***Lincoln Literacy Council***
***Lincoln, Nebraska***

***December 31, 2024 and 2023***

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

HBE
CPAs & Consultants | Wealth Management

Lincoln Literacy Council

Years ended December 31, 2024 and 2023

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## INDEPENDENT AUDITOR'S REPORT

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, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lincoln Literacy Council as of December 31, 2024, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits 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 opinion.

***Other Matter***

The financial statements of Lincoln Literacy Council for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on November 14, 2024.



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### *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 for one year after the date that the financial statements are 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 GAAS 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 GAAS 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 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 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 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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit 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), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 our report dated August 21, 2025 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lincoln Literacy Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln Literacy Council's internal control over financial reporting and compliance.

HBE LLP

Lincoln, Nebraska
August 21, 2025

Lincoln Literacy Council

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

| | 2024 | 2023 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents (note A) | $ 634,860 | $ 570,938 |
| Accounts receivable (note A) | 452,795 | 253,688 |
| Promises to give, current portion (notes A and J) | 35,833 | 73,075 |
| Inventory | - | 7,285 |
| Prepaid expenses | 8,450 | 15,923 |
| Total current assets | 1,131,938 | 920,909 |
| PROPERTY AND EQUIPMENT, net (notes A and B) | 1,475,442 | 1,373,703 |
| NONCURRENT ASSETS | | |
| Investments (notes A, C, and D) | 896,217 | 636,476 |
| Financing lease right-of-use assets, net (notes A and G) | 1,109 | 3,365 |
| Intangible assets, net (note K) | 38,000 | - |
| Promises to give, net of current portion | 50,303 | 114,658 |
| Total other assets | 985,629 | 754,499 |
| Total assets | $ 3,593,009 | $ 3,049,111 |

LIABILITIES AND NET ASSETS

| | 2024 | 2023 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 43,852 | $ 32,168 |
| Sales taxes payable | 410 | 279 |
| Payroll tax payable | 15,431 | 35,935 |
| Accrued expenses (note A) | 79,440 | 12,325 |
| Other accrued expenses | - | 500 |
| Financing lease obligations, current (notes A and G) | 1,109 | 2,256 |
| Total current liabilities | 140,242 | 83,463 |
| LONG-TERM LIABILITIES | | |
| Financing lease obligations, net of current maturities (notes A and G) | - | 1,109 |
| Total liabilities | 140,242 | 84,572 |
| NET ASSETS (notes A and E) | | |
| Without donor restrictions | 3,333,241 | 2,495,431 |
| With donor restrictions | 119,526 | 469,108 |
| Total net assets | 3,452,767 | 2,964,539 |
| Total liabilities and net assets | $ 3,593,009 | $ 3,049,111 |

See accompanying notes to the financial statements.

Lincoln Literacy Council

## STATEMENTS OF ACTIVITIES

Years ended December 31,

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| CHANGES IN NET ASSETS | | | | | | |
| Revenue and support | | | | | | |
| Contributions | $ 349,657 | $ - | $ 349,657 | $ 245,916 | $ - | $ 245,916 |
| Capital campaign | 27,983 | - | 27,983 | - | 1,155,965 | 1,155,965 |
| United Way funding | 32,078 | - | 32,078 | 37,500 | - | 37,500 |
| Other grants | 470,155 | - | 470,155 | 375,716 | - | 375,716 |
| Government grants | 1,141,048 | - | 1,141,048 | - | 1,173,284 | 1,173,284 |
| Workshops, classes, and materials | 123,005 | - | 123,005 | 115,290 | - | 115,290 |
| Contributed nonfinancial assets and services (note I) | 29,400 | - | 29,400 | 20,325 | - | 20,325 |
| Investment return, net (note C) | 106,225 | - | 106,225 | 103,683 | - | 103,683 |
| Lease income (note G) | 73,245 | - | 73,245 | 52,306 | - | 52,306 |
| Special events | 91,506 | - | 91,506 | 54,145 | - | 54,145 |
| Net assets released from restrictions (note E) | 349,582 | (349,582) | - | 1,890,141 | (1,890,141) | - |
| Total revenue and support | 2,793,884 | (349,582) | 2,444,302 | 2,895,022 | 439,108 | 3,334,130 |
| Expenses | | | | | | |
| Program services | 1,816,956 | - | 1,816,956 | 1,240,982 | - | 1,240,982 |
| Management and general | 78,433 | - | 78,433 | 65,501 | - | 65,501 |
| Fundraising | 60,685 | - | 60,685 | 56,327 | - | 56,327 |
| Total expenses | 1,956,074 | - | 1,956,074 | 1,362,810 | - | 1,362,810 |
| CHANGE IN NET ASSETS | 837,810 | (349,582) | 488,228 | 1,532,212 | 439,108 | 1,971,320 |
| Net assets, beginning of year | 2,495,431 | 469,108 | 2,964,539 | 963,219 | 30,000 | 993,219 |
| Net assets, end of year | $ 3,333,241 | $ 119,526 | $ 3,452,767 | $ 2,495,431 | $ 469,108 | $ 2,964,539 |

See accompanying notes to the financial statements.

Lincoln Literacy Council

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2024

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | ESL | BASIC | United Way CNA | Total Program Services | Management and General | Fundraising | Total |
| Wages and payroll taxes | $ 1,412,862 | $ - | $ 17,583 | $ 1,430,445 | $ 38,783 | $ 33,729 | $ 1,502,957 |
| Training/teaching materials | 32,443 | - | 2,600 | 35,043 | - | - | 35,043 |
| Office, postage, printing, supplies | 182,536 | - | 500 | 183,036 | 18,079 | 11,041 | 212,156 |
| Conference, workshops, dues, travel | 36,566 | - | - | 36,566 | 3,995 | - | 40,561 |
| Occupancy | 122,540 | - | 1,817 | 124,357 | 17,454 | - | 141,811 |
| Fees | 7,509 | - | - | 7,509 | 122 | 15,915 | 23,546 |
| Total expenses | $ 1,794,456 | $ - | $ 22,500 | $ 1,816,956 | $ 78,433 | $ 60,685 | $ 1,956,074 |

Year ended December 31, 2023

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | ESL | BASIC | United Way CNA | Total Program Services | Management and General | Fundraising | Total |
| Wages and payroll taxes | $ 968,012 | $ 8,447 | $ 15,658 | $ 992,117 | $ 35,774 | $ 30,886 | $ 1,058,777 |
| Training/teaching materials | 16,130 | - | - | 16,130 | - | - | 16,130 |
| Office, postage, printing, supplies | 94,809 | - | 4,500 | 99,309 | 17,292 | 8,226 | 124,827 |
| Conference, workshops, dues, travel | 29,786 | - | 1,100 | 30,886 | 575 | - | 31,461 |
| Occupancy | 95,030 | - | 6,242 | 101,272 | 11,655 | - | 112,927 |
| Fees | 1,268 | - | - | 1,268 | 205 | 17,215 | 18,688 |
| Total expenses | $ 1,205,035 | $ 8,447 | $ 27,500 | $ 1,240,982 | $ 65,501 | $ 56,327 | $ 1,362,810 |

See accompanying notes to the financial statements.

Lincoln Literacy Council

STATEMENTS OF CASH FLOWS

Years ended December 31,

| | 2024 | 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Cash received from support and revenue | $ 2,240,567 | $ 3,334,130 |
| Cash paid to employees and suppliers | (1,821,031) | (1,686,076) |
| Net cash provided by operating activities | 419,536 | 1,648,054 |
| Cash flows from investing activities | | |
| Proceeds from sales of investments | 33,106 | - |
| Purchase of property and equipment | (199,842) | (1,399,107) |
| Purchase of investments | (186,622) | (14,720) |
| Net cash used by investing activities | (353,358) | (1,413,827) |
| Cash flows from financing activities | | |
| Payments on financing lease liability | (2,256) | - |
| Net increase in cash and cash equivalents | 63,922 | 234,227 |
| Cash and cash equivalents, beginning of year | 570,938 | 336,711 |
| Cash and cash equivalents, end of year | $ 634,860 | $ 570,938 |
| Reconciliation of change in net assets to net cash provided by operating activities | | |
| Change in net assets | $ 488,228 | $ 1,971,320 |
| Adjustments to reconcile change in net assets to net cash flows provided by operating activities | | |
| Depreciation | 58,103 | 33,517 |
| Amortization | 2,000 | - |
| Unrealized gain on investments | (36,466) | (59,444) |
| Realized gain on investments | (29,642) | (10,061) |
| Investment income reinvested | (40,117) | - |
| Reduction in the carrying amount of right-of-use assets | 2,256 | - |
| (Increase) decrease in assets | | |
| Pledge receivable | 101,597 | (187,733) |
| Accounts receivable | (199,107) | (140,335) |
| Inventory | 7,285 | 5,732 |
| Prepaid expenses | 7,473 | (12,341) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 11,184 | 17,459 |
| Security Deposits | - | 500 |
| Deferred revenue | - | (8) |
| Accrued payroll and payroll expenses | 67,115 | - |
| Sales tax payable | 131 | 88 |
| Wages payable | - | 101 |
| Payroll tax payable | (20,504) | 29,259 |
| Total adjustments to change in net assets | (68,692) | (323,266) |
| Net cash provided by operating activities | $ 419,536 | $ 1,648,054 |

See accompanying notes to the financial statements.

Lincoln Literacy Council, (the Organization) is a not-for-profit Nebraska 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.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Method of Accounting.** The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data in addition to current conditions and forecasts, the Organization has not recognized an expected credit loss.

**Accounts Receivable.** Receivables represent the Organization's present right to consideration that is unconditional. Trade account receivable are reported at the amount management expects to collect on balances outstanding at year-end. At December 31, 2024, 2023, and 2022, the accounts receivable balance was $452,795, $253,688, and $113,353.

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. The Organization does not charge interest on overdue customer account balances. Payments of trade receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Allowances for credit losses is based on management's review of historical losses based on aging receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's customers have remained consistent since the Organization's inception. Based on management's review, the Organization has not recognized an expected credit loss.

**Promises to Give.** Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows. Management provides for probable uncollectible unconditional promises receivable through a charge to net assets and a credit to a valuation allowance based on prior years' experience and management's analysis of specific promises made. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises receivable. Changes in the valuation allowance have not been material to the financial statements.

**Investments.** 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 statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of the gift.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Fair Value Measurements.** 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 measurement date. The Organization utilizes a framework to prioritize 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 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization have 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 and significant to the fair value measurement.

The asset 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Property and Equipment and Depreciation.** Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. The Organization's policy is to capitalize property and equipment over $2,000. Lesser amounts are expensed. Property and equipment is depreciated over the following useful lives:

| | |
|---|---|
| Buildings | 5 to 40 years |
| Equipment | 3 to 7 years |
| Vehicles | 5 to 7 years |

**Accrued Expenses.** Accrued expenses represent the liability for accrued salaries, vacation, and payroll taxes. Lincoln Literacy pays wages monthly. Full-time and Part-time employees earn vacation leave which may be accumulated by employees to a maximum of 22 working days.

**Net Asset Classification**. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without donor restrictions.** Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve restricted for expenditures which are not funded by contributions.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

### Net Asset Classification. – Continued

**With donor restrictions**. Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

**Revenue Recognition.** The Organization is primarily funded through governmental and other grants, and contributions. Recognition policies are as follows:

**Government and Other Grants.** The Organization is the recipient of federal and state grants to fund its primary programs. Grants consist primarily of conditional grants, that is, those with a measurable performance or other barrier, and right of return. Grants are not recognized until the conditions on which they depend have been substantially met. The federal and state government grants are conditioned upon the incurrence of allowable qualifying expenses. Grants are recorded as revenue when the related approved expenditures are made. At December 31, 2024 and 2023, conditional reimbursement-basis grants of $650,548 and $676,319 were awarded to the Organization, for which the Organization has not yet incurred related expenditures.

**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.

**Contributions.** Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization has not received any conditional contributions.

**Contributed Nonfinancial Assets and Services.** Contributed Nonfinancial Assets are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair market values at date of receipt. Materials primary consist of equipment and labor that the Organization then distributes as part of their mission.

## NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

**Leases.** At inception, the Organization determines if a contract is or includes a lease arrangement. The Organization's lease commitments include office equipment. The following describes the Organization's accounting policies related to its leasing arrangements:

As lessee

Leased assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. The Organization recognizes a right-of-use asset and related liability at the commencement date, generally based on the present value of lease payments over the lease term using the applicable risk-free rate. Leases with an initial term of 12 months or less, including month to month leases, are not recorded on the statement of financial position and are expensed on a straight-line basis.

*Finance Leases*

Right-of-use assets acquired under finance leases are included in property and equipment and are amortized over the lease term. Amortization of the right-of-use asset and interest on the lease obligation are presented consistently with similar costs in the statement of activities

As lessor

*Operating Leases*

Under operating lease arrangements, the Organization continues to recognize the underlying asset on its statement of financial position and recognizes income and initial direct costs expense generally on a straight-line basis over the lease term.

**Advertising.** Advertising costs of the Organization are expensed as incurred. Advertising expense was $1,123 and $410 for the years ended December 31, 2024, and 2023, respectively.

**Expense Allocation.** The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The expenses that are allocated include salaries and wages, advertising, assistance to others, contributed nonfinancial assets, occupancy, supplies, professional fees, depreciation, insurance, postage and shipping expenses, printing, publications and dues, repairs and maintenance, travel, and information technology, which are allocated based on time-studies and direct identification of programs benefited.

**Income Taxes.** The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the years ended December 31, 2024 and 2023, the Organization had no tax liability on unrelated business activity. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**Income Taxes. - Continued**

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for December 31, 2024, 2023, and 2022 are subject to examination by the IRS, generally for three years after they were filed.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment consists of:

| | 2024 | 2023 |
|---|---|---|
| Land | $ 340,800 | $ 340,800 |
| Land improvements | 10,000 | 10,000 |
| Buildings | 874,017 | 874,017 |
| Building improvements | 240,075 | 173,290 |
| Equipment | 169,836 | 78,780 |
| | 1,634,728 | 1,476,887 |
| Less accumulated depreciation | (159,286) | (103,184) |
| | $ 1,475,442 | $ 1,373,703 |

The financial statements include depreciation expense of $58,103 and $33,517 for the years ended December 31, 2024 and 2023, respectively.

## NOTE C - INVESTMENTS

Investments consist of the following:

| | 2024 | | |
|---|---|---|---|
| | Cost | Market | Unrealized Gain |
| Mutual funds | $ 752,420 | $ 896,217 | $ 143,797 |

| | 2023 | | |
|---|---|---|---|
| | Cost | Market | Unrealized Gain |
| Mutual funds | $ 529,145 | $ 636,476 | $ 107,331 |

Total investment income is comprised of the following:

| | 2024 | 2023 |
|---|---|---|
| Interest and dividend income | $ 40,117 | $ 34,178 |
| Unrealized gains | 36,466 | 59,444 |
| Realized gains | 29,642 | 10,061 |
| | $ 106,225 | $ 103,683 |

## NOTE D - FAIR VALUE MEASUREMENTS

Following is a description of the valuation of methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during December 31, 2024 and 2023.

*Mutual funds*: Valued at the observable net asset value (NAV) of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

**NOTE D - FAIR VALUE MEASUREMENTS - CONTINUED**

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023.

| December 31, 2024 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments: | | | | |
| Mutual funds | | | | |
| Money market | $ 38,546 | $ 38,546 | $ - | $ - |
| Bond funds | 108,818 | 108,818 | - | - |
| Corporate equity funds | 748,853 | 748,853 | - | - |
| | $ 896,217 | $ 896,217 | $ - | $ - |

| December 31, 2023 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments: | | | | |
| Mutual funds | | | | |
| Money market | $ 33,672 | $ 33,672 | $ - | $ - |
| Bond funds | 197,544 | 197,544 | - | - |
| Corporate equity funds | 405,260 | 405,260 | - | - |
| | $ 636,476 | $ 636,476 | $ - | $ - |

**NOTE E - NET ASSETS**

**Net Assets Without Donor Restrictions**

*Board Designated Reserve*

Lincoln Literacy holds investments which have been designated by the Board of Directors as a reserve restricted for expenditures which are not funded by contributions. Examples of such expenditures include capital purchases, funding for unbudgeted emergency services, and other miscellaneous unforeseen and/or non-routine expenditures. For the years ended December 31, 2024 and 2023, the Organization had $896,217 and $636,476 in board designations, respectively. All expenditures charged to the Board Designated Reserve must be approved by the Board of Directors.

**NOTE E - NET ASSETS - CONTINUED**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes:

| | 2024 | 2023 |
|---|---|---|
| Bridgeway program | $ - | $ 11,250 |
| Capital campaign | 119,526 | 457,859 |
| | $ 119,526 | $ 469,109 |

**NOTE F - LIQUIDITY AND AVAILABILITY**

The following table reflects the Organization's financial assets as of December 31, 2024 and 2023 that are available to meet general expenditures within one year of the statement of financial position date.

| | | |
|---|---|---|
| Cash and cash equivalents | $ 634,860 | $ 570,938 |
| Accounts receivable | 452,795 | 253,688 |
| Investments | 896,217 | 636,476 |
| Total financial assets | 1,983,872 | 1,461,102 |
| Donor-imposed restrictions | | |
| Subject to expenditure for a specified purpose | (119,526) | (469,108) |
| Net financial assets after donor imposed restrictions | 1,864,346 | 991,994 |
| Internal designations | | |
| Board designated investments | (896,217) | (636,476) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 968,129 | $ 355,518 |

**NOTE G - LEASES**

Financing leases - as Lessee

In February 2018, the Organization entered into a 60-month lease for a copier requiring payments of $195 due monthly.

**NOTE G - LEASES - CONTINUED**

Average finance lease terms and discount rate at December 31, 2024 and 2023 were as follows:

| | 2024 | 2023 |
|---|---|---|
| Weighted average remaining lease term (years): | 0.50 | 1.50 |
| Weighted average discount rate: | 2.92% | 2.92% |

The following summarizes cash paid for finance lease obligations and other non-cash information:

| | 2024 | 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of finance lease obligations: | $ 2,237 | $ 9,778 |

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for finance leases as of December 31, 2024, and a reconciliation to finance lease obligations reported on the statement of financial position:

| Year ending December 31, | |
|---|---|
| 2025 | $ 1,169 |
| Total minimum lease payments | 1,169 |
| Less: Present value discount | (60) |
| | $ 1,109 |

Operating leases - as Lessor

The Organization has entered into lease agreement for office space at 1023 Lincoln Mall in Lincoln, Nebraska. The organization leases two units to unrelated parties with lease terms of 1-5 years.
The financial statements include rental income of $73,245 and $52,306 for the years ended December 31, 2024 and December 2023, respectively.

Future minimum lease revenues for the years following December 31, 2024 are:

| Year ending December 31, | |
|---|---|
| 2025 | $ 58,429 |
| 2026 | 34,197 |
| 2027 | 22,798 |
| | $ 115,424 |

**NOTE H - CONCENTRATIONS RISK**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally checking and money market accounts at a financial institution. Accounts at each institution are insured by the FDIC up to $250,000. At December 31, 2024 and 2023, the bank accounts exceeded federally insured limits by $358,581 and $313,703, respectively. The Organization has not experienced any losses on such accounts.

The Organization receives a significant amount of its accounts receivable from the state of Nebraska Department of Health and Human Services. At December 31, 2024 and 2023, this represents 42.41% and 65.51% of the total accounts receivable balance, respectively.

**NOTE I - CONTRIBUTED NONFINACNIAL ASSETS AND SERVICES**

Contributed nonfinancial assets recognized as revenue within the statement of activities consist of the following:

| | 2024 | 2023 |
|---|---|---|
| Office supplies, furniture, and equipment | $ 6,000 | $ 14,165 |
| Professional services | - | 5,160 |
| Miscellaneous services | 23,400 | - |
| Fixed assets | - | 1,000 |
| | $ 29,400 | $ 20,325 |

**NOTE J - PROMISES TO GIVE**

Promises to give consist of:

| | | |
|---|---|---|
| Donor pledges | $ 106,600 | $ 215,600 |
| Less: | | |
| Allowance for uncollectible contributions | (5,390) | (5,390) |
| Discount to present value | (15,074) | (22,477) |
| | $ 86,136 | $ 187,733 |

Promises to give are due in the following periods:

| Year ending December 31, | |
|---|---|
| 2025 | $ 35,833 |
| 2026 | 23,038 |
| 2027 | 8,325 |
| 2028 | 8,125 |
| 2029 | 8,125 |
| Thereafter | 23,154 |
| | $ 106,600 |

**NOTE K - INTANGIBLE ASSETS**

The Organization developed a new website along with professional videos to help communicate their mission to the public.

Intangible assets consist of:

| | 2024 | 2023 |
|---|---|---|
| Professional videos for outreach | $ 20,000 | $ - |
| Website | 20,000 | - |
| | 40,000 | - |
| Less accumulated amortization | (2,000) | - |
| | $ 38,000 | $ - |

The financial statements include amortization expense of $2,000 and $0 for the years ended December 31, 2024 and 2023, respectively.

| Year ending December 31, | |
|---|---|
| 2025 | $ 2,000 |
| 2026 | 2,000 |
| 2027 | 2,000 |
| 2028 | 2,000 |
| 2029 | 2,000 |
| Thereafter | 28,000 |
| | $ 38,000 |

**NOTE L - RECLASSIFICATIONS**

Certain amounts in the year ended December 31, 2023 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2023 change in net assets.

**NOTE M - BENEFICIARY INTEREST IN ENDOWMENT**

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.

**NOTE N - RELATED PARTY TRANSACTIONS**

For the year ended December 31, 2024, the organization held promises to give from members of the Board of Directors totaling $23,000 in support of the Organization's ongoing capital campaign.

The pledges were made without any special conditions or preferential treatment and are considered unconditional promises to give. Payments on these pledges are expected to be received over the next year.

**NOTE O - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

During 2025 and subsequent to the balance sheet date of 12/31/2024. The OMB of the United States Federal Government and its various agencies have begun freezing and sometimes canceling previously agreed upon contracts and grants. Lincoln Literacy expects to have a reduction in grant revenues for 2025 compared to expectations based on grants signed. The extent to which the funding freeze impacts the Organization's operations, financial results, and cash flows, both current and future, depend on future developments, which are highly uncertain and cannot be predicted with any measure of certainty or probability. The 2024 financial statements are not expected to have any impact from these changes and as such do not include any adjustments that might result from the outcome of this uncertainty. For 2025 and beyond, the Organization has taken steps to replace grant revenue with other sources and reduce expenses mindfully with as little impact to operations and staff as possible.

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SUPPLEMENTAL INFORMATION

Lincoln Literacy Council

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2024

| Federal Agency Cluster/Program | Pass Through Entity | Assistance Listing Number | Grant Identifying Number | Amount Expended |
|---|---|---|---|---|
| **U.S. Department of Transportation** | | | | |
| Federal Transit Cluster: | | | | |
| Federal Transit Formula Grants | City of Lincoln | 10.507 | | $ 18,177 |
| | | | **Federal Agency Total** | 18,177 |
| **U.S. Department of Health and Human Services** | | | | |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | Nebraska Department of Health and Human Services | 93.566 | 2301NERSSS<br>2401NERSSS | 724,625 |
| Refugee and Entrant Assistance Discretionary Grants | Nebraska Department of Health and Human Services | 93.576 | 90ZN0012-01-00<br>90RE0339-01-00<br>90ZM0038-01-00 | 242,592 |
| | | | **Federal Agency Total** | 967,217 |
| | | | | $ 985,394 |

TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Basis of Presentation.** The accompanying Schedule of Federal Awards includes the federal grant activity of Lincoln Literacy Council and is presented on the accrual basis of accounting. Grant awards are considered expended when the expense transactions associated with the grant occur. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**Subrecipients.** The Organization had no subrecipients.

**Indirect Costs.** The Organization did elect to use the ten percent de minimis indirect cost rate as allowed in the Uniform Guidance, 2 CFR 200.414.

SINGLE AUDIT SECTION

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PEFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Lincoln Literacy Council
Lincoln, Nebraska

We have audited, 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, the financial statements of Lincoln Literacy Council, which comprise the statement of financial position as of December 31, 2024, 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 August 21, 2025.

**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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.



7140 Stephanie Lane | P.O. Box 23110 | Lincoln, NE | 68542-3110 | p: 402.423.4343 | f: 402.423.4346
1314 Andrews Drive | Norfolk, NE | 68701 | p: 402.379.9294 | f: 402.379.2338
1121 N 102nd Court, #100 | Omaha, NE | 68114 | p: 402.895.5050 | f: 402.895.5723

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Lincoln Literacy Council's Response to Findings**

Lincoln Literacy Council's response to the findings identified in our audit is described in the schedule of findings and questioned costs. Lincoln Literacy Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HBE LLP

Lincoln, Nebraska
August 21, 2025

CPAs & Consultants | Wealth Management

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2024. 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 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, 2024.

***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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 GAAS, *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 GAAS, *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.

HBE LLP

Lincoln, Nebraska
August 21, 2025

**Summary of Auditors' Results**

a. An unmodified audit report was issued on the financial statements of Lincoln Literacy Council.

b. Two material weaknesses (2024-001 and 2024-002) in internal control were disclosed by the audit of the financial statements.

c. The audit disclosed one item of noncompliance (2024-003) which would be material to the financial statements.

d. No deficiencies in internal control over its major federal award program were disclosed by the audit.

e. An unmodified audit report was issued on compliance for Lincoln Literacy Council's major federal award program.

f. The audit disclosed no findings which were required to be reported relative to the major federal award program.

g. The program tested as a major program was U.S. Department of Health and Human Services, Refugee and Entrant Assistance State/Replacement Designee Administered Programs Listing No. 93.566.

h. The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

i. Lincoln Literacy Council did not qualify as a low-risk auditee as defined by Uniform Guidance.



**Findings - Financial Statements Audit**

**2024-001- Material Audit Adjustments**

*Criteria*: SAS 115 requires communication, in writing, to management and those charged with governance, of material weaknesses identified in an audit.

*Condition and context*: A material audit adjustment was proposed that was not identified by the Organization's internal control system.

*Cause*: Management did not identify an adjustment necessary to present the financial statements in accordance with U.S. GAAP. A material audit adjustment was proposed to correct an account balance.

*Effect or Potential Effect*: The control deficiency is a material weakness that results in a material misstatement of the financial statements that was not prevented, or detected and corrected, on a timely basis.

*Recommendation*: Management should review the financial statements to ensure all necessary adjustments are made and balances are reflected accurately.

**2024-001- Material Audit Adjustments -- Continued**

*Responsible Official's Response:* The previous auditor did not provide prior year end audit adjustments. It was unclear that pledge revenue had been taken and booked in the previous year. Staff booked pledge revenue this year which caused a double counting of revenue based on the lack of knowledge from the missing prior year adjustments. Staff will make sure to make next auditor's adjustments and perform reconciliation to ensure that there is no confusion going forward.

**2024-002- Financial Statement Preparation**

*Criteria*: SAS 115 requires communication, in writing, to management and those charged with governance, of material weaknesses identified in an audit.

*Condition and context*: The Organization does not have an internal control system designed to provide for the preparation of the financial statements being audited, including the schedule of expenditures of federal awards and note disclosures.

*Cause*: The Organization's accounting personnel do not have the expertise to prepare the financial statements, including note disclosures and the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

*Effect or Potential Effect*: The control deficiency is a material weakness that results in a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

*Recommendation*: The Organization should continue to rely on the board for review of the financial statements, including note disclosures and the schedule of expenditures of federal awards. The Organization may consider searching for a qualified volunteer to review the Organization's financial statements.

*Responsible Official's Response*: We understand the risk of the finding as a small organization. We have a small accounting staff. As such, auditors prepare financial statements, and we review and approve the audited final statements before they become final. Additionally, internally prepared monthly financial statements are reviewed in conjunction with Board Treasurer and shared each month at board member meetings.

**2024-003- Timely Reporting of the Audit and Data Collection Form to the Federal Audit Clearing House**

*Criteria*: Title 2 CFR §200.512 states that the audit and data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

*Condition and context*: Lincoln Literacy did not submit the data collection form before the nine-month deadline stated above.

*Cause*: Lincoln Literacy's fiscal year 2023 audit was not issued until November 14, 2024. Thus, the data collection form and audit would not have been available to submit in the nine-month timeframe.

**2024-003- Timely Reporting of the Audit and Data Collection Form to the Federal Audit Clearing House -- Continued**

*Effect or Potential Effect*: The control deficiency is a significant deficiency that prevented Lincoln Literacy from complying with the reporting requirements established for the data collection form and audit to the federal audit clearing house.

*Recommendation*: Lincoln Literacy should review its system of internal controls over the preparation of the audit, schedule of expenditures of federal awards, and data collection forms to ensure compliance with the timely reporting requirements stated in 2 CFR §200.512.

*Responsible Official's Response*: Previous auditor did not submit DCF as audit was not completed on time. Going forward, the new auditor will submit timely.

**Findings - Major Federal Awards Program Audit**

None

LINCOLN LITERACY

CORRECTIVE ACTION PLAN

Year ended December 31, 2024

The corrective action plan for the findings included in the schedule of findings and questioned costs is summarized as follows:

**2024-001 Material Audit Adjustments**

**Corrective Action Planned**: The previous auditor did not provide prior year end audit adjustments. It was unclear that pledge revenue had been taken and booked in the previous year. Staff booked pledge revenue this year which caused a double counting of revenue based on the lack of knowledge from the missing prior year adjustments. Staff will make sure to make next auditor's adjustments and perform reconciliation to ensure that there is no confusion going forward.

**Anticipated Completion Date**: End of audit process – 9/30/2025

**Responsible Parties**: Management and the Board of Directors.

**2024-002- Financial Statement Preparation**

**Corrective Action Planned:** We understand the risk of the finding as a small organization. We have a small accounting staff. As such, auditors prepare financial statements, and we review and approve the audited final statements before they become final. Additionally, internally prepared monthly financial statements are reviewed in conjunction with Board Treasurer and shared each month at board member meetings.

**Anticipated Completion Date:** Continuous.

**Responsible Parties**: Management and the Board of Directors.

**2024-003 – Timely Reporting of the Audit and Data Collection Form to the Federal Audit Clearing House**

**Corrective Action Planned:** Previous auditor did not submit DCF as audit was not completed on time. Going forward, the new auditor will submit timely.

**Anticipated Completion Date**: End of audit process – 9/30/2025

**Responsible Parties**: Management and the Board of Directors.

Bryan Seck, Executive Director
08/12/2025

Lincoln Literacy Council

SUMMARY SCHEDULE OF PRIOR AUIDT FINDINGS

Year ended December 31, 2024

No findings in the previous year.