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September 25, 2019

Board of Directors
Steuben County Literacy Coalition, Inc.
1208 S. Wayne St.
Angola, IN 46703

We have reviewed the audit report of Steuben County Literacy Coalition, Inc. which was opined upon by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Steuben County Literacy Coalition, Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Baden, Gage & Schroeder, LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

Financial Statements

**Steuben County Literacy
Coalition, Inc.**

December 31, 2017 and 2016

STEUBEN COUNTY LITERACY COALITION, INC.



Financial Statements
December 31, 2017 and 2016

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Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Directors
Steuben County Literacy Coalition, Inc.
Angola, Indiana

We have audited the accompanying financial statements of Steuben County Literacy Coalition, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 audits. We conducted our audits 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 auditors' 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 Steuben County Literacy Coalition, Inc. as of December 31, 2017 and 2016, 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.

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
July 16, 2018

STEUBEN COUNTY LITERACY COALITION, INC.



Statements of Financial Position December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 65,930	\$ 48,180
Contributions receivable	3,835	1,622
Grants receivable - federal	30,033	17,504
Grants receivable - state and local	10,623	15,499
Pledges receivable - net of allowance of \$50,000 and \$0 at December 31, 2017 and 2016, respectively	44,388	68,575
Prepaid expenses	<u>9,188</u>	<u>2,934</u>
Total Current Assets	163,997	154,314
PROPERTY AND EQUIPMENT		
Land	15,000	15,000
Building	219,340	219,340
Building improvements	99,645	99,645
Furniture and equipment	47,170	47,170
Construction in progress	<u>-</u>	<u>13,000</u>
	381,155	394,155
Less: Accumulated depreciation	<u>141,052</u>	<u>132,419</u>
Net Property and Equipment	240,103	261,736
OTHER ASSETS		
Beneficial interest in trust	119,928	108,965
Pledges receivable - noncurrent	<u>38,973</u>	<u>11,135</u>
Total Other Assets	<u>158,901</u>	<u>120,100</u>
TOTAL ASSETS	<u>\$ 563,001</u>	<u>\$ 536,150</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 7,346	\$ 4,719
Accrued payroll and related taxes	<u>17,810</u>	<u>7,747</u>
Total Current Liabilities	25,156	12,466
NET ASSETS		
Unrestricted	416,126	433,504
Temporarily restricted	<u>121,719</u>	<u>90,180</u>
Total Net Assets	<u>537,845</u>	<u>523,684</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 563,001</u>	<u>\$ 536,150</u>

See Notes to Financial Statements.

STEUBEN COUNTY LITERACY COALITION, INC.



Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 22,501	\$ 84,450	\$ 106,951
Special event	17,589	-	17,589
Grants:			
Federal	566,860	-	566,860
State and local	49,528	-	49,528
Enrollment fees	13,834	-	13,834
Change in value of beneficial interest in trust	13,967	-	13,967
Other revenue	14	-	14
Donor bad debt	50,000	(50,000)	-
Net assets released from restrictions	<u>2,911</u>	<u>(2,911)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	737,204	31,539	768,743
EXPENSES			
Program services			
BASE	587,769	-	587,769
Other programs	<u>49,919</u>	<u>-</u>	<u>49,919</u>
Total program services	637,688	-	637,688
Supporting activities			
Management and general	60,291	-	60,291
Fundraising	<u>56,603</u>	<u>-</u>	<u>56,603</u>
Total supporting activities	<u>116,894</u>	<u>-</u>	<u>116,894</u>
TOTAL EXPENSES	<u>754,582</u>	<u>-</u>	<u>754,582</u>
CHANGE IN NET ASSETS	(17,378)	31,539	14,161
NET ASSETS, BEGINNING OF YEAR	<u>433,504</u>	<u>90,180</u>	<u>523,684</u>
NET ASSETS, END OF YEAR	<u><u>\$ 416,126</u></u>	<u><u>\$ 121,719</u></u>	<u><u>\$ 537,845</u></u>

See Notes to Financial Statements.

STEUBEN COUNTY LITERACY COALITION, INC.



Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 31,514	\$ 5,228	\$ 36,742
Special event	21,747	-	21,747
Grants:			
Federal	261,986	-	261,986
State and local	55,323	-	55,323
In-kind contributions	1,240	-	1,240
Enrollment fees	16,119	-	16,119
Change in value of beneficial interest in trust	6,854	-	6,854
Other revenue	11	-	11
Net assets released from restrictions	<u>14,987</u>	<u>(14,987)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	409,781	(9,759)	400,022
EXPENSES			
Program services			
BASE	293,475	-	293,475
Other programs	<u>60,340</u>	<u>-</u>	<u>60,340</u>
Total program services	353,815	-	353,815
Supporting activities			
Management and general	51,196	-	51,196
Fundraising	<u>8,991</u>	<u>-</u>	<u>8,991</u>
Total supporting activities	<u>60,187</u>	<u>-</u>	<u>60,187</u>
TOTAL EXPENSES	<u>414,002</u>	<u>-</u>	<u>414,002</u>
CHANGE IN NET ASSETS	(4,221)	(9,759)	(13,980)
NET ASSETS, BEGINNING OF YEAR	<u>437,725</u>	<u>99,939</u>	<u>537,664</u>
NET ASSETS, END OF YEAR	<u>\$ 433,504</u>	<u>\$ 90,180</u>	<u>\$ 523,684</u>

See Notes to Financial Statements.

STEBEN COUNTY LITERACY COALITION, INC.



Statements of Cash Flows Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,161	\$ (13,980)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	8,633	8,764
Change in beneficial interest in trust	(13,967)	(6,854)
Write off of construction in progress	13,000	-
Distribution from beneficial interest in trust	3,003	2,638
Contributions received for long-term assets	(79,846)	(5,322)
Bad debt expense	50,000	-
(Increase) Decrease in Assets:		
Contributions receivable	(2,213)	(259)
Grants receivable - federal	(12,529)	(8,465)
Grants receivable - state and local	4,876	420
Prepaid expenses	(6,254)	26,137
Increase (Decrease) in Liabilities:		
Accounts payable	2,627	1,990
Accrued payroll and related taxes	<u>10,064</u>	<u>(2,490)</u>
Net Cash Provided By (Used In) Operating Activities	(8,445)	2,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(13,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on bank line of credit	(41,000)	-
Proceeds from bank line of credit	41,000	-
Collection of contributions restricted to long-term purposes	<u>26,195</u>	<u>19,775</u>
NET INCREASE IN CASH	17,750	9,354
CASH, BEGINNING OF YEAR	<u>48,180</u>	<u>38,826</u>
CASH, END OF YEAR	<u>\$ 65,930</u>	<u>\$ 48,180</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 325	\$ 51

See Notes to Financial Statements.

STEUBEN COUNTY LITERACY COALITION, INC.



Statement of Functional Expenses Year Ended December 31, 2017

	BASE	Other Programs	Total Program Services	Manage- ment and General	Fund- raising	Total Expenses
Employment expenses						
Salaries, including contractual labor	\$ 327,561	\$ 39,166	\$ 366,727	\$ 31,137	\$ 3,528	\$ 401,392
Employee benefits	820	-	820	6,769	104	7,693
Payroll taxes	<u>24,737</u>	<u>529</u>	<u>25,266</u>	<u>2,377</u>	<u>278</u>	<u>27,921</u>
Total employment expenses	353,118	39,695	392,813	40,283	3,910	437,006
Other expenses						
Advertising and promotion	195	104	299	15	-	314
Bad debt expense	-	-	-	-	50,000	50,000
Bank charges	-	-	-	258	-	258
Dues and subscriptions	2,167	494	2,661	759	-	3,420
Events and fundraising expense	-	-	-	-	2,693	2,693
Food and snacks	11,921	46	11,967	769	-	12,736
Insurance	3,642	-	3,642	1,078	-	4,720
Interest	-	-	-	325	-	325
Miscellaneous	383	-	383	2,202	-	2,585
Postage and shipping	973	96	1,069	1,048	-	2,117
Professional development	53,976	690	54,666	722	-	55,388
Professional services	62,480	1,162	63,642	8,454	-	72,096
Repairs and maintenance	695	362	1,057	8	-	1,065
Small equipment	14,975	-	14,975	388	-	15,363
Student transportation	41,783	-	41,783	589	-	42,372
Supplies - program	23,427	533	23,960	2,059	-	26,019
Telephone	961	-	961	2	-	963
Travel	2,827	-	2,827	(405)	-	2,422
Utilities	<u>8,635</u>	<u>4,061</u>	<u>12,696</u>	<u>1,391</u>	<u>-</u>	<u>14,087</u>
Expenses before depreciation	582,158	47,243	629,401	59,945	56,603	745,949
Depreciation	<u>5,611</u>	<u>2,676</u>	<u>8,287</u>	<u>346</u>	<u>-</u>	<u>8,633</u>
Total Expenses	<u>\$ 587,769</u>	<u>\$ 49,919</u>	<u>\$ 637,688</u>	<u>\$ 60,291</u>	<u>\$ 56,603</u>	<u>\$ 754,582</u>

See Notes to Financial Statements.

STEUBEN COUNTY LITERACY COALITION, INC.



Statement of Functional Expenses Year Ended December 31, 2016

	<u>BASE</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
Employment expenses						
Salaries, including contractual labor	\$ 171,899	\$ 47,371	\$ 219,270	\$ 29,252	\$ 3,506	\$ 252,028
Employee benefits	2,405	-	2,405	5,111	101	7,617
Payroll taxes	<u>12,842</u>	<u>647</u>	<u>13,489</u>	<u>647</u>	<u>278</u>	<u>14,414</u>
Total employment expenses	187,146	48,018	235,164	35,010	3,885	274,059
Other expenses						
Advertising and promotion	227	164	391	128	-	519
Bank charges	-	-	-	151	-	151
Dues and subscriptions	1,263	454	1,717	97	-	1,814
Events and fundraising expense	-	-	-	-	5,106	5,106
Food and snacks	9,830	-	9,830	-	-	9,830
Insurance	3,529	-	3,529	1,968	-	5,497
Advertising and promotion	-	-	-	51	-	51
Miscellaneous	-	-	-	472	-	472
Postage and shipping	1,148	42	1,190	1,216	-	2,406
Professional development	1,750	270	2,020	122	-	2,142
Professional services	17,430	894	18,324	3,264	-	21,588
Repairs and maintenance	658	416	1,074	243	-	1,317
Small equipment	1,102	-	1,102	-	-	1,102
Student transportation	15,589	-	15,589	-	-	15,589
Supplies - other	-	-	-	107	-	107
Supplies - program	37,398	2,654	40,052	4,538	-	44,590
Telephone	801	-	801	-	-	801
Travel	4,946	556	5,502	170	-	5,672
Utilities	<u>6,649</u>	<u>3,729</u>	<u>10,378</u>	<u>2,047</u>	-	<u>12,425</u>
Expenses before depreciation	289,466	57,197	346,663	49,584	8,991	405,238
Depreciation	<u>4,009</u>	<u>3,143</u>	<u>7,152</u>	<u>1,612</u>	-	<u>8,764</u>
Total Expenses	<u>\$ 293,475</u>	<u>\$ 60,340</u>	<u>\$ 353,815</u>	<u>\$ 51,196</u>	<u>\$ 8,991</u>	<u>\$ 414,002</u>

See Notes to Financial Statements.

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements
December 31, 2017 and 2016

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Activities:

Steuben County Literacy Coalition, Inc. (the Organization) is a not-for-profit corporation, which promotes lifelong learning and improved literacy skills through accessible educational opportunities and information for children and adults in Steuben County, Indiana.

Basis of Preparation:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations and may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets: Net assets that are available for use, but expendable only for those purposes specified by the donor. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Use of Estimates:

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

Promises to Give:

Unconditional promises to give are recognized as revenues or gains in the period promised and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at present value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization uses the allowance method to determine uncollectible contributions receivable. The amount of the allowance is based on management's evaluation of the collectibility of the accounts, including credit concentrations, trends in historical loss experience, specific impaired pledges receivable, and economic conditions.

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Grants receivable:

The Organization considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Support and Revenue:

Contribution revenue is recognized when assets or commitments of unconditional promises to give are received. Grant revenue is recognized as it is expended. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose of the 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.

Property and Equipment:

Property and equipment is recorded at cost or, if received by donation, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. Depreciation is computed using the straight-line method for financial reporting purposes based on estimated useful lives of the related assets. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Estimated useful lives are as follows:

Building and improvements	10-39 years
Furniture and equipment	5-7 years

Depreciation expense for the years ended December 31, 2017 and 2016, was \$8,633 and \$8,764, respectively.

Beneficial Interest in Trust:

The Fund held by Steuben County Community Foundation, Inc. (the Foundation) is valued based on the underlying investments held by and reported to the Organization by the Foundation. The changes in the difference between market value and cost are reflected in the statements of activities as change in the value of beneficial interest in trust.

Donated Services:

In-kind contributions and donated services, which are donations of materials, supplies, equipment, and services, are recognized as support and expenses in the statements of activities. In-kind contributions are recorded at their estimated fair market value at the date of receipt.

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Donated Services (Continued):

Contributions of services are recognized in the financial statements of Steuben County Literacy Coalition, Inc. only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses:

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes:

The Organization is a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is included in these statements. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The accounting standard that provides guidance on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit 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. 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 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2017 and 2016. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2014.

Recently Issued Accounting Standards:

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statement of Not-for-Profit Entities. The standard will replace the existing three classes of net assets with two classes; net assets with donor restrictions (combination of temporarily and permanently restricted net assets) and net assets without donor restrictions. The standard will also give the Organization the option of presenting the statement of cash flows using the direct method, without presenting the indirect method reconciliation, and require all not-for-profits to present operating expenses by both nature and function. Additional requirements will include improved disclosures related to board-designated net assets, under-water endowments, cost allocation methods, management and general activities and quantitative and qualitative disclosures related to liquidity. This standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through July 16, 2018, the date the financial statements were available to be issued.

Note 2. Contributions and Pledges Receivable

At December 31, 2017 and 2016, the Organization has contributions and pledges receivable that are related to the following:

	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 138,925	\$ 82,150
Operations	3,835	797
ABC program	<u>-</u>	<u>825</u>
	142,760	83,772
Less discount (4.75% and 4.50% at December 31, 2017 and 2016, respectively) to net present value	5,564	2,440
Less allowance for uncollectible accounts	<u>50,000</u>	<u>-</u>
Net contributions and pledges receivable	<u>\$ 87,196</u>	<u>\$ 81,332</u>
Amounts due in:		
Less than one year	\$ 98,223	\$ 70,197
One to five years	<u>44,537</u>	<u>13,575</u>
	<u>\$ 142,760</u>	<u>\$ 83,772</u>

As of December 31, 2017 and 2016, \$83,925 and \$32,150, respectively, of contributions and pledges receivable are due from board members and employees.

Note 3. Beneficial Interest in Trust

The beneficial interest consists of funds held by the Foundation that are the result of a designated endowment whereby the Organization was specified as the beneficiary of the assets. The Organization may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 4. Fair Value Measurements

Fair value measurements are based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, and are determined by either the principal market or the most advantageous market.

Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 measurements having the highest priority and Level 3 measurements having the lowest priority.

- Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access at the measurement date.
- Level 2: Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the 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 techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Beneficial Interest in Trust: Valued based on the underlying investments held by and reported to the Organization by the Foundation.

The following table shows assets and liabilities measured at fair value on a recurring basis using:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
As of December 31, 2017:				
Beneficial interest in trust	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 119,928</u>	\$ <u> 119,928</u>
As of December 31, 2016:				
Beneficial interest in trust	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 108,965</u>	\$ <u> 108,965</u>

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 4. Fair Value Measurements (Continued)

The table below presents information about the changes in the beneficial interest in trust, which is measured at fair value on a recurring basis using significant unobservable inputs:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 108,965	\$ 104,749
Contributions	500	600
Net realized and unrealized gains	11,594	5,077
Interest and dividends	3,596	2,211
Grants	(3,004)	(2,638)
Fees	<u>(1,723)</u>	<u>(1,034)</u>
Ending balance	<u>\$ 119,928</u>	<u>\$ 108,965</u>

Gains (realized and unrealized) included in changes in net assets for the periods in the preceding paragraph are reported in the statements of activities.

Note 5. Line of Credit

The Organization has a line of credit agreement with Star Financial Bank that provides for loans up to \$20,000. The loan agreement provides for monthly interest payments at the bank's index rate plus 1% (5.75% at December 31, 2017), with a 4% minimum rate. The line of credit matures on August 31, 2018 and is secured by all accounts, equipment, contracts, instruments and intangibles of the Organization. At December 31, 2017 and 2016, there were no amounts outstanding on the line of credit.

Note 6. Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
ABC program	\$ 825	\$ 825
Capital campaign (time and purpose restriction)	119,471	79,710
Capital campaign (security)	445	8,039
Capital campaign (legal consulting)	<u>978</u>	<u>1,606</u>
	<u>\$ 121,719</u>	<u>\$ 90,180</u>

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 6. Net Assets (Continued)

Net assets were released from donor restrictions by satisfying the restriction specified by donors:

	<u>2017</u>	<u>2016</u>
ABC program	\$ -	\$ 825
Capital campaign (time and purpose restriction)	-	14,162
Capital campaign (security)	2,283	-
Capital campaign (legal consulting)	<u>628</u>	<u>-</u>
	<u>\$ 2,911</u>	<u>\$ 14,987</u>

There were no permanently restricted net assets at December 31, 2017 and 2016.

Note 7. Federal, State and Local Grant Awards

Federal, State and local grant awards received and spent during the years ended December 31, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Federal grants, passed through the State of Indiana:		
21st Century Community Learning Centers (CFDA 84.287)	\$ 557,135	\$ 252,718
Child and Adult Care Food Program	<u>9,725</u>	<u>9,268</u>
Total Federal Awards	566,860	261,986
Local:		
City of Angola	1,500	3,000
Clear Lake Township	300	300
Jamestown Township	2,300	2,250
Otsego Township	500	-
Pleasant Township	5,000	5,000
Salem Township	500	500
Scott Township	300	300
Steuben Township	<u>250</u>	<u>200</u>
Total Local Awards	10,650	11,550
Other Local, Non-governmental Grants	<u>38,878</u>	<u>43,773</u>
Total Federal, State and Local Revenue	<u>\$ 616,388</u>	<u>\$ 317,309</u>

STEUBEN COUNTY LITERACY COALITION, INC.



Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Note 8. In-Kind Contributions and Donated Services

The Organization relies on a substantial number of non-professional volunteers to operate various programs. The value of this service is not reflected in financial statements as it does not meet the recognition criteria.

Donated facility rental and food service has been included in the financial statements at fair market value as contributions in-kind in the amount of \$300 and \$1,240 for the years ended December 31, 2017 and 2016, respectively.

Note 9. Concentrations

The Organization received 80% and 65% of its support from the federal government through the U.S. Department of Education for the years ended December 31, 2017 and 2016, respectively. A significant reduction in the level of this support, if this were to occur, may have an effect on the operations of the Organization.