

**Literacy Council of Tyler, Inc.**  
**Financial Statements**  
**Together with Independent Auditors' Report**  
**June 30, 2021**

**LITERACY COUNCIL OF TYLER, INC.**  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Literacy Council of Tyler, Inc.  
Tyler, Texas

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Literacy Council of Tyler, Inc. (a non-profit organization) (the Organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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.

### **AUDITORS' 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 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 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 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 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 the Organization 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 INFORMATION**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 October 27, 2021, on our consideration of the Organization'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 solely 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 the Organization's 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 the Organization's internal control over financial reporting and compliance.



PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas  
October 27, 2021

**LITERACY COUNCIL OF TYLER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021 AND 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Current assets:		
Cash and cash equivalents	\$ 257,332	\$ 348,454
Grants receivable	241,572	56,540
CLAT receivable	79,146	79,146
Prepaid expenses	13,294	10,355
Total current assets	591,344	494,495
Non-current assets:		
Cash and cash equivalents - restricted	2,704	20,204
Beneficial interest in endowment funds	2,964,881	2,410,897
Beneficial interest in CLAT	413,905	466,669
Total non-current assets	3,381,490	2,897,770
Property and equipment, net of accumulated depreciation	4,274	5,699
Total assets	\$ 3,977,108	\$ 3,397,964
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Payroll liabilities	\$ 38,518	\$ 24,031
Deferred revenue	35,431	28,033
Accounts payable	52,996	5,410
Current portion of paycheck protection program (PPP) loan	49,400	111,536
Total current liabilities	176,345	169,010
Non-current liabilities:		
Non-current portion of PPP loan	197,600	136,203
Total non-current liabilities	197,600	136,203
Net assets:		
Without donor restrictions	1,599,975	1,008,271
With donor restrictions	2,003,188	2,084,480
Total net assets	3,603,163	3,092,751
Total liabilities and net assets	\$ 3,977,108	\$ 3,397,964

See accompanying notes and independent auditor's report.

**LITERACY COUNCIL OF TYLER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT AND REVENUE</b>			
Public support	\$ 350,284	\$ -	\$ 350,284
Grants	-	2,474,075	2,474,075
Foundations	-	13,000	13,000
In-kind donations - rent	122,220	-	122,220
In-kind donations	815	-	815
Special events	47,975	-	47,975
Unrealized gain on beneficial interest in endowments, net of related expenses	31,619	430,608	462,227
Interest	446	-	446
Book sales	90	-	90
Gain on extinguishment of debt	247,739	-	247,739
Miscellaneous revenue	1,245	-	1,245
	<u>802,433</u>	<u>2,917,683</u>	<u>3,720,116</u>
Reclassification of endowment funds	91,403	(91,403)	-
Net assets released from restrictions	<u>2,907,572</u>	<u>(2,907,572)</u>	<u>-</u>
Total support and revenue, reclassification of endowment funds, and net assets released from restrictions	<u>3,801,408</u>	<u>(81,292)</u>	<u>3,720,116</u>
<b>EXPENSES</b>			
Program services	2,865,694	-	2,865,694
General and administrative	267,173	-	267,173
Fundraising	76,837	-	76,837
	<u>3,209,704</u>	<u>-</u>	<u>3,209,704</u>
Change in net assets	591,704	(81,292)	510,412
<b>NET ASSETS</b>			
Balance, beginning of year	<u>1,008,271</u>	<u>2,084,480</u>	<u>3,092,751</u>
Balance, end of year	<u>\$ 1,599,975</u>	<u>\$ 2,003,188</u>	<u>\$ 3,603,163</u>

See accompanying notes and independent auditor's report.

**LITERACY COUNCIL OF TYLER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT AND REVENUE</b>			
Public support	\$ 297,490	\$ -	\$ 297,490
Grants	-	2,521,614	2,521,614
Foundations	-	12,500	12,500
In-kind donations - rent	122,958	-	122,958
In-kind donations	1,520	-	1,520
Special events	55,950	-	55,950
Unrealized gain (loss) on beneficial interest in endowments, net of related expenses	(7,127)	90,374	83,247
Interest	753	-	753
Book sales	7,682	-	7,682
Miscellaneous revenue	13,293	-	13,293
Total support and revenue	<u>492,519</u>	<u>2,624,488</u>	<u>3,117,007</u>
Reclassification of endowment funds	82,606	(82,606)	-
Net assets released from restrictions	<u>2,523,846</u>	<u>(2,523,846)</u>	<u>-</u>
Total support, revenue, reclassification of endowment funds, and net assets released from restrictions	<u>3,098,971</u>	<u>18,036</u>	<u>3,117,007</u>
<b>EXPENSES</b>			
Program services	2,853,406	-	2,853,406
General and administrative	221,114	-	221,114
Fundraising	93,809	-	93,809
Total expenses	<u>3,168,329</u>	<u>-</u>	<u>3,168,329</u>
Change in net assets	(69,358)	18,036	(51,322)
<b>NET ASSETS</b>			
Balance, beginning of year	<u>1,077,629</u>	<u>2,066,444</u>	<u>3,144,073</u>
Balance, end of year	<u>\$ 1,008,271</u>	<u>\$ 2,084,480</u>	<u>\$ 3,092,751</u>

See accompanying notes and independent auditor's report.

**LITERACY COUNCIL OF TYLER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Basic Literacy, GED, and ESL</u>	<u>IET Training, College Prep, Individual Assistance, Preschool</u>	<u>Total Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	
Advertising	\$ 32,853	\$ 3,650	\$ 36,503	\$ -	\$ 850	\$ 37,353
Contract labor	970	108	1,078	-	-	1,078
Depreciation	1,282	143	1,425	-	-	1,425
Dues and subscriptions	-	-	-	2,216	-	2,216
Equipment rent & maintenance	10,485	1,165	11,650	673	1,089	13,412
Individual assistance	-	332	332	-	-	332
Instructional supplies	65,481	9,099	74,580	-	-	74,580
Insurance	18,931	2,104	21,035	-	-	21,035
Office expense	-	-	-	15,396	-	15,396
Other expenses	44	5	49	-	12,485	12,534
Payroll taxes	82,509	4,923	87,432	13,910	2,814	104,156
Postage	216	24	240	-	4,645	4,885
Printing	302	34	336	-	9,722	10,058
Professional fees	-	-	-	28,400	-	28,400
Rent	24,465	2,718	27,183	5,817	-	33,000
Rent-in-kind	96,006	8,600	104,606	17,614	-	122,220
Salaries and benefits	1,081,240	73,489	1,154,729	181,505	36,040	1,372,274
Special events	-	-	-	-	7,338	7,338
Special events - in-kind	-	-	-	-	815	815
Staff training	5,900	656	6,556	949	-	7,505
Subcontracting	107,819	246,848	354,667	-	-	354,667
Subrecipient	876,019	97,335	973,354	-	-	973,354
Telephone	5,576	620	6,196	693	1,039	7,928
Travel and seminars	1,273	142	1,415	-	-	1,415
Volunteer support	2,095	233	2,328	-	-	2,328
<b>Total Expenses</b>	<b>\$ 2,413,466</b>	<b>\$ 452,228</b>	<b>\$ 2,865,694</b>	<b>\$ 267,173</b>	<b>\$ 76,837</b>	<b>\$ 3,209,704</b>

See accompanying notes and independent auditor's report.



**LITERACY COUNCIL OF TYLER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Basic Literacy, GED, and ESL</u>	<u>IET Training, College Prep, Individual Assistance, Preschool</u>	<u>Total Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	
Advertising	\$ 14,989	\$ 1,666	\$ 16,655	\$ -	\$ -	\$ 16,655
Depreciation	1,402	156	1,558	-	-	1,558
Dues and subscriptions	-	-	-	1,099	-	1,099
Equipment rent & maintenance	11,911	1,323	13,234	665	1,073	14,972
Individual assistance	-	3,213	3,213	-	-	3,213
Instructional supplies	117,809	16,308	134,117	-	-	134,117
Insurance	16,150	1,795	17,945	-	-	17,945
Legends park	565	-	565	-	-	565
Office expense	-	-	-	9,575	-	9,575
Other expenses	-	-	-	-	9,003	9,003
Payroll taxes	71,198	4,009	75,207	10,705	3,762	89,674
Postage	2,463	274	2,737	890	6,637	10,264
Printing	2,087	232	2,319	-	10,725	13,044
Professional fees	-	-	-	28,300	-	28,300
Rent	24,465	2,718	27,183	11,591	-	38,774
Rent-in-kind	94,954	8,600	103,554	17,614	-	121,168
Salaries and benefits	913,534	61,404	974,938	139,652	48,681	1,163,271
Special events	-	-	-	-	11,519	11,519
Special events - in-kind	-	-	-	-	1,520	1,520
Staff training	2,532	281	2,813	430	-	3,243
Subcontracting	75,881	173,723	249,604	-	-	249,604
Subrecipient	1,089,003	121,000	1,210,003	-	-	1,210,003
Telephone	6,348	705	7,053	593	889	8,535
Travel and seminars	7,656	851	8,507	-	-	8,507
Volunteer support	1,981	220	2,201	-	-	2,201
<b>Total Expenses</b>	<b>\$ 2,454,928</b>	<b>\$ 398,479</b>	<b>\$ 2,853,406</b>	<b>\$ 221,114</b>	<b>\$ 93,809</b>	<b>\$ 3,168,329</b>

See accompanying notes and independent auditor's report.

**LITERACY COUNCIL OF TYLER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

<b><u>CASH FLOW FROM OPERATING ACTIVITIES:</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Change in net assets	\$ 510,412	\$ (51,322)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,425	1,558
Net unrealized gains on beneficial interest in endowment	(462,227)	(83,248)
Loss on disposal of asset	-	(7,125)
Gain on extinguishment of debt	(247,739)	-
(Increase) decrease in operating assets:		
Grants receivable	(185,032)	59,218
CLAT receivable	52,764	52,764
Prepaid expenses	(2,939)	(1,438)
Increase (decrease) in operating liabilities:		
Accounts payable	47,586	(897)
Payroll liabilities	14,487	873
Deferred revenue	7,398	(2,927)
Total adjustments	<u>(774,277)</u>	<u>18,778</u>
Net cash (used in) operating activities	<u>(263,865)</u>	<u>(32,544)</u>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES:</u></b>		
Additions to beneficial interest in endowment	<u>(91,757)</u>	<u>(40,614)</u>
Net cash (used in) investing activities	<u>(91,757)</u>	<u>(40,614)</u>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES:</u></b>		
Receipt of paycheck protection program loan	<u>247,000</u>	<u>247,739</u>
Net cash provided by financing activities	<u>247,000</u>	<u>247,739</u>
Net increase (decrease) in cash and cash equivalents	(108,622)	174,581
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>368,658</u>	<u>194,077</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 260,036</u></u>	<u><u>\$ 368,658</u></u>

See accompanying notes and independent auditor's report.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

**ORGANIZATION AND NATURE OF ACTIVITIES**

The Literacy Council of Tyler, Inc. (the Organization) is a non-profit corporation chartered in 1990 under laws of the State of Texas. The Organization's purpose is to improve literacy in the Tyler area and to increase awareness of illiteracy and its effects. The Organization derives its support from donor contributions, grants, and through special events for which admission fees and sponsorships are solicited from the general public.

**BASIS OF ACCOUNTING**

The Organization's financial statements are presented in accordance with Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities by class.

Net Assets Without Donor Restrictions are amounts currently available at the discretion of the Board for use in the Organization's operations and those resources invested in equipment or real estate.

Net Assets With Donor Restrictions are stipulated by donors for specific operation purposes or for the acquisition of equipment.

**RECENTLY ADOPTED ACCOUNTING STANDARDS**

There were no new accounting standards adopted by the Organization for the year ended June 30, 2021.

**ESTIMATES**

The preparation of the financial statements in conformity with 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 support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

For the purposes of presentation in the Statement of Cash Flows, the Organization considers cash equivalents to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Reconciliation of cash and cash equivalents to the Statement of Cash Flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 257,332	\$ 348,454
Cash and cash equivalents - restricted	2,704	20,204
	<u>\$ 260,036</u>	<u>\$ 368,658</u>

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost for assets purchased and at fair market value (at date of contribution) for assets contributed. Expenditures for property over \$2,000 and those which substantially increase useful lives are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed using estimated useful lives of five to seven years for equipment and other property using the straight-line method. Capital leases are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**LONG-TERM DEBT**

The Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and facilitated by the Small Business Administration (SBA), provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses of the qualifying entity. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2021, the Organization's first PPP loan was forgiven, and shown on the Statement of Activities as a gain on extinguishment of debt. The Organization's second PPP loan has not been forgiven as of June 30, 2021 and is shown on the Statement of Financial Position as long-term debt.

**SUPPORT AND REVENUES**

Contributions are recognized as revenue in the period received and recorded as support without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions.

When a donor restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions

Donated services consist of volunteers who donate their time to tutor adult education students. No amounts have been reflected in the financial statements for donated services since volunteers are not required to have any specific expertise. The Organization pays for all services requiring specific expertise.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**INCOME TAXES**

The activities of the Organization are exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements. The Organization believes it has filed all required tax reports and has no uncertain tax positions. The years 2017 to 2020 remain open for examination by taxing authorities.

**FUNCTIONAL EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

As presented on the Statements of Functional Expenses (page 6), the Organization's principal program and support services include:

***Basic Literacy, GED, and ESL***

The Organization supports three core programs: Basic Literacy, General Education Development (GED) and English Second Language (ESL). The majority of program expenses incurred support the three core programs.

***IET Training, College Prep, Individual Assistance, and Preschool***

The Organization supports several non-core programs: Integrated Educations and Training (IET), College Prep, Individual Assistance (transportation assistance, textbook assistance, and college scholarships), and preschool for children of students. The non-core programs represent a small portion of overall program expense.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**FUNCTIONAL EXPENSES - continued**

***Fundraising***

While the majority of support comes from grants, the Organization occurs small expenses in connection with donations received directly.

**JOINT COSTS**

During the years ended June 30, 2021 and 2020, the Organization incurred joint costs of \$1,476,430 and \$1,252,945, respectively, for salaries and payroll taxes for employees who performed activities related to program, general and administrative, and fundraising expenses. The Organization allocated \$1,242,161, \$195,415, and \$38,854 for 2021 and \$1,050,145, \$150,357, and \$52,443 for 2020, respectively, to program, management and general, and fundraising expense.

**ADVERTISING COSTS**

The Organization uses advertising to promote its education programs. The costs of advertising are expensed as incurred. During the periods ended June 30, 2021 and 2020, advertising costs totaled \$37,353 and \$16,655, respectively.

**NEW ACCOUNTING GUIDANCE NOT YET ADOPTED**

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- Lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so users can understand more about the nature of an entity’s leasing activities. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Lessees (for financing and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Organization is currently evaluating the potential impact of adopting this guidance on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, “Not-For-Profit Entities” (Topic 958): Presentation And Disclosures By Not-For-Profit Entities For Contributed Nonfinancial Assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. Under the new guidance, contributed nonfinancial assets, including food, used clothing and household items, supplies, pharmaceuticals, medical equipment, intangibles, contributed use of long-lived assets, and contributed services, will be reported as a separate line item on the statement of activities, apart from contributions of cash and other financial assets.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**NEW ACCOUNTING GUIDANCE NOT YET ADOPTED - continued**

The new standards require non-profit entities to disclose the total value recognized for each category of gifts-in-kind received in the notes to the financial statements. The total value should agree to the total value of gifts-in-kind recognized in the statement of activities. The following must be disclosed for each category:

- Qualitative information about whether the gift-in-kind was monetized (i.e., sold) or used during the reporting period. If it was used, also disclose a description of the programs or other activities in which the assets were used. A best practice is to use the same program or activity names in the disclosure that are used in the expense section of the statement of activities.
- The Foundation's policy, if applicable, regarding monetizing rather than using gifts-in-kind.
- A description of any donor-imposed restrictions associated with the gift-in-kind.
- A description of the valuation techniques and inputs used to arrive at the fair value measurement.
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the Foundation is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

For contributed services, the disclosures above are in addition to the disclosures currently required for contributed services.

The Organization is currently evaluating the potential financial statement impact of adopting this guidance.

**NOTE 2 – PROPERTY AND EQUIPMENT**

The composition of property and equipment at June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 86,271	\$ 86,271
Furniture and equipment - restricted	200	200
Less: Accumulated depreciation	<u>82,197</u>	<u>80,772</u>
Property and equipment, net of depreciation	<u>\$ 4,274</u>	<u>\$ 5,699</u>

The Organization has possession of restricted property and equipment. These assets were purchased with grant monies and are restricted by the granting agency. They are disclosed as restricted because they are subject to return to the granting agency. Depreciation expense for the periods ended June 30, 2021 and 2020, were \$1,425 and \$1,558, respectively.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable were \$241,572 and \$56,540 at June 30, 2021 and 2020, respectively, consisting of amounts expended by the Organization that will be reimbursed by granting agencies.

Management has determined the grants receivable balance is collectable in full given the allowable nature of expenses submitted for reimbursement; therefore, management does not estimate an allowance for grants receivable.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 4 – AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2021. Donor-restricted amounts that are available for use within one year for general purposes include the estimated payment of \$79,146, from CLAT receivable.

	<b>2021</b>	<b>2020</b>
Financial assets, at year end	\$3,959,540	\$ 3,381,910
Less those unavailable for general expenditures within one year, due to:		
Beneficial interest in CLAT receivable due in more than one year	413,905	466,669
Donor-imposed restrictions:		
Donor-restricted to maintain as an endowment	1,586,579	1,597,607
Cash restricted for program use	2,704	20,204
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,956,352</u>	<u>\$ 1,297,430</u>

As part of the Organization’s liquidity management, it has an endowment of \$2,964,881. Although the Organization does not intend to spend from its endowment other than amounts appropriated for general expenditure as approved by the Board, amounts from its quasi-endowment could be made available if necessary.

**NOTE 5 – BENEFICIAL INTEREST IN ENDOWMENT FUNDS**

***East Texas Communities Foundation***

The Organization has three designated funds at East Texas Communities Foundation (ETCF). These funds are designed to provide the Organization assistance in maintaining facilities and programs. ETCF has not been granted variance power by the Organization. The assets have been reported in the accompanying consolidated financial statements in accordance with ASC 958-605-50, subsections 4-6, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Hold Contributions for Others* at a current fair market value under the caption of Beneficial Interest in Endowment Funds.

As of June 30, 2021 and 2020, the Organization maintained beneficial interest in three endowment funds as follows:

	<b>2021</b>	<b>2020</b>
Operating Reserve Fund	\$ 69,360	\$ 65,808
Board Designated Fund	405,524	335,951
Adult Literacy Endowment Fund	2,489,997	2,009,138
	<u>\$ 2,964,881</u>	<u>\$ 2,410,897</u>

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 – BENEFICIAL INTEREST IN ENDOWMENT FUNDS - continued**

***Investment Return Objectives, Risk Parameters, and Strategies***

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

***Spending Policy***

***Operating Reserve Fund***

The Operating Reserve Fund is invested in a conservative growth portfolio and is to be utilized for timing and cash flow issues. The funds can be accessed by the Executive Director and one officer of the Board.

***Board Designated Reserve Fund***

The Board Designated Reserve fund is invested in a moderate growth portfolio. The funds are to be utilized for emergencies or major capital needs. Distributions must be requested by 2/3 vote of the Organization's Board and approved by a simple majority of the Foundation's Board.

***Adult Literacy Endowment Fund***

The Adult Literacy Endowment Fund may distribute up to 5% of the value of the fund determined as of the preceding year end. Any portion of the distribution not withdrawn by the nonprofit in one year may be withdrawn in a subsequent year.

In addition to ordinary distributions, extraordinary distributions over 5% and up to 20% of the value of the fund determined as of the preceding year end may be made to the nonprofit from the fund at any time in any amount if requested by a 3/4 vote of the total number of directors or trustees of the nonprofit and approved by a majority vote of the Foundation's Board. Only one extraordinary distribution may be made within seven calendar years.

In addition to the ordinary and extraordinary distributions, distributions of up to 100% of the balance of the fund may be made if requested by unanimous vote of the total number of directors or trustees of the nonprofit and signed by a majority vote of the Foundation's Board.

This fund is intended to be a permanent endowment fund and any amount over 5% withdrawn in any year should be repaid as soon as practicable.



**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 – BENEFICIAL INTEREST IN ENDOWMENT FUNDS – continued**

***Reconciliation of the Organization’s Endowment by Net Asset Class***

The following summarizes the changes that occurred in the endowment funds for the years ended June 30, 2021 and 2020, respectively:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ 813,290	\$ 1,597,607	\$ 2,410,897
Current year contributions	11,382	80,375	91,757
Current year transfers	-	-	-
Investment return:			
Investment income	296,439	-	296,439
Unrealized gain on endowments	202,054	-	202,054
Total investment return	498,493	-	498,493
Other changes:			
Administrative fees	(17,322)	-	(17,322)
Investment fees	(16,709)	-	(16,709)
Miscellaneous expenses	(2,235)	-	(2,235)
Total other changes	(36,266)	-	(36,266)
Amount available for release	91,403	(91,403)	-
Endowment net assets, June 30, 2021	<u>\$ 1,378,302</u>	<u>\$ 1,586,579</u>	<u>\$ 2,964,881</u>

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 – BENEFICIAL INTEREST IN ENDOWMENT FUNDS – continued**

*Reconciliation of the Organization’s Endowment by Net Asset Class - continued*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ 755,728	\$ 1,531,307	\$ 2,287,035
Current year contributions	37,764	2,850	40,614
Current year transfers	(146,056)	146,056	-
Investment return:			
Investment income	116,981	-	116,981
Unrealized gain on endowments	(1,190)	-	(1,190)
Total investment return	115,791	-	115,791
Other changes:			
Administrative fees	(15,946)	-	(15,946)
Investment fees	(14,206)	-	(14,206)
Miscellaneous expenses	(2,391)	-	(2,391)
Total other changes	(32,543)	-	(32,543)
Amount available for release	82,606	(82,606)	-
Endowment net assets, June 30, 2020	<u>\$ 813,290</u>	<u>\$ 1,597,607</u>	<u>\$ 2,410,897</u>

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

The Organization’s net assets are comprised of the following:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Undesignated	\$ 138,253	110,136
Board designated net assets:		
CLAT receivable	79,146	79,146
Property and equipment	4,274	5,699
Beneficial interest in endowments	<u>1,378,302</u>	<u>813,290</u>
Total board designated	<u>1,461,722</u>	<u>898,135</u>
Total net assets without donor restrictions	<u>1,599,975</u>	<u>1,008,271</u>
Net assets with donor restrictions:		
Restrictions by donor as to time (CLAT receivable)	413,905	466,669
Restricted cash	2,704	20,204
Permanent donor restrictions to provide for future needs of the Organization (beneficial interest in endowments)	<u>1,586,579</u>	<u>1,597,607</u>
Total net assets with donor restrictions	<u>2,003,188</u>	<u>2,084,480</u>
Total net assets	<u>\$ 3,603,163</u>	<u>\$ 3,092,751</u>

**NOTE 7 – CONCENTRATIONS**

The Organization derives a significant portion of its revenue, approximately 80% during the period, from various grant programs. If this funding source were significantly reduced, it could have an adverse effect on the Organization’s activities and level of service.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 8 – LONG-TERM DEBT**

During the year ended June 30, 2021, the Organization received loan proceeds in the amount of \$247,000 under the Paycheck Protection Program (PPP). The specific terms of the note are that there will be monthly payments of \$4,222, beginning on June 1, 2022 at an annual rate of 1.00%. The loan matures on February 11, 2026. The Organization intends to use the entire loan amount for qualifying expenses and apply for loan forgiveness during the year ended June 30, 2022. If the Organization did not apply for forgiveness and instead elected to repay the debt, the debt payment schedule would be as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 4,117
2023	49,400
2024	49,400
2025	49,400
2026	94,683
Total	247,000
Less Current Portion:	(4,117)
Non-Current Portion:	<u>\$ 242,883</u>

**NOTE 9 – LEASING ARRANGEMENTS**

The Organization is the lessee of certain office equipment under operating leases with varying expirations through 2025. Lease expense for office equipment was \$10,216 during the periods ended June 30, 2021 and 2020.

The minimum lease payments required under the above operating leases as of June 30, 2021 and 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Base Rental Payments</u>
2022	\$ 10,216
2023	10,216
2024	10,216
2025	10,216
2026	-
Total Payments	<u>\$ 40,864</u>

**NOTE 10 – RENT**

The Organization maintains offices on the Tyler Junior College West Campus (“College”). Additionally, during the year ended June 30, 2020, the Organization began paying a small amount of rent to First Presbyterian Church (“Church”). The fees for the leased offices at the College and the Church were \$33,000 and \$38,774 for the years ended June 30, 2021 and 2020, respectively.

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 11 – IN-KIND DONATIONS – RENT**

The Organization utilizes donated rental space located at First Presbyterian Church, the Douglas Elementary campus, and the College. Based upon the prevailing market lease rates for the type of space being utilized, the fair rental value was estimated to be \$122,220 and \$122,958, respectively, for the years ended June 30, 2021 and 2020.

**NOTE 12 – SPECIAL EVENTS**

The Organization’s special event was the Spelling Bee. The schedule below summarizes the activity related to the event.

<u>2021</u>			
<u>Event</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Spelling Bee	\$ 47,975	\$ (7,338)	<u>\$40,637</u>
<u>2020</u>			
<u>Event</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Spelling Bee	\$ 55,950	\$(11,019)	<u>\$44,931</u>

**NOTE 13 – CHARITABLE LEAD ANNUITY TRUST**

In 2015, a donor established a Charitable Lead Annuity Trust (“CLAT”) for the benefit of the Organization. The CLAT is expected to distribute \$26,382 every six months for fifteen years for a total of \$791,460. The entire amount has been recorded as revenue with donor restriction due to time. The current portion of \$79,146 has been recorded on the Statement of Financial Position as a current receivable, and the non-current portion was \$413,905 and \$466,669, respectively, as of June 30, 2021 and 2020.

**NOTE 14 – RECONCILIATION OF REVENUE PER AUDITED FINANCIAL STATEMENTS TO FORM 990**

The following schedule reconciles the revenue from the audited financial statements to the 2021 and 2020 Form 990:

	<u>2021</u>	<u>2020</u>
Reconciliation of Income:		
Total revenue per audited financial statements	\$ 3,720,116	\$ 3,117,007
Net unrealized loss (gain) on endowments	(202,054)	1,190
Rent-in-kind	(122,220)	(121,168)
Special events	(7,338)	(13,307)
Investment expenses	36,266	32,543
Total revenue per Form 990, page 1, line 12	<u>\$ 3,424,770</u>	<u>\$ 3,016,265</u>

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 27, 2021, the date which the financial statements were available to be issued.



**INDEPENDENT AUDITORS' 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**

The Board of Directors  
Literacy Council of Tyler, Inc.  
Tyler, Texas

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 Literacy Council of Tyler, Inc., (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2021, 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 October 27, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A handwritten signature in blue ink that reads "Prothro, Wilhelmi & Company, PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas  
October 27, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors  
Literacy Council of Tyler, Inc.  
Tyler, Texas

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the Literacy Council of Tyler, Inc.'s, (the Organization's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 the Organization'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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Organization 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 the Organization’s internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Organization’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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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



PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas  
October 27, 2021

**LITERACY COUNCIL OF TYLER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER	LCOT FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<b>PASSED THROUGH FROM:</b>					
<b>Texas Workforce Commission</b>					
Adult Education - Basic Grants to States	84.002A	0818ALAC00	\$ 934,839	\$ 647,353	\$ 1,582,192
Adult Education - Basic Grants to States	84.002A	0818ALAC00	103,706	16,461	120,167
Adult Education - Basic Grants to States	84.002A	0819AEL001	54,001	127,023	181,024
Adult Education - Basic Grants to States	84.002A	0820AEL001	36,017	22,573	58,590
Adult Education - Basic Grants to States	84.002A	0820PQI001	60,000	-	60,000
Total U.S. Department of Education			<u>\$ 1,188,563</u>	<u>\$ 813,410</u>	<u>\$ 2,001,973</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
<b>PASSED THROUGH FROM:</b>					
<b>TANF Cluster</b>					
<b>Texas Workforce Commission</b>					
Temporary Assistance for Needy Families	93.558	0818ALAB00	\$ 2,280	\$ -	\$ 2,280
Temporary Assistance for Needy Families	93.558	0818ALAC00	98,760	28,694	127,454
			<u>\$ 101,040</u>	<u>\$ 28,694</u>	<u>\$ 129,734</u>
<b>East Texas Council of Governments</b>					
Temporary Assistance for Needy Families	93.558	LCOT-TANF-PY19-01	\$ 10,569	\$ -	\$ 10,569
Temporary Assistance for Needy Families	93.558	LCOT-TANF-PY20-01	24,279	-	24,279
			<u>\$ 34,848</u>	<u>\$ -</u>	<u>\$ 34,848</u>
<b>Total TANF Cluster</b>			<u>\$ 135,888</u>	<u>\$ 28,694</u>	<u>\$ 164,582</u>
Total U.S. Department of Health and Human Services			<u>\$ 135,888</u>	<u>\$ 28,694</u>	<u>\$ 164,582</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,324,451</u></u>	<u><u>\$ 842,104</u></u>	<u><u>\$ 2,166,555</u></u>

*The accompanying notes are an integral part of this statement.*

**LITERACY COUNCIL OF TYLER, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>STATE GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>PASS-THROUGH GRANTORS NUMBER</u>	<u>LCOT STATE EXPENDITURES</u>	<u>PASSED THROUGH TO SUBRECIPIENTS</u>	<u>TOTAL STATE EXPENDITURES</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>PASS THROUGH FROM:</b>				
<b>Texas Workforce Commission</b>				
Adult Education - Basic Grants to States	0818ALAB00	\$ 3,739	\$ -	\$ 3,739
Adult Education - Basic Grants to States	0818ALAC00	60,663	131,250	191,913
Total U.S. Department of Education		<u>\$ 64,402</u>	<u>\$ 131,250</u>	<u>\$ 195,652</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<u>\$ 64,402</u>	<u>\$ 131,250</u>	<u>\$ 195,652</u>

*The accompanying notes are an integral part of this statement.*

**LITERACY COUNCIL OF TYLER, INC.**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULES**

**Basis of Presentation**

The accompanying Schedules of Expenditures of Federal and State Awards (the Schedules) include the federal grant activity of Literacy Council of Tyler, Inc. (the Organization), and are presented on the accrual basis of accounting. The information in these Schedules 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*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The expenditures included in the Schedules are reported for the Organization's year end. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures represent funds which have been expended by the Organization for the purposes of the award. The expenditures may not have been reimbursed by the funding agencies as of the year end. Some amounts reported in the Schedules may differ from amounts used in the preparation of the general-purpose financial statements. Separate records are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The Organization has followed all applicable guidelines issued by various entities in the preparation of the Schedules.

The Organization utilizes a cost allocation plan and, therefore, does not use the 10% de minimis indirect cost rate.

**LITERACY COUNCIL OF TYLER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Major programs:

<b>FEDERAL</b>	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.002A	Adult Education – Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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**LITERACY COUNCIL OF TYLER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None

**LITERACY COUNCIL OF TYLER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

None.