

**LITERACY COUNCIL
OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana**

**FINANCIAL STATEMENTS
December 31, 2020**

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.

Lake Charles, Louisiana

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Literacy Council of Southwest Louisiana, Inc.
Lake Charles, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Literacy Council of Southwest Louisiana, Inc. as of December 31, 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Executive Director is presented for purposes of additional analysis 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 information 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 my report dated December 30, 2021, on my consideration of Literacy Council of Southwest Louisiana, Inc.'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 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 Literacy Council of Southwest Louisiana, Inc.'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 Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
December 30, 2021

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 215,019
Unconditional promises to give	34,887
Grants receivable	49,437
Prepaid expenses	<u>7,297</u>
Total current assets	<u>306,640</u>

PROPERTY AND EQUIPMENT

Equipment	76,300
Leasehold improvements	<u>4,051</u>
	80,351
Less accumulated depreciation	<u>(79,083)</u>
	1,268
Land	<u>5,788</u>
Net property and equipment	<u>7,056</u>

OTHER ASSETS

Inventory	<u>13,306</u>
Total assets	\$ <u><u>327,002</u></u>

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,292
Grant overfunding payable	5,699
Accrued expenses	38,685
Current portion of note payable	25,655
Total current liabilities	<u>77,331</u>

LONG TERM LIABILITIES

Note payable - net of current portion	<u>115,456</u>
Total long term liabilities	<u>115,456</u>

Total liabilities	<u>192,787</u>
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NET ASSETS

Without donor restrictions	
Board designated	21,842
Undesignated	68,593
Total net assets without donor restrictions	<u>90,435</u>

With donor restrictions	43,780
Total net assets	<u>134,215</u>

Total liabilities and net assets	<u>\$ 327,002</u>
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LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
United Way of Southwest Louisiana	\$ 46,651	\$ 34,000	\$ 80,651
Federal and State Grants	667,663	-	667,663
Contributions and Private Grants	18,450	9,780	28,230
Interest income	3	-	3
In-kind donations	100	-	100
Program fees	2,380	-	2,380
Fund raising	10,681	-	10,681
Other income	449	-	449
Total revenues and gains	<u>746,377</u>	<u>43,780</u>	<u>790,157</u>
Net assets released from restrictions	<u>51,055</u>	<u>(51,055)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	797,432	(7,275)	790,157
EXPENSES			
Program services	797,829	-	797,829
Management and general	54,811	-	54,811
Fund raising	28,655	-	28,655
Loss on disposal of fixed assets	1,180	-	1,180
TOTAL EXPENSES	<u>882,475</u>	<u>-</u>	<u>882,475</u>
CHANGE IN NET ASSETS	(85,043)	(7,275)	(92,318)
NET ASSETS AT BEGINNING OF YEAR	<u>175,478</u>	<u>51,055</u>	<u>226,533</u>
NET ASSETS AT END OF YEAR	<u>\$ 90,435</u>	<u>\$ 43,780</u>	<u>\$ 134,215</u>

See accompanying notes to financial statements.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

Cash Flows From Operating Activities	
Cash received from Federal and State Grants	\$ 696,950
Cash received from Private Grants, Contracts, and Contributions	141,566
Cash paid to Suppliers and Employees	<u>(863,487)</u>
Net Cash Provided (Used) By Operating Activities	<u>(24,971)</u>
 Cash Flows From Financing Activities	
Proceeds from long-term debt	141,111
Interest received	3
Net Cash Provided (Used) By Investing Activities	<u>141,114</u>
 Net Increase (Decrease) In Cash	 116,143
 Cash - Beginning of Year	 <u>98,876</u>
 Cash - End of Year	 <u><u>\$ 215,019</u></u>
 Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ (92,318)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	1,754
Interest income	3
Other	1,175
(Increase) decrease in operating assets:	
Grants and unconditional promises to give	42,763
Prepaid expenses	263
Inventory	13,305
Increase (decrease) in operating liabilities:	
Accounts payable	(1,812)
Grant overfunding payable	5,699
Accrued expense	<u>4,198</u>
Total Adjustments	<u>67,348</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (24,971)</u></u>

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Computer expenses/technology	\$ 373	\$ 20	\$ 4	\$ 397
Depreciation	1,649	88	18	1,754
Dues	562	30	6	598
Education and testing fees	1,136	-	-	1,136
Insurance - other	10,338	550	110	10,998
Interest expense	65	3	1	69
Miscellaneous	158	10	-	168
Office expense	54,223	2,884	577	57,684
Office occupancy	32,796	1,782	1,069	35,648
Payroll taxes	41,417	2,251	1,351	45,018
Professional fees	-	11,600	-	11,600
Salaries and wages	589,667	32,047	19,228	640,942
Employee benefits	57,490	3,124	1,875	62,489
Telephone	3,636	193	39	3,868
Travel	1,699	90	18	1,807
Fundraising expenses	-	-	4,331	4,331
Training and conferences	2,620	139	28	2,787
Total expenses	\$ 797,829	\$ 54,811	\$ 28,655	\$ 881,295

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The Literacy Council of Southwest Louisiana, Inc. was organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing tutoring to the illiterate. The Council operates under a Board of Directors, which appoints an Executive Director and otherwise controls and guides the Council.

The United Way of Southwest Louisiana, Inc., federal and state grants, and private contributions provided the majority of the funding for the Council's 2020 programs.

The Council follows the standards of accounting and financial reporting for voluntary health and welfare agencies prescribed by the American Institute of Certified Public Accountants. The following significant accounting policies are in accordance with these standards.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation:

The Council follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include board designated net assets which represent funds set aside for future operations.

Net Assets With Donor Restrictions – Net assets available subject to donor-imposed or certain 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.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

The Council reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Board designated net assets without donor restrictions consist of \$21,842 in cash funds held in an investment account.

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specific purpose:	
Phillips 66 technology grant	\$ 9,780
Subject to the passage of time:	
For periods after December 31, 2020	<u>34,000</u>
Total net assets with donor restrictions	<u>\$ 43,780</u>

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.

Income taxes:

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Currently, the Council engages in no activities that would be taxed as unrelated business income. The Council's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Property and Equipment:

It is the Council's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies donor restricted net assets to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents:

The Council considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable:

Grants, contracts, and contributions receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2020, the Council considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Functional Expenses:

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Council's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Council's estimates of the amount of each expense utilized for program or support service functions.

Fair Values of Financial Instruments:

The Council has a number of financial instruments, none of which is held for trading purposes. The Council estimates that the fair value of all financial instruments as of December 31, 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Council using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Council could realize in a current market exchange. The recorded values of cash, receivables, prepaids, inventory, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

Revenue Recognition

On January 1, 2019, the Council adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This literature is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts including significant judgements and changes in judgements, as well as assets recognized from costs incurred to obtain or fulfill a contract.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition(continued)

Fundraising revenues representing reciprocal transfers (exchange transactions) are recognized when the performance obligation is satisfied. The Council’s estimate of the transaction price is determined based on the cost expended to provide such goods or services.

The following table presents the Council’s net revenue disaggregated based on the revenue source:

<u>For the year ended December 31, 2020</u>	
Fundraising event exchange transactions	\$ 10,681
Total revenue from contracts with customers	\$ 10,681

NOTE B – ACCOUNTS RECEIVABLE

As of December 31, 2020, accounts receivable from grants and contracts were composed of:

U.S. Department of Education	
Passthrough Louisiana Department of Education	
Federal Basic/Leadership	\$ 31,445
Federal Integrated Literacy/Civics	2,379
Louisiana Department of Education	
State Basic	\$ 15,613

All receivables are expected to be received within less than one year of the financial statement date.

NOTE C – INVENTORY

Inventory represents books maintained by the Council for use by program participants. Inventory is reported at lower of cost or net realizable value. Donated inventory is estimated fair market values at the date received.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

During the year ended December 31, 2020, the Council received its July 1, 2020 through June 30, 2021 United Way allocation of \$68,000. The January 1, 2021 through June 30, 2021 portion of the allocation is donor restricted at time of receipt and is properly reflected in the accompanying statement of activities as an increase in donor restricted net assets in the amount of \$34,000. Uncollectible allocations are expected to be insignificant. All of the allocation is expected to be received in less than one year.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE E – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Council has \$299,343 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting substantially of cash totaling \$215,019, unconditional promises to give of \$34,887 and grants receivable of \$49,437. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The unconditional promises to give are subject to implied time restrictions but are expected to be collected within one year. The Council has a goal to maintain financial assets which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average approximately \$150,000. The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Council deposits cash in excess of daily requirements in its interest-bearing savings account.

NOTE F – PROPERTY AND EQUIPMENT

As of December 31, 2020, property and equipment consisted of:

Equipment	\$ 76,300
Leasehold Improvements	4,051
Land	<u>5,788</u>
Total Fixed Assets	86,139
Less Accumulated Depreciation	<u>(79,083)</u>
Net Fixed Assets	<u>\$ 7,056</u>

Property and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation expense for the years ended December 31, 2020 was \$1,754.

NOTE G – OPERATING LEASE COMMITMENT

As of October 1, 1997, the Council entered into a five-year non-cancelable operating lease for its office facility requiring rent of \$821 per month. Over the lease term, monthly payments were adjusted to reflect changes in the space. Monthly payments during the year ended December 31, 2020 approximated \$2,048 per month.

As of December 31, 20, there are no remaining operating lease payments under the non-cancelable operating lease. The lease expired on October 1, 2002. The Council continues to reside in its current location and rents this and additional classroom space in DeRidder (approx. \$300 per month) and Cameron (approx. \$260 per month), Louisiana, on a month-to-month basis, with a 30-day notice required upon cancellation.

Rental expense totaled \$33,018 during the year ended December 31, 2020.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE H – FUNCTIONAL ALLOCATION OF EXPENSES

Indirect expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

The allocation of indirect cost was based on the following 2020 percentages:

Program	94%
Management and General	5%
Fund Raising	1%

NOTE I – CONCENTRATIONS

The Council maintains bank accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. Balances were not in excess of FDIC insured limits at December 31, 2020.

For the years ended December 31, 2020, the Council received 85% of its funding from federal and state grants and 10% of its funding from the United Way. The operations of the Council are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies and the United Way. Such administrative directives, rules, and regulations are subject to change by legislative acts or administrative changes. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

NOTE J – NOTE PAYABLE

Paycheck Protection Program (PPP) note payable dated August 17, 2020 in the amount of \$141,111; matures on August 17, 2025 bearing fixed interest of 1.00%. First payment of \$2,686.88 is due on March 17, 2021. The note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before March 2, 2021. The Council intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

\$ 141,111

Less current portion

25,655

Long-term debt

\$ 115,456

Maturities of debt are as follows: 2021 - \$25,655; 2022 - \$31,069; 2023 - \$31,382; 2024 - \$31,697; 2025 - \$21,308.

NOTE K – SUBSEQUENT EVENTS

The Council evaluated its December 31, 2020 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES, LLC

Certified Public Accountants

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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 PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Literacy Council of Southwest Louisiana, Inc.
Lake Charles, Louisiana

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 Literacy Council of Southwest Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 December 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Literacy Council of Southwest Louisiana, Inc.'s internal control over financial reporting (internal control) 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 Literacy Council of Southwest Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Literacy Council of Southwest Louisiana, Inc.'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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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 consider item 2020-02 from the deficiencies described in the accompanying schedule of findings and responses to be a material weakness.

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 items 2020-01 from the deficiencies described in the accompany schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Literacy Council of Southwest Louisiana Inc.'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*.

Literacy Council of Southwest Louisiana Inc.'s Response to Findings

Literacy Council of Southwest Louisiana Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Literacy Council of Southwest Louisiana Inc.'s responses were 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
December 30, 2021

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana
Schedule of Findings and Responses
Year Ended December 31, 2020

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Significant deficiency in internal control – refer to B. 2020-01; material weakness in internal control – refer to B. 2020-02.
3. No instances of noncompliance noted.

B. GAGAS Findings:

2020-01- Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control. During 2020, the Council erroneously received \$5,699 in grant funding in excess of concurrent expense documentation.

Cause: The Council employs a small number of people involved in day-to-day operations.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: We recommend the Council utilize a second employee to prepare or review grant reimbursement request documentation prior to submission.

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties, but will utilize an existing second employee to prepare or review grant reimbursement requests prior to submission.

2020-02 Financial Statement Reporting

Condition: The Council maintains its books and records on the modified cash basis of accounting. The Council relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures.

Cause: The Council employs a small number of people involved in day-to-day accounting operations.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Council's internal control structure.

Effect: Misstatements in financial statements could go undetected.

Recommendation: None

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

LITERACY COUNCIL OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

Prior Year Findings:

2019-01- Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the Council's day-to-day operations.

2019-02 Financial Statement Reporting

The Council maintains its books and records on the modified cash basis of accounting. The Council relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Council's internal control structure and because of the limitations of the accounting staff, the design of the Council's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Literacy Council of Southwest Louisiana, Inc.

Schedule of Compensation, Benefits and Other Payments to Executive Director

December 31, 2020

Agency Head Name: Tommeka Semien, Executive Director

Purpose	Amount
Salary	\$ 58,046
Benefits-health insurance	3,540
Benefits-retirement	-
Benefits-HSA	1,500
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements – Auto Mileage Reimb	-
Travel	-
Registration fees	355
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-