12,900
Bank Charges	-	-	-	-	3,481	3,481
Building Maintenance	21,210	1,675	2,233	25,118	2,791	27,909
Clerical Services	7,324	467	-	7,791	-	7,791
Conferences, Conventions and Meetings	4,811	307	-	5,118	-	5,118
Consulting Services	177,536	12,681	-	190,217	21,135	211,352
Contracted Program Services	174,149	-	-	174,149	-	174,149
Equipment Rental, Repairs and Maintenance	30,619	2,417	3,223	36,259	4,029	40,288
Insurance	10,237	808	1,078	12,123	1,347	13,470
Volunteer - Tutor Services	247,508	-	-	247,508	-	247,508
Instructional Supplies	62,971	3,314	-	66,285	-	66,285
Interest	-	-	-	-	15,817	15,817
License, Fees and Dues	2,322	183	244	2,749	305	3,054
Office Expenses	13,262	1,047	1,396	15,705	1,745	17,450
Office Supplies	29,240	2,308	3,078	34,626	3,848	38,474
Postage	3,954	527	-	4,481	791	5,272
Printing	38,766	3,060	4,081	45,907	5,101	51,008
Professional Fees	28,242	-	-	28,242	30,595	58,837
Rent	231,434	-	-	231,434	-	231,434
Special Events	11,051	1,381	-	12,432	1,382	13,814
Technology Upgrade and Equipment	2,777	219	292	3,288	366	3,654
Telephone	24,800	1,958	2,610	29,368	3,263	32,631
Travel	15,606	1,232	1,643	18,481	2,052	20,533
Utilities	16,116	1,272	1,696	19,084	2,122	21,206
<b>Total</b>	<b>3,506,780</b>	<b>220,607</b>	<b>269,242</b>	<b>3,996,629</b>	<b>422,655</b>	<b>4,419,284</b>
Depreciation and Amortization	29,009	2,290	3,054	34,353	3,817	38,170
<b>Total Expense</b>	<b>\$ 3,535,789</b>	<b>\$ 222,897</b>	<b>\$ 272,296</b>	<b>\$ 4,030,982</b>	<b>\$ 426,472</b>	<b>\$ 4,457,454</b>
						<b>\$ 2,138,939</b>
						<b>223,010</b>
						<b>234,838</b>
						<b>-</b>
						<b>1,623</b>
						<b>3,660</b>
						<b>21,972</b>
						<b>9,751</b>
						<b>62,736</b>
						<b>191,250</b>
						<b>39,260</b>
						<b>13,052</b>
						<b>234,243</b>
						<b>40,080</b>
						<b>16,095</b>
						<b>2,314</b>
						<b>11,046</b>
						<b>22,861</b>
						<b>13,598</b>
						<b>10,657</b>
						<b>33,694</b>
						<b>279,123</b>
						<b>5,384</b>
						<b>20,154</b>
						<b>34,251</b>
						<b>22,200</b>
						<b>24,225</b>
						<b>3,710,016</b>

See accompanying Notes to Financial Statements.

**THE CENTER FOR LITERACY, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (259,686)	\$ 386,895
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	38,170	40,328
Donated Equipment	(6,500)	-
Loss on Disposal of Equipment	-	902
(Increase) Decrease in:		
Contracts and Accounts Receivable	139,796	(208,463)
Other Receivables	(4,193)	-
Prepaid Expenses	618	2,015
Increase (Decrease) in:		
Accounts Payable and Other Accrued Expenses	(36,342)	31,943
Accrued Salaries	116,254	(35,320)
Deferred Revenue	16,000	-
Net Cash Provided by Operating Activities	4,117	218,300
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(27,713)	(22,091)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(9,431)	(8,789)
 <b>NET INCREASE (DECREASE) IN CASH</b>	(33,027)	187,420
Cash and Cash Equivalents - Beginning of Year	581,202	393,782
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 548,175	\$ 581,202
 <b>SUPPLEMENTAL CASH DISCLOSURE</b>		
Interest Paid	\$ 15,817	\$ 16,095

See accompanying Notes to Financial Statements.

**THE CENTER FOR LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Center for Literacy (CFL) is the nation's largest community-based nonprofit literacy provider. Its mission is to provide a range of literacy services, including reading, writing, math, life and work skills, to help a diverse population of learners meet their needs and achieve their personal and employment-related goals. Since 1968, CFL has provided literacy services to adults, youth, and families in Philadelphia and Delaware Counties, and is considered a nationally recognized leader in the field by practitioners and funders. CFL offers technical assistance and professional development to other organizations, and direct services in adult basic and literacy education, family literacy, in-school and out-of-school youth programs, workforce initiatives, GED programs, an adult diploma program, and other initiatives through its network of more than 80 learning centers. CFL also offers educational products including curricula, handbooks, and a toolkit for working with out-of-school youth. CFL receives funding from government contracts and donations from corporate, foundations and individual sources.

In addition to the dedication of dozens of fulltime teachers, each year CFL is privileged to receive the support of hundreds of volunteer tutors who work in small groups or one-on-one with individual students. In total, CFL serves more than 3,700 students every year.

**Basis of Presentation**

CFL 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. Permanently restricted net assets include amounts restricted in perpetuity by the donor. CFL had no permanently restricted net assets at June 30, 2009. Temporarily restricted net assets are for activities which contain a restriction (time or purpose) as stipulated by the donor. When such restrictions are satisfied, income is then released as unrestricted. All other activities of the Organization are considered unrestricted.

CFL considers all government awards to be exchange transactions in which each party receives and sacrifices commensurate value. Accordingly, government awards do not affect temporarily restricted or permanently restricted net assets, and funds received in advance are deferred revenue, and funds disbursed and not reimbursed represent receivables.

**Income Taxes**

CFL is exempt from income tax as a non-profit organization under 501(c)(3) of the Internal Revenue Code. The Organization has elected to defer application of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes." The Organization follows Financial Accounting Standard No. 5 "Accounting for Contingencies" for evaluating uncertain tax positions

**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.



**THE CENTER FOR LITERACY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash includes cash on hand and cash in checking and money market accounts.

**Donated Securities**

Donated marketable securities are recorded as contributions at their estimated fair values at the time of donation. CFL's policy is to sell the securities as soon as possible after receipt.

**Contracts and Accounts Receivable**

CFL provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2009, an allowance of \$12,900 was warranted.

**Property and Equipment and Depreciation**

Building, office equipment, computer hardware and software, building improvements are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of assets range between 3 years to 39 years. CFL capitalizes all expenditures for property and equipment in excess of \$5,000.

Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulation are removed from the accounts and any gain or loss is included in income.

**In-Kind Contributions**

CFL records various types of in-kind support including contributed professional services, volunteer tutor services, contributed space and donated equipment. Contributed professional services and volunteer tutor services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed space is recognized by CFL at fair value. Donated equipment is recognized at the estimated fair value at the date of receipt. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, except for donated equipment, which is capitalized.

**Functional Allocation of Expenses**

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

**THE CENTER FOR LITERACY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

On July 1, 2008, the Organization adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS 157). As permitted, adoption of SFAS 157 has been delayed for certain nonfinancial assets and nonfinancial liabilities to July 1, 2009. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Organization currently does not measure any of its assets or liabilities at fair value and therefore there is no impact on the adoption of this standard.

**Comparative Data**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with CFL's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

The prior year comparative data has been reclassified in order to conform with the current year financial statement presentation.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 7, 2009, the date the financial statements were available to be issued.

**NOTE 2 CONTRACTS AND ACCOUNTS RECEIVABLE**

CFL's contracts and accounts receivable consisted of the following at June 30, 2009:

Government Contracts	\$ 322,573
Fees for Services and Other	23,812
Total Accounts Receivable	<u>\$ 346,385</u>

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2009:

Building and Building Improvements	\$ 404,474
Furniture, Equipment and Other	263,446
Total	<u>667,920</u>
Less: Accumulated Depreciation	383,938
Total Property and Equipment	<u>\$ 283,982</u>

Depreciation expense was \$37,858 for the year ended June 30, 2009.

**THE CENTER FOR LITERACY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 LINE OF CREDIT**

CFL has obtained a line of credit in the amount of \$400,000. Interest accrues at prime plus 0.5% on the unpaid principal balance. The interest rate at June 30, 2009 was 3.75%. The line of credit is secured by all of the assets of CFL and extends through April, 2010. There were no amounts outstanding at June 30, 2009.

**NOTE 5 MORTGAGE PAYABLE**

On August 3, 1990, the Organization purchased a building located at 636 South 48<sup>th</sup> Street, Philadelphia, Pennsylvania. The building was financed by a mortgage of \$262,000. Terms of the mortgage called for principal and interest at 10% per annum, from October 1, 1990 through September 1, 2020. During the fiscal year ended 2004, the building was refinanced for \$280,000. Terms of the security agreement call for payments of \$2,104 including interest at 6.5% per annum, from December 1, 2003 through November 1, 2013 and a balloon payment in November 2013.

Long-term debt matures as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 12,126
2011	11,116
2012	11,860
2013	12,655
2014	186,812
Total	<u>234,569</u>
Less: Current Maturities	12,126
Total Long-term Debt, Net of Current Maturities	<u>\$ 222,443</u>

**NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions for the year ended June 30, 2009 were:

Annenberg Foundation Grant - Urban Youth Center	\$ 39,909
Philadelphia Foundation - General Operations - Time Restricted	18,755
Connelly Foundation - English Language Classes	3,333
ACE INA Foundation - Support Adult Diploma Program	20,000
Samuel S. Fels Fund - Life Experience Academic Diploma	15,000
Verizon Foundation - Building Capacities and Communities Virtual World	20,000
Verizon Foundation - Reading Writers	7,500
William Penn Foundation - Expansion of Literacy Intensive Interventions	287,795
Total	<u>\$ 412,292</u>

**THE CENTER FOR LITERACY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7 NET ASSETS**

Temporarily restricted net assets at June 30, 2009 are available for the following purposes:

Claniel Foundation - LEAD Program Development	\$ 5,000
Connelly Foundation - English Language Classes	16,667
Philadelphia Foundation - General Operations 3/2/09-2/26/10	35,000
William Penn Foundation - Expansion of Literacy Intensive Interventions	50,000
Total	<u>\$ 106,667</u>

**NOTE 8 IN-KIND CONTRIBUTIONS**

In-kind contributions for the year ended June 30, 2009 consisted of the following:

Volunteer Tutor Services	\$ 241,498
Donated Services	6,010
Contributed Space	135,871
Donated Equipment	6,500
Total	<u>\$ 389,879</u>

**NOTE 9 OPERATING LEASES**

The Organization has various operating leases including and month-to-month and terms through 2013 for equipment, office space, and classrooms. Rent expense under the leases for the year ended June 30, 2009 was approximately \$136,000. Future minimum lease payments under the operating leases that have remaining terms in excess of one year as of June 30, 2009 are as follows

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 120,304
2011	121,527
2012	49,387
2013	34,094
Total	<u>\$ 325,312</u>

**NOTE 10 EMPLOYEE 403B PLAN**

The Organization has a 403B plan for all eligible employees. The Organization, at its discretion, may make a contribution to the plan each year.

The Organization did not contribute to the plan for the year ended June 30, 2009.

**THE CENTER FOR LITERACY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 11 CONCENTRATION OF CREDIT RISK**

The Center for Literacy, Inc. maintains several bank accounts at two banks. At times, cash in bank may exceed FDIC insurable limits.

**NOTE 12 CONCENTRATION OF REVENUE**

Approximately 46% of the Organization's funding was received from the Pennsylvania Department of Education for the year ended June 30, 2009.

**NOTE 13 CONTRACTUAL ADJUSTMENTS**

The contracts under which the Organization conducts its programs contain provisions defining costs, which are allowable and reimbursable with the program. Programs billings are subject to audit by various governmental funding sources. Audits of these billings may result in adjustments for disallowances. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined to date.

**NOTE 14 FUND-RAISING ACTIVITIES**

The total amount of fund-raising expenses incurred by the Organization for the year ended June 30, 2009 was \$23,442.