

**LIFT "LITERACY INSTRUCTION FOR
TEXAS"**

FINANCIAL STATEMENTS

May 31, 2015 and 2014

LIFT "LITERACY INSTRUCTION FOR TEXAS"

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LIFT "Literacy Instruction for Texas"

We have audited the accompanying financial statements of LIFT "Literacy Instruction for Texas" (a nonprofit organization), which comprise the statements of financial position as of May 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

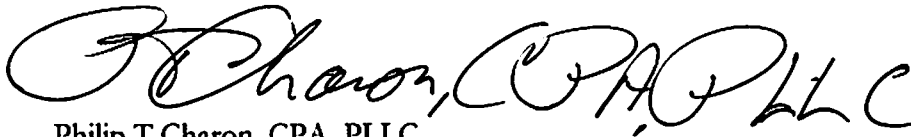
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LIFT "Literacy Instruction for Texas" as of May 31, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Philip T. Charon, CPA, PLLC". The signature is written in a cursive, flowing style.

Philip T Charon, CPA, PLLC
Colleyville, Texas

September 16, 2015

LIFT "Literacy Instruction for Texas"
Statements of Financial Position
May 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 231,456	\$ 325,359
Cash and Cash Equivalents-Temporarily Restricted	77,819	-
Accounts Receivable	46,504	87,800
Inventory	18,385	7,800
Prepays and Other Current Assets	24,431	219
Total Current Assets	398,595	421,178
Property and Equipment		
Property and equipment, net of accumulated depreciation of \$215,655 and \$157,705, respectively.	432,615	396,646
TOTAL ASSETS	\$ 831,210	\$ 817,824

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 6,843	\$ 11,681
Accrued Liabilities	29,749	18,390
Deferred Revenues	108,715	132,968
Total Liabilities	145,307	163,039
Net Assets		
Unrestricted	608,084	654,785
Temporarily Restricted	77,819	-
Permanently Restricted	-	-
Total Net Assets	685,903	654,785
TOTAL LIABILITIES AND NET ASSETS	\$ 831,210	\$ 817,824

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

LIFT "Literacy Instruction for Texas"
Statement of Activities
For the Year Ended May 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT				
Contributions and Grants				
Individuals	\$ 71,422	\$ -	\$ -	\$ 71,422
Corporations	24,010			24,010
Foundations	352,361	80,000		432,361
United Way	496,233	-	-	496,233
Special Events	215,593	-	-	215,593
In-Kind Contributions	673,058	-	-	673,058
Student Donations and Book Fees	48,281	-	-	48,281
Interest Income	259	-	-	259
Other Income	61,866	-	-	61,866
Net Assets Released from Restrictions	<u>2,181</u>	<u>(2,181)</u>	<u>-</u>	<u>-</u>
Total Revenue and Public Support	1,945,264	77,819	-	2,023,083
EXPENSES				
Program Services	1,631,151	-	-	1,631,151
Management and General	91,778	-	-	91,778
Fundraising	<u>269,036</u>	<u>-</u>	<u>-</u>	<u>269,036</u>
Total Expenses	<u>1,991,965</u>	<u>-</u>	<u>-</u>	<u>1,991,965</u>
CHANGE IN NET ASSETS	(46,701)	77,819	-	31,118
NET ASSETS AT BEGINNING OF YEAR	<u>654,785</u>	<u>-</u>	<u>-</u>	<u>654,785</u>
NET ASSETS AT END OF YEAR	<u>\$ 608,084</u>	<u>\$ 77,819</u>	<u>\$ -</u>	<u>\$ 685,903</u>

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

LIFT "Literacy Instruction for Texas"
Statement of Activities
For the Year Ended May 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT				
Contributions and Grants				
Individuals	\$ 323,054	\$ -	\$ -	\$ 323,054
Corporations	5,750	-	-	5,750
Foundations	175,203	-	-	175,203
United Way	507,212	-	-	507,212
Special Events	150,981	-	-	150,981
In-Kind Contributions	670,579	-	-	670,579
Student Donations and Book Fees	48,525	-	-	48,525
Interest Income	258	-	-	258
Other Income	2,403	-	-	2,403
Net Assets Released from Restrictions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Public Support	1,883,965	-	-	1,883,965
EXPENSES				
Program Services	1,437,531	-	-	1,437,531
Management and General	70,457	-	-	70,457
Fundraising	217,145	-	-	217,145
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	1,725,133	-	-	1,725,133
CHANGE IN NET ASSETS	158,832	-	-	158,832
NET ASSETS AT BEGINNING OF YEAR	495,953	-	-	495,953
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NET ASSETS AT END OF YEAR	<u>\$ 654,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,785</u>

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

LIFT "Literacy Instruction for Texas"
Statements of Cash Flows
For the Years Ended May 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 31,118	\$ 158,832
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation Expense	57,950	26,967
(Increase) Decrease in Assets:		
Inventory	(10,585)	(3,451)
Other Receivables	41,296	(76,300)
Prepaid Expenses and Other Current Assets	(24,212)	5,781
Increase (Decrease) in Liabilities:		
Accounts Payable	(4,838)	4,987
Accrued Expenses	11,359	2,511
Deferred Revenues	(24,253)	130,335
CASH PROVIDED BY OPERATING ACTIVITIES	77,835	249,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(93,919)	(393,043)
CASH USED FOR INVESTING ACTIVITIES	(93,919)	(393,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,084)	(143,381)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	325,359	468,740
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 309,275	\$ 325,359
SUPPLEMENTAL DISCLOSURES		
In-Kind Contributions and Contributed Services	\$ 673,058	\$ 670,579
Cash Paid During the Year for Interest Expense	-	-

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

LIFT "Literacy Instruction for Texas"
Statement of Functional Expenses
For the Year Ended May 31, 2015

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 575,762	\$ 19,615	\$ 55,115	\$ 650,492
Payroll Taxes	52,340	2,487	4,721	59,548
Employee Benefits	45,510	2,649	7,702	55,861
Bank Charges and Credit Card Fees	1	2,352	3,504	5,857
Bad Debt Expense	641	-	18,470	19,111
Conferences, Conventions and Meetings	3,347	4,724	-	8,071
Depreciation and Amortization	56,790	580	580	57,950
Dues and Subscriptions	628	342	1,916	2,886
Equipment Rental	5,887	3,518	-	9,405
Insurance	(3,922)	11,417	(40)	7,455
Marketing and Promotions	1,225	925	124,069	126,219
Office Supplies	3,406	11,862	2,702	17,970
Postage and Shipping	103	685	1,184	1,972
Printing and Publications	214	-	-	214
Professional Fees*	15	26,079	41,950	68,044
Program Expenses*	481,625	124	106	481,855
Rent*	331,985	423	683	333,091
Repairs and Maintenance	7,176	2,060	49	9,285
Telephone	12,730	186	130	13,046
Travel	5,809	670	40	6,519
Utilities	8,559	87	87	8,733
Website	41,320	993	6,068	48,381
Total Expenses	<u>\$ 1,631,151</u>	<u>\$ 91,778</u>	<u>\$ 269,036</u>	<u>\$ 1,991,965</u>

* Amounts include In-Kind Contributed Services

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

LIFT "Literacy Instruction for Texas"
Statement of Functional Expenses
For the Year Ended May 31, 2014

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 429,968	\$ 17,846	\$ 41,769	\$ 489,583
Payroll Taxes	43,837	1,226	3,553	48,616
Employee Benefits	33,443	3,445	2,931	39,819
Bank Charges and Credit Card Fees	15	1,511	1,390	2,916
Bad Debt Expense	-	-	-	-
Conferences, Conventions and Meetings	5,837	1,349	585	7,771
Depreciation and Amortization	26,513	227	227	26,967
Dues and Subscriptions	848	255	1,330	2,433
Equipment Rental	-	-	-	-
Insurance	6,375	334	2,883	9,592
Marketing and Promotions	74	-	86,170	86,244
Office Supplies	1,769	14,431	306	16,506
Postage and Shipping	502	100	494	1,096
Printing and Publications	-	-	-	-
Professional Fees	47,000	25,147	66,304	138,451
Program Expenses*	503,203	154	171	503,528
Rent*	301,184	763	763	302,710
Repairs and Maintenance	10,992	1,246	137	12,375
Telephone	13,877	755	906	15,538
Travel and Entertainment	3,916	61	1,204	5,181
Utilities	6,835	70	70	6,975
Website	1,343	1,537	5,952	8,832
Total Expenses	<u>\$ 1,437,531</u>	<u>\$ 70,457</u>	<u>\$ 217,145</u>	<u>\$ 1,725,133</u>

* Amounts include In-Kind Contributed Services

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

LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization:

LIFT "Literacy Instruction for Texas" (the "Organization"), was established in 1961 as a not for profit organization under Section 501(c)(3) of the Internal Revenue Code for the purpose of raising the adult literacy rate in the Dallas/Fort Worth area through the provision of basic reading, math, writing and computer skills. Instruction is focused at the pre-GED level and also offers "English as a Second Language" ("ESL") classes. The Organization is supported primarily through donor contributions, grants and The United Way of Metropolitan Dallas.

Significant Accounting Policies:

In fulfilling its responsibility for the preparation of the Organization's financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense in the determination of support or expenditures. It is also necessary for management to determine, measure and allocate resources and obligations within the financial process according to those principles. Below is a summary of certain significant accounting policies selected by management.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation:

The statement of activities is a statement of the various financial activities and changes in net assets during the current reporting period. It does not purport to represent the results of operations nor of net income or loss for the period since the primary objective of the Organization is not to achieve a "profit", but to support its mission stated above.

Net Asset Accounting:

As a nonprofit organization, LIFT "Literacy Instruction for Texas" maintains its records on a fund accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing accounts. Those funds are further classified into net asset groupings in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605-10 and 958-205, as follows:

LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014

NOTE 1 – (CONTINUED)

Unrestricted net assets – Net assets that are not restricted by donor-imposed stipulations. Unrestricted net assets may include certain funds that the Board of Directors has determined are to be designated for a particular purpose.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor restrictions exist that specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organization reports expirations of donor restrictions when the donated assets are placed in service, unless donor restrictions indicate otherwise. Income from permanently restricted net assets is recorded as unrestricted unless otherwise restricted by the donor.

Statement of Cash Flows:

The statement of cash flows is presented using the “indirect method”. For purposes of this statement, the Organization considers as cash, all cash on hand, cash in checking accounts, money market funds and other similar instruments with maturities of three months or less.

Cash and Cash Equivalents:

The Organization’s financial instruments, none of which is held for trading purposes, consist of cash and cash equivalents. The Organization considers all highly liquid investments that are redeemable in 90 days or less to be cash and cash equivalents.

Inventory:

Inventory consists primarily of student and teacher handbooks for use in classrooms, and is stated at cost or estimated fair market value at the date of donation.

LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014

NOTE 1 – (CONTINUED)

Property and Equipment:

Property and equipment which are purchased are recorded at historical cost. Donated property and equipment are recorded at their fair value at the date of contribution. Depreciation is recorded using a straight-line approach over 5 to 40 years. The Organization's capitalization policy is to expense property and equipment purchases less than \$500. Repairs and maintenance are charged to expense as incurred.

Contributions:

Contributions, including unconditional promises to give, are recorded at their fair value at the date of receipt. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

In-Kind Contributions:

The Organization receives donated classroom facilities and contributed professional services from teachers in carrying out its mission. Donated professional services are recorded at the fair value of fees for similar services. The values of these services have been reflected in the financial statements as they do meet the criteria for recognition under ASC 605-10, *Accounting for Contributions Received and Contributions Made*.

Functional Allocation of Expenses:

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

Income Taxes:

LIFT "Literacy Instruction for Texas" is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. However, the Organization is subject to Federal excise tax and unrelated business income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income or known Federal excise taxes for the years ended May 31, 2015 and 2014, respectively.

LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014

NOTE 1 – (CONTINUED)

Advertising Costs:

Advertising costs are expensed as incurred. The Organization incurred \$0 and \$0 in advertising costs for the years ended May 31, 2015 and 2014, respectively.

Fair Value of Financial Instruments:

The Organization's financial instruments, none of which are held for trading purposes, include cash, grants and other receivables, accounts payable, and other liabilities. The Organization estimates that the fair market value of all financial instruments at May 31, 2015 and 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Compensated Absences:

Employees of the Organization receive paid vacation and personal days off, depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

Use of Estimates and General Assumptions:

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – INVENTORY

Inventory consists of workbooks for use in classrooms, and consists of the following at May 31, 2015 and 2014:

	2015	2014
Student Workbooks	\$ 18,385	\$ 7,800
Total Inventory	\$ 18,385	\$ 7,800

**LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014**

NOTE 3 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Leasehold Improvements	\$ 388,618	\$ 388,618
Furniture and Fixtures	69,209	68,143
Computer Equipment and Software	88,962	60,905
Office and Classroom Equipment	101,481	36,685
Less: Accumulated Depreciation	<u>(215,655)</u>	<u>(157,705)</u>
Total Property and Equipment	<u>\$ 432,615</u>	<u>\$ 396,646</u>

Depreciation expense was \$57,950 and \$26,967 for the years ended May 31, 2015 and 2014, respectively.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

There were \$77,819 and \$0 temporarily restricted net assets as of May 31, 2015 and 2014, respectively.

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

There were no permanently restricted net assets as of May 31, 2015 and 2014, respectively.

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

There were \$2,181 and \$0 net assets released from restrictions for the years ended May 31, 2015 and 2014, respectively.

NOTE 7 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES

The Organization files an annual information return and has adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes* and has not identified any uncertain tax positions. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014

NOTE 8 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions for rented classroom facilities and other professional services during the year. The estimated values of such in-kind transactions are reflected in the statement of activities at their fair value and are recorded at the time of receipt and consist of the following for the years ended May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donated Classroom Facilities	\$ 262,500	\$ 226,400
Volunteer Teachers	401,832	431,929
Donated Furniture and Fixtures	-	12,250
Other	8,126	
Professional Fees	600	-
	<u>\$ 673,058</u>	<u>\$ 670,579</u>

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Organization periodically maintains cash balances in excess of federally insured amounts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization has not experienced any losses on uninsured cash balances, and management believes the Organization is not exposed to any significant credit risk related to cash balances. For the years ended May 31, 2015 and 2014, the Organization's uninsured cash balances were approximately \$58,983 and \$75,359, respectively.

Approximately 37% of support and revenue is received from and administered by United Way of Metro Dallas. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, continued Government approval, new legislation, donor satisfaction, and public perception of mission effectiveness and relative importance. Collection of receivables and ongoing revenue generation is dependent, in part, upon the economic conditions of this area.

LIFT "Literacy Instruction for Texas"
Notes to the Financial Statements
May 31, 2015 and 2014

NOTE 10 – COMMITMENTS AND CONTINGENCIES

On February 27, 2013, the Organization signed a five year lease with a monthly rental amount of \$6,500 increasing 2% annually. The Organization also has various other commitments for office equipment. Future commitments are as follows:

Year Ending May 31,	Amount
2015	\$ 105,972
2016	103,759
2017	77,084
2018 and Thereafter	-
	<u>\$ 286,815</u>

Office lease expense was \$68,670 and \$73,090 for the years ended May 31, 2015 and 2014, respectively.

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) plan. Employees at least 18 years of age are eligible to participate in the plan. Participation in the plan is voluntary. The Organization can make a discretionary matching contribution to the plan based on a percentage of the employee's contributions.

The Organization's matching contribution charged to expense was \$1,300 and \$1,300 for the years ended May 31, 2015 and 2014, respectively.

NOTE 12 – SUBSEQUENT EVENTS

An evaluation of subsequent events was performed in accordance with ASC 855-10, *Subsequent Events*, through September 16, 2015 which is the date of the report. No material subsequent events were noted.

NOTE 13 – RECLASSIFICATION

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.