

**THE LITERACY CENTER
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Auditor's Report**

June 30, 2017

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Literacy Center
Allentown, PA

We have audited the accompanying financial statements of The Literacy Center (A Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 have 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 Literacy Center as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Literacy Center's 2016 financial statements, and our report dated September 21, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Campbell, Rappold & Yasaita LLP

October 30, 2017

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 214,602	\$ 122,241
Investments (Notes 2 and 3)	162,143	154,380
Accounts Receivable (Note 4)	4,917	23,757
Inventory	-	3,366
Prepaid Expenses	10,810	15,175
Equipment and Leasehold Improvements, Net (Note 5)	<u>54,777</u>	<u>62,457</u>
 Total Assets	 <u><u>\$ 447,249</u></u>	 <u><u>\$ 381,376</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 44,537	\$ 39,979
Deferred Revenue	960	960
Lease Payable	<u>5,384</u>	<u>971</u>
 Total Liabilities	 <u>50,881</u>	 <u>41,910</u>
 Net Assets		
Unrestricted	383,668	339,466
Temporarily Restricted (Note 7)	<u>12,700</u>	<u>-</u>
 Total Net Assets	 <u>396,368</u>	 <u>339,466</u>
 Total Liabilities and Net Assets	 <u><u>\$ 447,249</u></u>	 <u><u>\$ 381,376</u></u>

See independent auditor's report and notes to financial statements.

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenues, Gains, and Other Support						
Grants and Community Contributions	\$ 372,078	\$ -	\$ 372,078	\$ 297,676	\$ 5,000	\$ 302,676
Contributed Services and Other In-Kinds (Note 1)	92,580	-	92,580	72,970	-	72,970
Governmental Grants	421,686	-	421,686	416,472	-	416,472
Service Revenue and Other	1,127	-	1,127	28,313	-	28,313
Special Events	23,573	-	23,573	1,000	-	1,000
Satisfaction of Restrictions	-	-	-	6,117	(6,117)	-
Total Revenues, Gains, and Other Support	911,044	-	911,044	822,548	(1,117)	821,431
Operating Expenses						
Program	708,226	-	708,226	666,949	-	666,949
Management and General	95,226	-	95,226	107,702	-	107,702
Fundraising	62,811	-	62,811	60,033	-	60,033
Total Expenses	866,263	-	866,263	834,684	-	834,684
Change in Net Assets from Operations	44,781	-	44,781	(12,136)	(1,117)	(13,253)
Other Changes in Net Assets						
Net Assets Released from Restrictions for Capital Improvements	-	-	-	18,996	(18,996)	-
Contributions Restricted for Capital Improvements	-	12,700	12,700	-	13,000	13,000
Investment Income	4,979	-	4,979	5,947	-	5,947
Net Realized/Unrealized Gain on Investments	2,784	-	2,784	66	-	66
Loss on Disposal of Fixed Assets	(8,342)	-	(8,342)	(2,079)	-	(2,079)
Total Other Changes	(579)	12,700	12,121	22,930	(5,996)	16,934
Increase (Decrease) in Net Assets	44,202	12,700	56,902	10,794	(7,113)	3,681
Net Assets at Beginning of Year	339,466	-	339,466	328,672	7,113	335,785
Net Assets at End of Year	\$ 383,668	\$ 12,700	\$ 396,368	\$ 339,466	\$ -	\$ 339,466

See independent auditor's report and notes to financial statements.

THE LITERACY CENTER
(A Not-for-Profit Organization)
STATEMENTS OF CASH FLOWS

	Year Ended	
	June 30, 2017	June 30, 2016
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 56,902	\$ 3,681
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	15,395	17,828
Net Realized/Unrealized Gains/Losses on Investments	(2,784)	(66)
Loss on Disposal of Equipment and Leasehold Improvements	8,342	2,079
Contributions Restricted for Fixed Asset Purchases	(12,700)	(13,000)
(Increase) Decrease in Assets:		
Accounts Receivable	18,840	(13,393)
Inventory	3,366	(1,186)
Prepaid Expenses	4,365	1,860
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	4,558	2,175
Deferred Revenue	-	(1,504)
Lease Payable	4,413	(2,565)
Net Cash Provided (Used) by Operating Activities	<u>100,697</u>	<u>(4,091)</u>
Cash Flows from Investing Activities		
Purchase of Investments	(4,979)	(35,947)
Purchase of Equipment and Leasehold Improvements	(16,057)	(53,348)
Net Cash Used by Investing Activities	<u>(21,036)</u>	<u>(89,295)</u>
Cash Flow from Financing Activities		
Contributions Restricted for Fixed Asset Purchases	12,700	13,000
Net Cash Provided by Financing Activities	<u>12,700</u>	<u>13,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	92,361	(80,386)
Cash and Cash Equivalents - Beginning of Year	<u>122,241</u>	<u>202,627</u>
Cash and Cash Equivalents - End of Year	<u>\$ 214,602</u>	<u>\$ 122,241</u>

See independent auditor's report and notes to financial statements.

THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
With Comparative Totals for 2016

	Program Services	Management and General	Fund Raising	Year Ended June 30,	
				2017	2016
Salaries	\$ 417,571	\$ 64,204	\$ 41,396	\$ 523,171	\$ 541,292
Employee Health Benefits	20,770	8,601	2,920	32,291	27,886
Payroll Taxes	43,750	6,542	4,218	54,510	55,166
Total Salaries and Related Expenses	482,091	79,347	48,534	609,972	624,344
Professional Fees	9,976	2,799	-	12,775	11,068
Office Supplies	4,896	1,177	-	6,073	3,249
Instructional Material	13,165	-	-	13,165	11,119
Telephone and Internet	2,715	319	160	3,194	3,376
Postage	857	123	245	1,225	872
Printing and Advertising	1,823	229	229	2,281	1,959
Travel	-	-	-	-	151
Conference and Meetings	2,044	-	-	2,044	2,336
Equipment Maintenance	2,860	318	-	3,178	3,827
Small Equipment	353	40	-	393	-
Occupancy	69,106	7,679	-	76,785	57,100
Insurance	9,172	1,020	-	10,192	9,323
Dues	677	75	-	752	482
Public Relations	-	-	299	299	1,255
Program Expenses	675	35	415	1,125	1,744
Temporary Services	-	-	-	-	120
Board Functions	709	79	-	788	878
One Time Relocation Costs	-	-	-	-	10,052
Bank Fees	515	342	-	857	-
Miscellaneous Expenses	157	104	-	261	322
Special Events	-	-	6,002	6,002	309
Special Events In-Kind Expense	-	-	6,927	6,927	-
In-Kind Equipment and Materials	2,099	-	-	2,099	-
Use of Contributed Services and Facilities (Note 1)	90,481	-	-	90,481	72,970
Total Expenses Before Depreciation	694,371	93,686	62,811	850,868	816,856
Depreciation	13,855	1,540	-	15,395	17,828
Total Expenses	\$ 708,226	\$ 95,226	\$ 62,811	\$ 866,263	\$ 834,684

See independent auditor's report and notes to financial statements.

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Literacy Center (TLC), guided by the mission: Education for Work, Family and Life, is a leader in community-based adult literacy education which is built on accessible, innovative, cost-effective instructional services. Pre-GED, Graduate Equivalency Diploma (GED), English as a Second Language (ESL), Career, and Family Literacy are core services, supplemented by instruction in computer basics, health wellness, nutrition and financial literacy. All instruction is offered at TLC's main offices in center city Allentown. A group tutoring model and one on one tutoring model is provided to support student outcomes and academic achievement. Services are provided to students regardless of their ability to pay.

Established in 1977 The Literacy Center (TLC) continues to serve a growing adult student population in the Lehigh Valley who are seeking English language proficiency and /or the high school equivalency diploma. For the 2017 academic year school year, TLC was able to increase the number of classes it offered in efforts to accommodate a growing demand for instructional services.

TLC's new location (2015) offers six newly renovated, fully equipped classrooms, allowing all classes to meet on site. In 2017, TLC expanded operations to include the recently vacated space on the third floor. This new area includes 1 large classroom/conference area, 3 smaller classrooms and a teacher's office space. TLC has a dedicated 24-computer based technology lab available for student use, available during full operational hours. Instruction in the computer laboratory to date, has been supported by trained volunteers. In addition, TLC has a dedicated children's library and family reading room. With the relocation to the new site and expanded space, TLC no longer uses donated community space, therefore reducing the in-kind donations related to community space.

During the 2017 academic year, seventy-five percent of adult student enrollment was directed toward ESL (English as a Second Language) and ESL/Civics instruction for students seeking to obtain American citizenship. Twenty-five percent of enrollment was focused on students seeking their Pennsylvania high school equivalency (GED) certificate.

During this academic year, TLC continued to revamp all curricula to develop a greater focus on workforce initiatives that help to prepare students for post-secondary education, technical/trade school training and sustainable employment. To continue to address the Allentown School District and Lehigh County's rising concerns about students who drop out before attaining a high school diploma, TLC's new track of GED instruction - Say YES (Young Empowered Student) to Your Future has experienced increased enrollment. What differentiates this program from traditional GED instruction is that it is especially designed for students who recently dropped out of high school, have not earned enough credits to traditionally graduate high school and are 17-24 years of age. Enrollment, pretesting, web-based applications and greater use of technology in instruction make every attempt to eliminate as many barriers to achievement as possible.

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

TLC's supplemental instruction includes computer basics, project-based word processing, job searches on line, developing resumes, practicing interview techniques, health nutritional and financial literacy, conversation clubs that increase language proficiencies and skill. Family literacy initiatives provide focused family interaction while building competencies in reading. All enrolled students receive support from in-house Transition Counselors who assist students in setting and achieving goals, as well as supporting their commitment to studies and academic achievement.

TLC utilizes a core of 60+ trained volunteers who provide one on one and group tutoring sharing their valuable expertise and experience as classroom assistants.

TLC has been recognized by the Pennsylvania Department of Education (PDE) for Educational Functional Level (EFL) documented student gains that consistently exceed the Commonwealth's and National Results System (NRS) benchmark standards. While EFL gains have fallen statewide for the past two years, TLC's exceeded all PDE standards of student outcome measurement by up to 50%.

In this fiscal year, the organization held a total of 19 (16 ESL and 2 GED + 1GED/YES) classes along with individual and group tutoring sessions and supplemental educational programs delivering nearly 87,000 contact hours of direct student instruction.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting with the principles of not-for-profit accounting.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers cash held in savings accounts and separately held money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable represents grants due from counties, states, and various sources. All accounts receivable are deemed collectible and no allowance has been provided.

Investments

The Organization has adopted FASB ASC 320-10, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 320-10, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Inventory

Inventory, stated at lower of cost (first-in, first-out) or market, consists of books.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. Donated fixed assets are stated at fair value and depreciated by use of the straight-line method based on estimated useful lives. Assets with costs under \$500 are not capitalized.

	<u>Years</u>
Equipment	3 - 10
Furniture and Fixtures	5 - 10
Leasehold Improvements	10

Operating Measure

The Organization includes all changes in Unrestricted Net Assets in its "operating income" on the Statement of Activities except:

Contributions Restricted for Capital Contributions
Investment Income
Net Realized/Unrealized Gain (Loss) on Investments
Gain (Loss) on Disposal of Fixed Assets

THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions, legacies and bequests are considered to be available for unrestricted use unless specifically restricted by the donor

Income Taxes

The Organization is a non-profit organization exempt from income taxes under section 501(c)(3), of the internal revenue code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claims or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits or liabilities recorded for the fiscal years 2017 and 2016.

The Organization files its 990 with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Donated services for volunteer tutor hours have been valued at \$23.07 per hour. No amounts have been reflected in the statements for other services donated inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns.

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Estimates and Assumptions

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Expenses by Function

As reported in the Statement of Functional Expenses, expenses of the Organization have been allocated to the following functional reporting classifications:

Program Services
Management and General
Fundraising

The Organization's method for allocating expenses among the functional reporting classifications, which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption, and other objective bases.

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred.

Reclassification

Certain 2016 amounts have been reclassified in order to conform to the 2017 financial statement presentation. These reclassifications have no effect on the changes in net assets as previously reported.

2. Investments

Investments are composed of the following:

	June 30,	
	2017	2016
Money Market Funds	\$ 945	\$ -
Mutual Funds	145,749	138,159
Fixed Income	15,449	16,221
Total Investments	\$ 162,143	\$ 154,380

The marketable securities at June 30, 2017 and 2016 are carried at fair value. The cumulative effect of unrealized gain (loss) is \$9,205 and \$6,083, respectively.

THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3. Fair Value Measurements

Financial Accounting Standards Board Statement ASC 820-10, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Corporate Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017 and 2016:

	Assets at Fair Value as of June 30			
	Level 1	Level 2	Level 3	Total
<u>2017</u>				
Money Market Funds	\$ 945	\$ -	\$ -	\$ 945
Mutual Funds				
Large Value	51,206	-	-	51,206
Bond Funds	94,543	-	-	94,543
Fixed Income				
Corporate Bonds	-	15,449	-	15,449
Total Assets at Fair Value	<u>\$ 146,694</u>	<u>\$ 15,449</u>	<u>\$ -</u>	<u>\$ 162,143</u>
<u>2016</u>				
Money Market Funds	\$ -	\$ -	\$ -	\$ -
Mutual Funds				
Large Value	45,090	-	-	45,090
Bond Funds	93,069	-	-	93,069
Fixed Income				
Corporate Bonds	-	16,221	-	16,221
Total Assets at Fair Value	<u>\$ 138,159</u>	<u>\$ 16,221</u>	<u>\$ -</u>	<u>\$ 154,380</u>

There were no transfers between Level 1, Level 2, and Level 3 investments in 2017 and 2016. Transfers are recognized at the end of the reporting period.

THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. Accounts Receivable

Accounts receivable consist of:

	June 30,	
	2017	2016
Community Development Block Grant	\$ 4,917	\$ 11,432
Pennsylvania Department of Education	-	12,067
Various Other	-	258
	\$ 4,917	\$ 23,757

5. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	June 30,	
	2017	2016
Office and Program Equipment	\$ 92,741	\$ 130,923
Leasehold Improvements	29,680	22,285
Less: Accumulated Depreciation and Amortization	(67,644)	(90,751)
	\$ 54,777	\$ 62,457

Depreciation and amortization charged to expense was \$15,395 and \$17,828, respectively.

6. Line of Credit

The Organization has a \$50,000 line of credit expiring April 15, 2019, of which the entire balance was unused at June 30, 2017. Bank advances on the credit line are payable on demand and carry an interest rate of the Wall Street Journal prime rate +0.5% as of June 30, 2017. The line of credit is collateralized by securities held in the BB&T Investments account, which had a market value of \$162,143 on June 30, 2017.

**THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

7. Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2017	2016
Program Services and Related Equipment	\$ 12,700	\$ -
	\$ 12,700	\$ -

8. Savings Plan

The Organization provides its employees with the option of participation in a 403(b) salary reduction plan. The cost to the Organization for this plan was \$-0- for the years ending June 30, 2017 and 2016.

9. Leases

The Organization leases its office space in Allentown under a multi-year lease expiring in August, 2022. Yearly rental expense, including parking, for the years ended June 30, 2017 and 2016 was \$62,516 and \$44,203, respectively. Future obligations of the Organization's long-term leases as of June 30, 2017 are:

Year ending June 30,	
2018	73,934
2019	76,152
2020	78,437
2021	80,790
2022	83,214
Thereafter	14,074
	\$ 406,601

10. Summarized Totals for Year Ended June 30, 2016

The financial statements include certain prior-year summarized comparative information in total, but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2016, from which summarized information was derived.

THE LITERACY CENTER
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

11. Subsequent Events

Management has considered events subsequent to June 30, 2017 that affect the Organization through October 30, 2017, the date the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.