

**Greater Pittsburgh
Literacy Council**

Single Audit

June 30, 2010

MaherDuessel
Certified Public Accountants

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GREATER PITTSBURGH LITERACY COUNCIL

YEAR ENDED JUNE 30, 2010

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Independent Auditor's Report

Board of Directors
Greater Pittsburgh Literacy Council

We have audited the accompanying statement of financial position of the Greater Pittsburgh Literacy Council (GPLC), a nonprofit organization, as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of GPLC's management. 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 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 the 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 GPLC as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010, on our consideration of GPLC'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of GPLC taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Maher Duessel
Pittsburgh, Pennsylvania
September 29, 2010

GREATER PITTSBURGH LITERACY COUNCIL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

<u>Assets</u>	
Current assets:	
Cash	\$ 1,169,066
Accounts receivable	13,535
Grants receivable	178,080
Unconditional promises to give	2,771
Prepaid expenses	<u>52,906</u>
Total current assets	<u>1,416,358</u>
Fixed assets:	
Furnishings and equipment	342,023
Leasehold improvements	345,255
Less: accumulated depreciation	<u>(527,430)</u>
Total fixed assets, net of depreciation	159,848
Investments - endowment	<u>2,088,532</u>
Total Assets	<u>\$ 3,664,738</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 106,916
Deferred revenues	120,414
Compensated absences	61,374
Notes payable - current portion	<u>5,473</u>
Total current liabilities	294,177
Notes payable - long-term	<u>1,701</u>
Total Liabilities	<u>295,878</u>
Net Assets:	
Unrestricted, including \$424,574 Board designated for endowment	1,510,852
Temporarily restricted	961,118
Permanently restricted	<u>896,890</u>
Total Net Assets	<u>3,368,860</u>
Total Liabilities and Net Assets	<u>\$ 3,664,738</u>

See accompanying notes to financial statements.

GREATER PITTSBURGH LITERACY COUNCIL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Grants	\$ 3,238,821	\$ -	\$ -	\$ 3,238,821
Contributions - corporations and foundations	98,461	515,070	-	613,531
Contributions - individual	216,219	-	-	216,219
Special events	166,810	-	-	166,810
Investment gain	63,351	267,356	-	330,707
Interest income	5,836	-	-	5,836
Program income	183,347	-	-	183,347
Rent subsidy	32,575	-	-	32,575
Miscellaneous	349	-	-	349
In-kind	29,551	-	-	29,551
Net assets released from restrictions:				
Satisfaction of program enhancement restrictions	349,803	(349,803)	-	-
Endowment earnings appropriated for expenditure	58,000	(58,000)	-	-
Total support and revenues	4,443,123	374,623	-	4,817,746
Expenses:				
Literacy program services	3,961,728	-	-	3,961,728
Management and general	296,284	-	-	296,284
Fundraising	198,884	-	-	198,884
Total expenses	4,456,896	-	-	4,456,896
Change in Net Assets	(13,773)	374,623	-	360,850
Net Assets:				
Beginning of year	1,524,625	586,495	896,890	3,008,010
End of year	<u>\$ 1,510,852</u>	<u>\$ 961,118</u>	<u>\$ 896,890</u>	<u>\$ 3,368,860</u>

See accompanying notes to financial statements.

GREATER PITTSBURGH LITERACY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Literacy Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,748,555	\$ 176,475	\$ 93,229	\$ 2,018,259
Payroll taxes	137,462	16,121	7,396	160,979
Fringe benefits	295,779	31,941	17,073	344,793
Total salaries and related expenses	2,181,796	224,537	117,698	2,524,031
Subcontractors	59,886	-	-	59,886
Subrecipients	1,268,486	-	-	1,268,486
Volunteer costs	3,091	387	686	4,164
Instructional materials and fees	41,710	284	91	42,085
Investment management	-	14,447	-	14,447
Professional fees	2,782	22,097	4,294	29,173
Office supplies	19,983	5,525	2,138	27,646
Printing and publications	17,848	3,007	10,813	31,668
Postage and shipping	7,242	1,739	3,360	12,341
Telephone	19,206	1,071	715	20,992
Rent and other occupancy	157,004	7,254	4,658	168,916
Insurance	-	6,841	-	6,841
Repair and maintenance	4,412	296	-	4,708
Travel	51,267	2,512	1,152	54,931
Staff development and training	91,934	95	100	92,129
Special events	-	-	48,616	48,616
Bank fees and interest	-	2,966	2,547	5,513
Total before depreciation and amortization	3,926,647	293,058	196,868	4,416,573
Depreciation	20,114	1,850	1,156	23,120
Amortization	14,967	1,376	860	17,203
Total expenses	\$ 3,961,728	\$ 296,284	\$ 198,884	\$ 4,456,896

See accompanying notes to financial statements.

GREATER PITTSBURGH LITERACY COUNCIL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

Cash Flows From Operating Activities:

Change in net assets	\$ 360,850
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	40,323
Unrealized gain on investments	(281,590)
Realized gains on investments	(49,117)
Change in assets and liabilities:	
Grants and accounts receivable	(46,978)
Unconditional promises to give	(849)
Prepaid expenses	(4,006)
Accounts payable	734
Deferred revenue	113,348
Compensated absences	(1,861)
Net cash provided by (used in) operating activities	<u>130,854</u>

Cash Flows From Investing Activities:

Purchase of fixed assets	(18,351)
Purchase of investments	(195,000)
Proceeds from sales of investments	<u>267,447</u>
Net cash provided by (used in) investing activities	<u>54,096</u>

Cash Flows From Financing Activities:

Payment of capital lease	<u>(1,505)</u>
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Net Increase (Decrease) in Cash

183,445

Cash:

Beginning of year	<u>985,621</u>
End of year	<u>\$ 1,169,066</u>

See accompanying notes to financial statements.

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

1. ORGANIZATION

The mission of the Greater Pittsburgh Literacy Council (a nonprofit corporation) (GPLC) is to ensure that adults and families acquire reading, writing, math, English language, computer skills, and workforce skills so they may reach their fullest potential in life and participate productively in their community. GPLC envisions a community where all adults have received the education needed to be effective workers, parents, and citizens.

GPLC was incorporated in 1982. GPLC's primary adult and family education programs are coordinated by 45 employees at 15 locations in the Pittsburgh, Pennsylvania, metropolitan area. GPLC's volunteer tutors, AmeriCorps members, and professional staff served 9,015 learners in the Pittsburgh area during the year ended June 30, 2010.

In September 2006, GPLC was awarded a federal contract from the Corporation for National and Community Service to provide program and fiscal oversight for the National Literacy AmeriCorps project. GPLC again received a three year award in 2009. The contract enables GPLC to fund literacy programs in Dayton (OH), King County (WA), Los Angeles (CA), San Diego (CA), Washington, D.C., and New Orleans (LA). An additional 10,401 learners were served by Literacy AmeriCorps members at these locations during the year ended June 30, 2010. Effective July 1, 2010, GPLC began funding a literacy program in Phoenix (AZ) and no longer provides funding to literacy programs in San Diego (CA).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized as they are earned and expenses are recorded when liabilities are incurred.

Basis of Presentation

Net assets, support, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of GPLC and changes therein are classified and reported as follows:

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met by actions of GPLC or passage of a prescribed period of time. When a stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be held in perpetuity by GPLC. The donors of those assets permit GPLC to use all of the income earned on any related investments for general or specific purposes.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. GPLC maintains its cash accounts at commercial banks located in the City of Pittsburgh. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. GPLC had cash balances of \$1,063,150 in excess of FDIC insured limits at June 30, 2010.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary. GPLC does not currently recognize or accrue interest on any unpaid receivable balance.

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Contributions

Contributions are recognized when a donor makes an unconditional promise to give, and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time period has elapsed 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.

Fixed Assets, Depreciation, and Amortization

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years. GPLC maintains a capitalization threshold of \$500. Major improvements and betterments to equipment are capitalized. Depreciation expense on assets acquired under capital leases is reported with depreciation expense on owned assets.

Donated furniture, fixtures, and equipment are recorded as support at their estimated fair market value at the time of donation. Such donations are reported as unrestricted support 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 support. In the absence of donor stipulations regarding how long those assets must be maintained, GPLC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GPLC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Investments

Investments are composed of money market and mutual funds investing in debt, real estate, and equity securities and are reported at fair value based on readily determinable market quotations. Endowment unrealized gains and losses are recognized as increases or decreases in temporarily restricted net assets until the Board appropriates the earnings for use at which time the earnings appropriated are reclassified to unrestricted. The gain or loss can be treated as temporarily or permanently restricted by donor stipulation or by law. Interest on the endowment,

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

dividends, and net realized and unrealized gains and losses are reflected as part of investment gain included in the statement of activities.

Deferred Revenue

Deferred revenue represents AmeriCorps site fees and Korean Class tuition fees collected in advance, since such amounts are considered to be parts of an exchange transaction rather than a contribution. As discussed in Note 8, deferred revenue also includes the remaining portion of an early termination compensation payment received from Duquesne Light in conjunction with the restructuring of an operating lease during the year ended June 30, 2010 that will be used to offset future rent payments for the Downtown Center.

Compensated Absences

Vacation is earned at various rates, depending upon length of service and number of hours worked per week. Employees can carryover up to ten vacation days from the preceding calendar year. Upon termination of employment, employees are paid for accrued vacation; however, employees discharged for cause do not receive payment of accrued vacation.

Donated Materials, Equipment, and Services

Donated materials, equipment, and services are reflected as in-kind contributions in the accompanying statements at their estimated values at the date of receipt.

Income Taxes

GPLC is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

Financial Instruments

The following methods and assumptions were used by GPLC in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, and note payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

- Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments. See Note 4 for further disclosure.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. DONATED SERVICES

GPLC recognized certain in-kind revenues and expenses for rent, supplies, student materials, and special event donation, which were provided by donors or partner agencies at no cost to GPLC. These amounts are identified in the statement of activities as in-kind revenues and expenses.

During the year, GPLC was the beneficiary of 25,242 hours of instructional services provided by volunteers who donated their time for tutoring, training, and student support. No amounts have been reflected in the financial statements, since the volunteers' time does not meet the criteria for financial statement recognition.

4. INVESTMENTS

Investments consist of money market and mutual funds. The total fair market value of the funds as of June 30, 2010 is \$2,088,532.

The total returns on investments and cash equivalents for the year ended June 30, 2010 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 9,278	\$ 39,553	\$ 48,831
Realized gains on mutual funds	54	232	286
Unrealized gains on mutual funds	<u>54,019</u>	<u>227,571</u>	<u>281,590</u>
Total investment income	<u>\$ 63,351</u>	<u>\$ 267,356</u>	<u>\$ 330,707</u>

Fair values of assets measured on a recurring basis as of June 30, 2010 are as follows:

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Description	6/30/2010	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 23,944	\$ 23,944	\$ -	\$ -
Mutual funds	2,064,588	2,064,588	-	-
Totals	<u>\$ 2,088,532</u>	<u>\$ 2,088,532</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including GPLC's own assumptions in determining the fair value of financial instruments. As indicated above, at June 30, 2010, all GPLC investments were valued using Level 1 inputs.

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises of \$2,771 are expected to be received in less than one year.

6. GRANTS

Grants identified in the statement of activities for the year ended June 30, 2010 are composed of the following:

Federal awards	\$ 2,781,116
Pennsylvania Department of Education - Act 143	338,205
Pennsylvania Department of Education - Family Literacy	<u>119,500</u>
	<u>\$ 3,238,821</u>

7. GRANTS RECEIVABLE

Grants receivable balances at June 30, 2010 consist of the following:

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Corporation for National and Community Services - AmeriCorps	\$ 142,332
Allegheny County - CSBG	20,748
Corporate Foundations	<u>15,000</u>
	<u>\$ 178,080</u>

8. LEASES

GPLC's operations and administration are carried out in various leased and donated spaces throughout their service area. The terms for these leased facilities range from one to ten years. Rent expense incurred during the year ended June 30, 2010, totaled \$143,958. Scheduled lease payments for the remaining term of the leases were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 118,519
2012	157,012
2013	169,949
2014	167,875
2015	167,460
Thereafter	<u>893,132</u>
	<u>\$ 1,673,947</u>

GPLC has entered into a capital lease agreement effective October 3, 2008, for the purchase of a copy machine under which GPLC may purchase the machine for \$990 at August 29, 2013. The asset is recorded at the fair value of the copy machine at the date of entering the lease. The related liability under the capital lease, with a balance of \$7,174, is due in monthly installments of \$207, including interest, to August 29, 2013. Future annual minimum lease payments of principal and interest are as follows: 2011 - \$2,489; 2012 - \$2,489; 2013 - \$2,489; and 2014 - \$415.

On November 1, 2009, GPLC (subtenant) entered into a sublease termination agreement with Duquesne Light Company (sublandlord) to terminate their existing sublease for the Downtown Center location. In accordance with the agreement, GPLC received a lump sum early termination compensation payment in the amount of \$125,557 for the purpose of defraying GPLC's rental obligations under its new lease through the expiration date of the original sublease. The payment was recorded as deferred revenue and is being recognized over 26 months. During the year ended June 30, 2010, \$32,575 was recognized and is presented as rent subsidy revenue in

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

the statement of activities. Under the agreement, the sublandlord provided additional early termination compensation in the form of donated cubicles, workstations, and office furniture. Due to the age and condition of these items, GPLC has determined that the items have a fair value of \$0 and expects to dispose of them in the near future. As a result, no amounts have been recognized in the financial statements for these donated items.

9. DEFERRED REVENUES

Deferred revenues at June 30, 2010 consist of the following:

AmeriCorps site fees	\$	9,409
Korean class tuition		18,024
Rent subsidy		<u>92,981</u>
Total	\$	<u>120,414</u>

10. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to the grantor agency. Management believes disallowances, if any, will be immaterial.

A review of two Literacy AmeriCorps subrecipient sites was completed by the Office of Inspector General (OIG) in July, 2010. Preliminary results of that review indicate possible questioned costs related to the AmeriCorps program that was administered at those sites. GPLC intends to fund any amounts that may be due as a result of this review and expects to be reimbursed by the respective subrecipients, including a subrecipient that is no longer involved in the program. The preliminary findings are being contested and management expects that the final questioned costs, if any, will not be significant.

11. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2010 are available for the following purposes:

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Family literacy program	\$ 65,642
Adult education	54,818
Literacy AmeriCorps	19,013
Literacy education	15,000
Tutor recruitment and training	35,000
Other programs	4,577
Accumulated gains on endowment	<u>767,068</u>
	<u>\$ 961,118</u>

During the year ended June 30, 2010, net assets in the amount of \$349,803 were released from donor restrictions by incurring expenses satisfying the restricted purpose, and net assets in the amount of \$58,000 were released as endowment earnings appropriated for expenditure.

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the GPLC's general activities.

12. ENDOWMENTS

GPLC's endowment consists of one fund established to support their mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of the Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548 "Investment of Trust Funds," as amended by Pennsylvania State Act 141 of 1998 (Act). GPLC has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, GPLC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

permanent endowment if required by the applicable donor gift instruments. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GPLC in a manner consistent with the standard of prudence prescribed by relevant law.

Endowment Spending Policy

GPLC's Board of Director-approved endowment spending policy allows GPLC to spend in any fiscal year, five percent of the prior three year average endowment fair market value to support GPLC's mission. Endowment transfers in excess of this five percent annual amount may be explicitly approved by GPLC's Board of Directors to support special projects, the nature of which is to build the long-term strength of GPLC. This spending policy is in accordance with Pennsylvania law and donor restrictions.

Return Objectives and Risk Parameters

Endowment funds include funds actively managed by GPLC as part of a single commingled investment pool. The principal financial objective of the endowment is that the endowment principal should be preserved and if possible enhanced to help ensure GPLC's financial future. The productivity of the endowment must strike a balance between the preservation of principal in real terms for perpetuity and supporting a spending policy that sustains the mission of GPLC. To monitor the effectiveness of the investment strategy of the endowment, performance goals are established to exceed the expected real rate of return, established benchmark indices, and the median return of comparable endowment funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, GPLC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GPLC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

restricted net assets. Such deficiencies are recorded in unrestricted net assets. There were no such deficiencies as of June 30, 2010.

Endowment net asset composition by fund type as of June 30, 2010:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 767,068	\$ 896,890	\$ 1,663,958
Board-designated endowment funds	<u>424,574</u>	<u>-</u>	<u>-</u>	<u>424,574</u>
	<u>\$ 424,574</u>	<u>\$ 767,068</u>	<u>\$ 896,890</u>	<u>\$ 2,088,532</u>

Changes in endowment net assets for the year ended June 30, 2010:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 375,670</u>	<u>\$ 557,712</u>	<u>\$ 896,890</u>	<u>\$ 1,830,272</u>
Investment return:				
Investment income	9,278	39,553	-	48,831
Net depreciation (realized and unrealized gains and losses)	<u>54,073</u>	<u>227,803</u>	<u>-</u>	<u>281,876</u>
Total investment income	<u>63,351</u>	<u>267,356</u>	<u>-</u>	<u>330,707</u>
Other changes:				
Withdrawals	-	(58,000)	-	(58,000)
Management fees	<u>(14,447)</u>	<u>-</u>	<u>-</u>	<u>(14,447)</u>
Endowment net assets, end of year	<u>\$ 424,574</u>	<u>\$ 767,068</u>	<u>\$ 896,890</u>	<u>\$ 2,088,532</u>

GREATER PITTSBURGH LITERACY COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

13. RETIREMENT SAVINGS PLAN

GPLC maintains a 401(k) Retirement Savings Plan (Plan) covering substantially all of the employees. Employees are eligible for admittance to the Plan after three months of service. GPLC will provide a matching contribution to eligible participants up to a maximum of two percent of their compensation. GPLC may also make an annual contribution to the Plan at the discretion of the Board of Directors. Participants are eligible to receive this discretionary contribution after completing a year of service (750 hours in a year). Participants will not be vested in either GPLC's matching or discretionary contribution until they complete three years of service. GPLC made matching contributions of \$28,002 and discretionary contributions of \$30,301 during the year ended June 30, 2010.

14. FUNCTIONAL ALLOCATION OF EXPENSES

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

Additional Information

GREATER PITTSBURGH LITERACY COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Program or Award Amount	Expenditures Through June 30, 2009	2010 Federal Expenditures	Aggregate Expenditures Through June 30, 2010
<u>Corporation for National and Community Service</u>						
Literacy AmeriCorps	94.006	06NDHTX001	\$ 1,607,760	\$ 1,387,026	\$ 175,188	\$ 1,562,214
Literacy AmeriCorps	94.006	09NDHPA001	1,435,933	-	1,304,549	1,304,549
Literacy AmeriCorps - ARRA	94.006	09RNHPA004	435,000	-	393,744	393,744
<u>Total Corporation for National and Community Service</u>						
<u>U.S. Department of Education</u>						
Passed through the Pennsylvania Department of Education:						
Adult Basic Education	84.002	041-10-0042	355,007	-	355,007	355,007
Adult Basic Education - EL/Civics	84.002	061-10-0013	91,040	-	91,040	91,040
Adult Basic Education - Southwest Professional Development Center	84.002	099-10-0004	255,797	-	255,797	255,797
Adult Basic Education - Joint Welfare Education Initiative	84.002	091-10-0005	21,000	-	21,000	21,000
<u>Total U.S. Department of Education</u>						
<u>U.S. Department of Health and Human Services</u>						
Passed through the Pennsylvania Department of Education:						
Adult Basic Education - Joint Welfare Education Initiative	93.558	091-10-9005	84,000	-	84,000	84,000
Passed Through Allegheny County Department of Human Services:						
Community Services Block Grant - ARRA	93.710	106696	96,000	-	65,791	65,791
<u>Total U.S. Department of Health and Human Services</u>						
<u>Workforce Investment Act Cluster:</u>						
<u>U.S. Department of Labor</u>						
Pass through the City of Pittsburgh, Pittsburgh Partnership:						
Workforce Investment Act Adult Program	17.258	48106-C	608	-	608	608
Workforce Investment Act Adult Program - ARRA	17.258	48106-C	20,914	-	20,914	20,914
Workforce Investment Act Dislocated Workers	17.260	48106-C	1,143	-	1,143	1,143
Workforce Investment Act Dislocated Workers - ARRA	17.260	48106-C	12,335	-	12,335	12,335
<u>Total Workforce Investment Act Cluster</u>						
<u>Total U.S. Department of Labor</u>						
<u>Total expenditures of Federal Awards</u>						
				<u>\$ 1,387,026</u>	<u>\$ 2,781,116</u>	<u>\$ 4,168,142</u>

Notes to Schedule of Expenditures of Federal Awards

- Summary of Significant Accounting Policies**
The schedule of expenditures of federal awards includes the federal grant activity of the Greater Pittsburgh Literacy Council and is presented on the accrual basis of accounting.
- Subrecipient Awards**
Of the federal expenditures, Greater Pittsburgh Literacy Council provided federal awards to subrecipients for the Corporation for National and Community Service (CFDA# 94.006) of \$1,268,486.

**Greater Pittsburgh
Literacy Council**

Independent Auditor's Reports in
Accordance with OMB Circular A-133

Year Ended June 30, 2010

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
Greater Pittsburgh Literacy Council

We have audited the financial statements of the Greater Pittsburgh Literacy Council (GPLC), a nonprofit organization, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered GPLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GPLC's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of GPLC's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of GPLC's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GPLC's financial statements are free of 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*.

Board of Directors
Greater Pittsburgh Literacy Council
Independent Auditor's Report on Internal Control over
Financial Reporting on Compliance and Other Matters

We noted certain other matters that we reported to management of GPLC in a separate letter dated September 29, 2010.

* * * * *

This report is intended solely for the information and use of the Board of Directors, management, others within GPLC, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mahe Duessel

Pittsburgh, Pennsylvania
September 29, 2010

Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Greater Pittsburgh Literacy Council

Compliance

We have audited the Greater Pittsburgh Literacy Council's (GPLC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. GPLC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of GPLC's management. Our responsibility is to express an opinion on GPLC's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 GPLC'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. Our audit does not provide a legal determination on GPLC's compliance with those requirements.

In our opinion, GPLC complied, in all material respects, with the compliance requirements referred to above that that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control over Compliance

Management of GPLC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GPLC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 GPLC'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

Board of Directors
Greater Pittsburgh Literacy Council
Independent Auditor's Report on Compliance with Requirements
that could have a Direct and Material Effect on Each Major Program

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within GPLC, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maker Duessel
Pittsburgh, Pennsylvania
September 29, 2010

GREATER PITTSBURGH LITERACY COUNCIL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

I. Summary of Audit Results

1. Type of auditor's report issued: Unqualified

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

5. Type of auditor's report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

7. Major Programs:

CFDA Number(s)
94.006

Name of Federal Program or Cluster
Literacy AmeriCorps

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

GREATER PITTSBURGH LITERACY COUNCIL

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

Finding 2009-1

Program: CFDA Number 94.006 Corporation for National and Community Service Literacy AmeriCorps.

Condition: Reviews of sub-grantees for suspension and debarment were not being completed in a timely manner as required under the Common Rule and OMB A-110.

Status: A review of the EPLS.gov website is performed on an annual basis to ensure that sub-grantees are not debarred or suspended.