

**LITERACY VOLUNTEERS OF SULLIVAN
COUNTY, INC.**

Monticello, New York

Financial Statements
June 30, 2011 and 2010

BACHRACH, WASCHITZ & WASCHITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
568 WEST BROADWAY
P.O. BOX 871
MONTICELLO, NEW YORK 12701

BACHRACH, WASCHITZ & WASCHITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
598 WEST BROADWAY
P.O. BOX 871
MONTICELLO, NEW YORK 12701

NORMAN BACHRACH, CPA
MICHAEL WASCHITZ, CPA
GARY WASCHITZ, CPA

(845) 794-5210
FAX (845) 794-5628
E-Mail acct@bwvc.pa.com

To the Board of Directors
Literacy Volunteers of Sullivan County, Inc.
Monticello, New York

We have reviewed the accompanying statements of assets, liabilities and fund balance – income tax basis of Literacy Volunteers of Sullivan County, Inc. (a not for profit organization) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and fund balance – income tax basis and cash flows – income tax basis for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note 1.

Bachrach, Waschitz & Waschitz, LLP

Bachrach, Waschitz & Waschitz, LLP

December 9, 2011

LITERACY VOLUNTEERS OF SULLIVAN COUNTY, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE - INCOME TAX BASIS
JUNE 30, 2011 AND 2010

ASSETS	<u>June 30, 2011</u>	<u>June 30, 2010</u>
CURRENT ASSETS		
Cash		
Accounts Receivable - Grants	\$ 95,891	74,181
Prepaid Federal Income Tax	10,804	9,823
Total Current Assets	<u>-</u>	<u>1,332</u>
	<u>106,695</u>	<u>85,336</u>
FIXED ASSETS		
Furniture, Fixtures and Equipment	14,131	9,863
Less: Accumulated Depreciation	<u>6,222</u>	<u>4,356</u>
	<u>7,909</u>	<u>5,507</u>
Total Assets	<u>\$ 114,604</u>	<u>90,843</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Payroll Taxes Payable	\$ 1,769	3,617
Total Current Liabilities	<u>1,769</u>	<u>3,617</u>
FUND BALANCE		
Total Liabilities and Fund Balance	<u>\$ 112,835</u>	<u>87,226</u>
	<u>\$ 114,604</u>	<u>90,843</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REVIEW REPORT
 Bachrach, Waschitz & Waschitz, LLP

LITERACY VOLUNTEERS OF SULLIVAN COUNTY, INC.
STATEMENTS OF REVENUES, EXPENSES AND FUND BALANCE - INCOME TAX BASIS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	June 30, 2011	June 30, 2010
REVENUES		
Contributions		
Grants	\$ 5,848	5,434
Fundraising	44,957	38,830
Program Revenues	8,859	15,350
Interest	23,887	38,128
Book Sales	1,022	931
	34,274	28,949
Total Revenues	118,847	127,622
EXPENSES		
Advertising		
Cleaning and Sanitation	1,659	997
Data Consultant	2,880	2,980
Depreciation	638	2,085
Dues and Subscriptions	1,866	1,195
Equipment Rental	538	229
Federal Income Tax	863	-
Fundraising	-	1,347
Grants - Beautification	119	2,709
Insurance	801	739
Interest and Service Charges	3,570	2,945
Internet Service	20	10
Licenses and Permits	306	191
Miscellaneous	390	860
Outside Services	61	18
Payroll	4,936	12,158
Payroll Taxes	30,228	32,666
Office and Postage	2,560	2,784
Professional Fees	618	1,657
Refuse Removal	1,775	1,775
Repairs and Maintenance	542	-
Student Dinner	4,381	3,865
Supplies	1,077	827
Telephone	4,631	5,402
Travel	3,329	3,099
Tutor Materials	341	356
Tutor Training	5,827	5,811
Utilities	2,658	5,798
	16,624	11,475
Total Expenses	93,238	103,978
EXCESS OF REVENUES OVER EXPENSES	25,609	23,644
FUND BALANCE - BEGINNING	87,226	63,582
FUND BALANCE - ENDING	\$ 112,835	87,226

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REVIEW REPORT
Bachrach, Waschitz & Waschitz, LLP

LITERACY VOLUNTEERS OF SULLIVAN COUNTY, INC.
 STATEMENTS OF CASH FLOWS - INCOME TAX BASIS
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	June 30, 2011	June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues Over Expenses	\$ 25,609	23,644
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,866	1,195
(Increase) Decrease In:		
Accounts Receivable	(981)	(8,468)
Prepaid Federal Income Tax	1,332	(1,332)
Increase (Decrease) In:		
Payroll Taxes Payable	(1,848)	1,369
	25,978	16,408
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of Fixed Assets	(4,268)	(730)
	21,710	15,678
Net Increase (Decrease) in Cash		
CASH AT BEGINNING OF YEAR	74,181	58,503
CASH AT END OF YEAR	\$ 95,891	74,181
SUPPLEMENTAL DISCLOSURES		
Cash Paid During the Year for:		
Income Taxes	\$ -	1,347

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REVIEW REPORT
 Bachrach, Waschitz & Waschitz, LLP

LITERACY VOLUNTEERS OF SULLIVAN COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Literacy Volunteers of Sullivan County, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity. These accounting policies conform to the income tax basis of accounting as described below and have been consistently applied in the preparation of the financial statements.

Business Activity

The Organization is a not-for-profit organization dedicated to helping adults in Sullivan County gain literacy skills to help them advance in their personal and professional lives. Additionally, the organization operates a book store which houses more than 10,000 used books for sale, at very reasonable prices.

Basis of Accounting

The accompanying financial statements have been prepared on the basis of accounting used for income tax reporting which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis differs from generally accepted accounting principals primarily because the Organization does not use the three classes of net assets that recognize the existence and nature of restrictions on its net assets and does not report its expenses on a functional basis among three categories: direct program services, management and general, and fundraising. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Cash

For purposes of these financial statements, cash consists of money in checking and savings accounts and certificates of deposit.

Income Tax Status

The Organization is a not for profit organization and is exempt from taxes under Section 501(c)(3) except for the tax on unrelated business income. For the years ended June 30, 2011 and 2010 that tax was \$ 0 and \$1,347, respectively.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions and Grants

Contributions are recognized as revenue when they are received or unconditionally

LITERACY VOLUNTEERS OF SULLIVAN COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

pledged. Grants are recognized as revenue when the grant is awarded and amounts not yet received by year end are recorded as accounts receivable.

Depreciation

Fixed assets are stated at cost. The cost of fixed assets is depreciated over the estimated useful lives of the respective assets. Depreciation is computed using the modified accelerated cost recovery system method. The depreciation expense for the years ended June 30, 2011 and 2010 was \$1,866 and \$1,195, respectively.

NOTE 2 - DONATED PROPERTY

On September 9, 2005 the Organization acquired title to its facility on 63 North Street, Monticello, N.Y. from the US Department of Education through the Federal Real Property Assistance Program.

Under that program the Organization acquired the surplus property at 100% Public Benefit Allowance discount in return for its contractual commitment to deliver 30 years of educational programs at the property. In essence the US Government extended an educational mortgage and the Organization is earning equity in the property by its continued satisfactory use for educational purposes. Additionally, if in the future the US Department of Education determines that the Organization was in breach of its deed, title to the underlying land and all improvements would return to the United States of America with no recourse for any other parties occupying the underlying land.

Because of the restrictions placed on the facility and the fact that no payment was made for the property, no amount has been recorded on the financial statements for the value of the facility.

NOTE 3 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated subsequent events through December 9, 2011, the date that the financial statements were available for issue, and determined that no events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.