LINCOLN LITERACY COUNCIL

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

LINCOLN LITERACY COUNCIL
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln Literacy Council
Lincoln, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lincoln Literacy Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Literacy Council as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lincoln Literacy Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln Literacy Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Lincoln Literacy Council's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln Literacy Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2024, on our consideration of Lincoln Literacy Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln Literacy Council's internal control over financial reporting and compliance.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
November 14, 2024

LINCOLN LITERACY COUNCIL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	570,938	336,711
Investments	636,476	552,250
Accounts receivable	253,688	113,353
Pledges receivable, current	73,075	
Inventory	7,285	13,017
Prepaid expenses	15,923	3,582
Total current assets	1,557,385	1,018,913
PROPERTY AND EQUIPMENT		
Land	340,800	
Land improvements	10,000	
Building	874,017	
Building improvements	173,290	
Equipment	78,780	83,162
Less: accumulated depreciation	(103,184)	(75,048)
Total property and equipment	1,373,703	8,114
OPERATING LEASE RIGHT-OF-USE ASSETS		
Operating lease right-of-use asset	5,673	110,337
Less: accumulated amortization	(2,308)	(103,626)
Total operating lease right-of-use assets	3,365	6,711
OTHER ASSETS		
Pledges receivable, long-term	114,658	
TOTAL ASSETS	3,049,111	1,033,738

LINCOLN LITERACY COUNCIL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	32,168	14,709
Sales tax payable	279	191
Payroll tax payable	35,935	6,676
Wages payable	12,325	12,224
Unearned grant support and deferred revenue		8
Security deposits	500	
Lease liabilities, current portion	2,256	6,711
Total current liabilities	83,463	40,519
LONG-TERM LIABILITIES		
Lease liability, net of current portion	1,109	
NET ASSETS		
With donor restrictions		
Restricted by purpose or time	469,108	30,000
Without donor restrictions		
Net investment in property and equipment	1,377,068	14,825
Designated	636,476	552,250
Undesignated	481,887	396,144
Total without donor restrictions	2,495,431	963,219
Total net assets	2,964,539	993,219
TOTAL LIABILITIES AND NET ASSETS	3,049,111	1,033,738

The accompanying notes are an integral part of these financial statements.

LINCOLN LITERACY COUNCIL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	245,916		245,916	495,194		495,194
Capital Campaign		1,155,965	1,155,965			
United Way funding	37,500		37,500	71,355		71,355
Other grants	375,716		375,716	110,540	165,000	275,540
Government grants		1,173,284	1,173,284		287,561	287,561
Fees				1,864		1,864
Workshops, classes, and materials	115,290		115,290	56,835		56,835
In-kind contributions	20,325		20,325			
Investment return	103,683		103,683	(48,230)		(48,230)
Lease income	52,306		52,306			
Special events, net direct donor benefit costs of $- 0 - and $- 0 -, respectively	54,145		54,145	53,924		53,924
Net assets released from restriction	1,890,141	(1,890,141)		427,561	(427,561)	
Total revenues and other support	2,895,022	439,108	3,334,130	1,169,043	25,000	1,194,043
EXPENSES						
Program services						
United Way CNA	27,500		27,500			
FLAIR				85,351		85,351
BASIC	8,447		8,447	5,860		5,860
ESL	1,205,035		1,205,035	789,841		789,841
Management and general	65,501		65,501	58,455		58,455
Fundraising	56,327		56,327	21,603		21,603
Total expenses	1,362,810		1,362,810	961,110		961,110
CHANGE IN NET ASSETS	1,532,212	439,108	1,971,320	207,933	25,000	232,933
NET ASSETS, beginning of year	963,219	30,000	993,219	755,286	5,000	760,286
NET ASSETS, end of year	2,495,431	469,108	2,964,539	963,219	30,000	993,219

The accompanying notes are an integral part of these financial statements.

LINCOLN LITERACY COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023					
	Program Services			Management		
	ESL	BASIC	United Way CNA	and General	Fundraising	Total
Wages and payroll taxes	968,012	8,447	15,658	35,774	30,886	1,058,777
Training/teaching materials	16,130					16,130
Office, postage, printing, supplies	94,809		4,500	17,292	8,226	124,827
Conference, workshop, dues, travel	29,786		1,100	575		31,461
Occupancy	95,030		6,242	11,655		112,927
Fees	1,268			205	17,215	18,688
	1,205,035	8,447	27,500	65,501	56,327	1,362,810

	2022					
	Program Services			Management and		
	ESL	BASIC	FLAIR	General	Fundraising	Total
Wages and payroll taxes	659,153	5,860	72,295	38,264	16,024	791,596
Training/teaching materials	15,883					15,883
Office, postage, printing, supplies	50,878		3,856	9,494	3,075	67,303
Conference, workshop, dues, travel	14,434		1,200	725		16,359
Occupancy	37,932		8,000	9,464		55,396
Fees	11,561			508	2,504	14,573
	789,841	5,860	85,351	58,455	21,603	961,110

The accompanying notes are an integral part of these financial statements.

LINCOLN LITERACY COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	1,971,320	232,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,517	12,456
Realized gain on investments	(10,061)	(13,676)
Unrealized gain on investments	(59,444)	74,087
(Increase) decrease in assets:		
Accounts receivable	(140,335)	(82,695)
Pledges receivable	(187,733)	
Inventory	5,732	(2,032)
Prepaid expenses	(12,341)	46
Increase (decrease) in liabilities:		
Accounts payable	17,459	9,982
Sales tax payable	88	191
Payroll taxes payable	29,259	1,890
Wages payable	101	3,046
Security deposits	500	
Unearned grants	(8)	
Total adjustments	(323,266)	3,295
Net cash provided by operating activities	1,648,054	236,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(14,720)	(299,104)
Purchase of property and equipment	(1,399,107)	
Net cash used in investing activities	(1,413,827)	(299,104)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	234,227	(62,876)
CASH AND CASH EQUIVALENTS, beginning of year	336,711	399,587
CASH AND CASH EQUIVALENTS, end of year	570,938	336,711
SUPPLEMENTARY INFORMATION		
Interest paid on long-term debt	14,465	

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lincoln Literacy Council, doing business as Lincoln Literacy (the Organization), is a Nebraska nonprofit corporation. Its purpose is to bring students together with volunteers to provide literacy services, support, and awareness to the community. The Organization's primary support comes from donors and grants.

Basis of Accounting

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.

Financial Statement Presentation

The financial statements report amounts by class of net assets, as required by Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958)*: Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are currently available for operating purposes under the direction of the Board of Directors (the Board), designated by the Board for specific use, or invested in property and equipment.

Net Assets With Donor Restrictions

Net assets with donor restrictions are stipulated by donors for specific operating purposes, for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Organization utilizes Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments and debt and equity securities held by not-for-profit organizations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Therefore, investments in equity securities that have a readily determinable fair value, and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Inventory

Inventories are stated at the lower-of-cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives ranging from five to thirty years.

Revenue Recognition

Fees, Workshops, Classes, and Materials

The Organization conducts program-related experiences such as English for All, Family Literacy, Workforce Readiness for Refugees, and CNA and GED prep classes, where the performance obligation is delivery of the program. Employer and sponsor fees for classes are set by the Organization. For classes, fees include program supplies, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Some activities require the purchase of course materials, which are separately priced.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Special Fundraising Event Revenue

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event, the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event. The event fee is set by the Organization. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

Grants

Grant amounts awarded, but not received, are reported as receivables. Grant revenue is recognized in the period the grant is awarded, provided it is unconditional, and is recorded as revenue in net assets with or without donor restrictions, depending on the grantor's intent. Unrestricted grant program revenues represent grant dollars received which were either not restricted by the donor, or for which restrictions were met in the year received. Conditional grants are recognized as revenue is earned.

Contributions

The Organization utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived 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. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Concentration of Support

The Organization receives approximately 11% and 34% of its annual budget from Acklie Charitable Foundation and a contract with the Nebraska Health and Human Services System, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the statement of functional expenses based on time and effort, actual costs, and estimates by the Organization.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $410 and $179 for the years ended December 31, 2023 and 2022, respectively.

Compensated Absences

Employees' vacation benefits are recognized when paid.

Use of Estimates

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Reclassification

In certain instances, amounts for the prior year have been reclassified to place them on a basis comparable with the current year.

Leases

FASB ASU 2016-02, Topic 842, *Leases,* was implemented for the year ended December 31, 2022. Under the standard, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as a variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

ROU assets for finance leases are amortized on a straight-line basis over the lease term. Operating leases with fluctuating lease payments: For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset or liability for those leases. Lease payments for short-term leases are recognized on a straight-line basis.

The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the building class of assets.

Right-of-use assets and liabilities as of December 31, 2023 and 2022, are presented as separate line items on the Organization's statements of financial position.

NOTE 2. PROLITERACY ENDOWED FUND AND THE LINCOLN COMMUNITY FOUNDATION

The Lincoln Community Foundation is a holder of the Proliteracy Endowed Fund, and the Organization is a beneficiary of the income from the fund. The income from this fund is remitted to the Organization in November of each year, and the amount will vary depending on the investment returns of the Lincoln Community Foundation. The total received from these funds during the years ended December 31, 2023 and 2022, was $- 0 - and $795, respectively.

NOTE 3. LEASE COMMITMENTS

In April 2018, the Organization renewed its lease for its current office space under a noncancelable lease expiring April 30, 2023, including shared complex expenses. On May 1 of each year of the lease term, monthly rent will be increased by 2.5%. There is an option to renew the lease for an additional four years at an increased monthly rental plus the shared complex expenses. The Organization elected to not renew the lease at the April 30, 2023 expiration date, as they signed an agreement to purchase a building for $1,357,065. The Organization was awarded an ARPA grant of $700,000 to partially fund the purchase. The Organization purchased the building on April 25, 2023.

The present value of the lease liability (and right-of-use asset) at the commencement of the lease was $99,305, and the applicable federal rate was 2.66%. As of December 31, 2023 and 2022, the value of the lease liability was $- 0 - and $6,537, respectively. Lease payments under this lease totaled $7,441 and $22,142 for the years ended December 31, 2023 and 2022, respectively.

In February 2018, the Organization entered into a 60-month lease with Eakes Office Plus for a copier requiring payments of $195 due monthly. The present value of the lease liability (and right-of-use asset) at the commencement of the lease was $11,031, and the applicable federal rate was 2.29%. As of December 31, 2023, the value of the of the lease liability is $3,365. Lease payments under this lease totaled $2,337 and $2,337 for the years ended December 31, 2023 and 2022, respectively.

NOTE 3. LEASE COMMITMENTS (Continued)

Future minimum annual lease payments under the above are as follows:

Years Ending December 31,	
2024	2,337
2025	1,169
Total lease payments	3,506
Less: interest	(141)
Present value of lease liabilities	3,365

NOTE 4. LESSOR ACTIVITIES ASSETS

The Organization's leasing activities consist of leasing office space at 1023 Lincoln Mall in Lincoln, Nebraska. The Organization purchased the building on April 25, 2023, subject to lease agreements with existing tenants. The Organization leases two units to unrelated parties with lease terms of 1 - 5 years. The leases do not provide options for the lessees to purchase the asset, and therefore are classified as operating leases.

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC Topic 842, a contract is a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Organization reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed. At the lease's inception, the Organization also estimates the residual value of the leased asset at the end of the lease term.

Lease income is included in the statement of activities. For the year ended December 31, 2023, total lease income was $52,306.

The following is an analysis of the carrying amounts of the underlying assets related to operating leases:

Building	874,017
Building improvements	173,290
Less: accumulated depreciation - building	(27,960)
Total cost, net	1,019,347

NOTE 4. LESSOR ACTIVITIES ASSETS (Continued)

The maturity of undiscounted operating lease payments as of December 31, 2023, is as follows:

Years Ending December 31,	
2024	70,545
2025	58,429
2026	34,197
2027	22,798
	185,969

NOTE 5. DESIGNATED NET ASSETS

The Board of Directors has designated net assets as of December 31, 2023 and 2022, of $636,476 and $552,250, respectively, for the Fund for the Future.

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of December 31, 2023 and 2022:

	2023	2022
Bridgeway Program	11,250	30,000
Capital campaign	384,783	
Capital campaign pledges	73,075	
	469,108	30,000

NOTE 7. CONCENTRATIONS

The Organization had deposits in one financial institution in excess of the $250,000 federally insured limit by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2023 and 2022, the amount of deposits not covered was $313,703 and $43,020, respectively.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of grantors. The Organization generally does not require collateral from its grantors. Such credit risk is considered by management to be limited due to the Organization's broad grantor base and its grantors' financial resources.

The accounts receivable balance includes $166,181 from the state of Nebraska Department of Health and Human Services This represents 65.51% of the total accounts receivable balance.

NOTE 8. INVESTMENTS

The Organization utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

NOTE 8. INVESTMENTS (Continued)

Recurring Fair Value Measurements

The table below presents the balances of assets measured at December 31, 2023 and 2022, at fair value on a recurring basis.

	2023			
	Total	Level 1	Level 2	Level 3
Mutual Funds				
Money market	33,672	33,672		
Bond funds	197,544	197,544		
Corporate equity funds	405,260	405,260		
Total	636,476	636,476		

	2022			
	Total	Level 1	Level 2	Level 3
Mutual Funds				
Money market	32,036	32,036		
Bond funds	180,072	180,072		
Corporate equity fund	340,142	340,142		
Total	552,250	552,250		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2023 and 2022, are as follows:

	2023		
	Cost	Unrealized Gain	Market Value
Mutual funds	529,145	107,331	636,476

	2022		
	Cost	Unrealized Gain	Market Value
Mutual funds	503,963	48,287	552,250

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

NOTE 8. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2023 and 2022:

	2023 Total Unrestricted	2022 Total Unrestricted
Net investment income	34,178	12,181
Realized gains	10,061	13,676
Unrealized gains	59,444	(74,087)
	103,683	(48,230)

NOTE 9. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	570,938	336,711
Investments	636,476	552,250
Accounts receivable	253,688	113,353
Total financial assets available within one year	1,461,102	1,002,314
Less amounts restricted by donors	469,108	30,000
Less amounts unavailable to management without Board of Directors approval	636,476	552,250
Total financial assets available to management for general expenditure within one year	355,518	420,064

NOTE 10. NOTES PAYABLE

The Organization entered into an agreement to purchase a building at 1023 Lincoln Mall in Lincoln, Nebraska, on April 25, 2023, for office space. The Organization received $700,000 in Federal American Rescue Plan Act (ARPA) funds in order to assist with the purchase, and the Organization obtained a mortgage loan from Union Bank and Trust for $460,000 at a 6.43% interest rate to cover the remainder of the purchase. The Organization paid off the loan on October 24, 2023, with contributions received through its capital campaign. During the year ended December 31, 2023, the total interest paid was $14,465.

NOTE 11. CONTRIBUTED MATERIALS AND SERVICES

Gifts-in-kind

The Organization received gifts-in-kind for the year ended December 31, 2023 as follows:

Office supplies, funiture, and equipment	14,165
Professional services	5,160
Fixed assets	1,000
	20,325

The Organization purchased its office building during the year ended December 31, 2023. As part of the purchase and transition of office locations, local businesses donated office supplies, furniture, and equipment totaling $14,165 to the Organization. These items were individually under $500, and therefore not above the capitalization threshold for the Organization.

The Organization was provided auto maintenance services and internet services at no cost. Based on current market rates for these services the Organization would have paid $5,160 for the year ended December 31, 2023.

During the year ended December 31, 2023, the Organization received two donated laptops that were estimated at $500 each, and therefore added to the Organization's fixed assets.

All gifts-in-kind received by the Organization for the year ended December 31, 2023, were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

NOTE 12. PLEDGES RECEIVABLE

In the year ended December 31, 2023, the Organization initiated a capital campaign (the Campaign). The purpose of the Campaign is to raise funds to purchase and renovate a building. Included in contributions receivable are the following unconditional promises to give at December 31, 2023 and 2022:

	2023	2022
Pledges receivable	215,600	
Less:		
Allowance for uncollectible contributions	(5,390)	
Discounts for time value of money	(22,477)	
Contributions receivable, net	187,733	
Less: current portion, net	(73,075)	
Long-term portion, net	114,658	

NOTE 12. PLEDGES RECEIVABLE (Continued)

	2023	2022
Amounts due in:		
Less than one year	73,075	
One to five years	102,525	
Six to ten years	40,000	
	215,600	

The discount rate utilized was 5.8% for the years ended December 31, 2023 and 2022. Contributions receivable include amounts due from related parties of approximately $65,100 and $- 0 - at December 31, 2023 and 2022, respectively.

NOTE 13. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LINCOLN LITERACY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
Department of Health and Human Services			
Pass-Through Program From			
Nebraska Department of Health and Human Services			
Refugee and Entrant Assistance	58147 Y3	93.566	224,021
Refugee and Entrant Assistance	74351 Y3	93.566	17,315
Refugee and Entrant Assistance	70086 Y3	93.566	54,048
Total program			295,384
Pass-Through Program From			
International Council for Refugees and Immigrants			
Refugee and Entrant Assistance Discretionary Grants		93.576	85,024
Total U.S. Department of Health and Human Services			380,408
Department of the Treasury			
Pass-Through Program From			
County of Lancaster, Nebraska			
Coronavirus State and Local Fiscal Recovery		21.027	700,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,080,408

The accompanying notes are an integral part of this schedule.

LINCOLN LITERACY COUNCIL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lincoln Literacy Council, under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lincoln Literacy Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lincoln Literacy Council.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, Lincoln Literacy Council provided no federal awards to subrecipients.

NOTE 4. INDIRECT COST RATE

Lincoln Literacy Council has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
Lincoln Literacy Council
Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lincoln Literacy Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln Literacy Council's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Literacy Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln Literacy Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln Literacy Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lincoln Literacy Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln Literacy Council's, internal control, and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2024

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Lincoln Literacy Council
Lincoln, Nebraska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lincoln Literacy Council's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Lincoln Literacy Council's major federal programs for the year ended December 31, 2023. Lincoln Literacy Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lincoln Literacy Council, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lincoln Literacy Council, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lincoln Literacy Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lincoln Literacy Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lincoln Literacy Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lincoln Literacy Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lincoln Literacy Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Lincoln Literacy Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Literacy Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
November 14, 2024

LINCOLN LITERACY COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	___Yes __X__No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes __X__None reported
Noncompliance matter to the financial statements disclosed:	___Yes __X__No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___Yes __X__No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes __X__None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a):	___Yes __X__No
Identification of programs audited as major programs:	
Coronavirus State and Local Fiscal Recovery	21.027
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as a low-risk auditee:	___Yes __X__No

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

LINCOLN LITERACY COUNCIL
PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2023

There were no prior year audit findings and recommendations that required resolution by Lincoln Literacy Council for the year ended December 31, 2022.