

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

2001

Open to Public Inspection

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2001 calendar year, or tax year beginning July 1, 2001, and ending June 30, 2002

- B** Check if applicable:
- Address change
 - Name change
 - Initial return
 - Final return
 - Amended return
 - Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization State, Inc.
Literacy Volunteers of America - New York
Number and street (or P.O. box if mail is not delivered to street address) Room/suite
777 Maryvale Drive
City or town, state or country and ZIP + 4
Buffalo, NY 14225

D Employer identification number
16 6171654
E Telephone number
(716) 631-5282
F Accounting method: Cash Accrual
 Other (specify) ▶

G Web site ▶ LiteracyNewYork.com

J Organization type (check only one) ▶ 501(c) (3) ◀ (insert no) 4947(a)(1) or 527

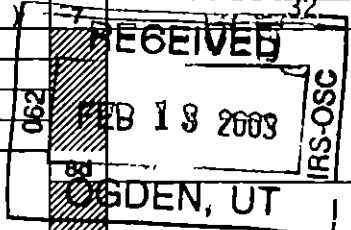
K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS but if the organization received a Form 990 Package in the mail it should file a return without financial data. Some states require a complete return.

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ▶

H and **I** are not applicable to section 527 organizations.
H(a) Is this a group return for affiliates? Yes No
H(b) If "Yes," enter number of affiliates ▶ n/a
H(c) Are all affiliates included? Yes No
(If "No," attach a list. See instructions.) n/a
H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No
I Enter 4-digit GEN ▶

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16)

	<p>1 Contributions, gifts, grants, and similar amounts received</p> <p>a Direct public support</p> <p>b Indirect public support</p> <p>c Government contributions (grants)</p> <p>d Total (add lines 1a through 1c) (cash \$ <u>967,207</u> noncash \$ _____)</p> <p>2 Program service revenue including government fees and contracts (from Part VII, line 93)</p> <p>3 Membership dues and assessments</p> <p>4 Interest on savings and temporary cash investments</p> <p>5 Dividends and interest from securities</p> <p>6a Gross rents</p> <p>b Less rental expenses</p> <p>c Net rental income or (loss) (subtract line 6b from line 6a)</p> <p>7 Other investment income (describe) <u>Royalties</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">8a Gross amount from sales of assets other than inventory</td> <td style="width: 25%;">(A) Securities</td> <td style="width: 25%;">(B) Other</td> </tr> <tr> <td>b Less cost or other basis and sales expenses</td> <td>8b</td> <td></td> </tr> <tr> <td>c Gain or (loss) (attach schedule)</td> <td>8c</td> <td></td> </tr> </table> <p>d Net gain or (loss) (combine line 8c, columns (A) and (B))</p> <p>9 Special events and activities (attach schedule)</p> <p>a Gross revenue (not including \$ _____ of contributions reported on line 1a)</p> <p>b Less direct expenses other than fundraising expenses</p> <p>c Net income or (loss) from special events (subtract line 9b from line 9a)</p> <p>10a Gross sales of inventory, less returns and allowances</p> <p>b Less cost of goods sold</p> <p>c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)</p> <p>11 Other revenue (from Part VII, line 103)</p> <p>12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)</p>	8a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other	b Less cost or other basis and sales expenses	8b		c Gain or (loss) (attach schedule)	8c				
8a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other											
b Less cost or other basis and sales expenses	8b												
c Gain or (loss) (attach schedule)	8c												
		1a	31,825										
		1b	5,940										
		1c	929,442										
		1d	967,207										
		2	43,676										
		3											
		4	1,446										
		5											
		6a											
		6b											
		6c											
		7											
		8a											
		8b											
		8c											
		8d											
		9a											
		9b											
		9c											
		10a											
		10b											
		10c											
		11	37,744										
		12	1,050,105										
		13	819,475										
		14	274,248										
		15											
		16											
		17	1,093,723										
		18	(43,618)										
		19	258,483										
		20											
		21	214,865										



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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others (See Specific Instructions on page 21)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____)				
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc	412,058	288,440	123,618	
26	Other salaries and wages	56,612	39,629	16,983	
27	Pension plan contributions				
28	Other employee benefits				
29	Payroll taxes	37,092	25,964	11,128	
30	Professional fundraising fees	9,855		9,855	
31	Accounting fees				
32	Legal fees				
33	Supplies	13,419	9,632	3,787	
34	Telephone	36,810	25,798	11,012	
35	Postage and shipping	8,065	5,668	2,397	
36	Occupancy	27,829	18,588	9,241	
37	Equipment rental and maintenance	8,237	5,766	2,471	
38	Printing and publications	11,303	325	10,978	
39	Travel	73,576	58,380	15,196	
40	Conferences, conventions, and meetings				
41	Interest	1,139		1,139	
42	Depreciation, depletion, etc (attach schedule)	28,140	19,698	8,442	
43	Other expenses not covered above (itemize) a				
b	Dues & Subscriptions	3,169	2,338	831	
c	Training Expense	30,066	30,066		
d	Contractual Service	95,044	77,534	17,510	
e	See attached Schedule	241,309	211,649	29,660	
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	1,093,723	819,475	274,248	

Joint Costs. Check if you are following SOP 98-2 n/a
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____,
 (iii) the amount allocated to Management and general \$ _____, and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See Specific Instructions on page 24)

What is the organization's primary exempt purpose? <input checked="" type="checkbox"/> To build literate communities. . . .	Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts but optional for others)
a To support community based efforts to enable adults to gain literacy skills needed to reach their full potential as individuals, parents, workers and citizens. (Grants and allocations \$ _____)	819,475
b _____ (Grants and allocations \$ _____)	
c _____ (Grants and allocations \$ _____)	
d _____ (Grants and allocations \$ _____)	
e Other program services (attach schedule) (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	819,475

Part IV Balance Sheets (See Specific Instructions on page 24)

<i>Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only</i>		(A) Beginning of year	(B) End of year
Assets	45 Cash—non-interest-bearing	163,740	93,507
	46 Savings and temporary cash investments		
	47a Accounts receivable	35,356	
	b Less allowance for doubtful accounts	-0-	35,356
	48a Pledges receivable		
	b Less allowance for doubtful accounts		
	49 Grants receivable	95,321	94,778
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		
	51a Other notes and loans receivable (attach schedule)	5,000	
	b Less allowance for doubtful accounts		5,000
	52 Inventories for sale or use		
	53 Prepaid expenses and deferred charges	10,399	7,372
	54 Investments—securities (attach schedule) ▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		
	55a Investments—land, buildings, and equipment basis		
	b Less accumulated depreciation (attach schedule)		
56 Investments—other (attach schedule)			
57a Land, buildings, and equipment basis	467,185		
b Less accumulated depreciation (attach schedule)	393,491	73,694	
58 Other assets (describe ▶ _____)			
59 Total assets (add lines 45 through 58) (must equal line 74)	394,593	309,707	
Liabilities	60 Accounts payable and accrued expenses	134,167	94,842
	61 Grants payable		
	62 Deferred revenue		
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		
	64a Tax-exempt bond liabilities (attach schedule)		
	b Mortgages and other notes payable (attach schedule)		
	65 Other liabilities (describe ▶ <u>capital lease obligations</u>)	1,943	-0-
66 Total liabilities (add lines 60 through 65)	136,110	94,842	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74		
	67 Unrestricted	178,615	135,390
	68 Temporarily restricted	79,868	79,475
	69 Permanently restricted		
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74		
	70 Capital stock, trust principal, or current funds		
	71 Paid-in or capital surplus, or land, building, and equipment fund		
	72 Retained earnings, endowment, accumulated income, or other funds		
73 Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	258,453	214,865	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)	394,593	309,707	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See Specific Instructions, page 26)

a	Total revenue, gains, and other support per audited financial statements ▶	a	1,050,105
b	Amounts included on line a but not on line 12, Form 990		
(1)	Net unrealized gains on investments \$		
(2)	Donated services and use of facilities \$		
(3)	Recoveries of prior year grants \$		
(4)	Other (specify) \$		
	Add amounts on lines (1) through (4) ▶	b	-0-
		c	1,050,105
c	Line a minus line b ▶		
d	Amounts included on line 12, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify) \$		
	Add amounts on lines (1) and (2) ▶	d	-0-
e	Total revenue per line 12, Form 990 (line c plus line d) ▶	e	1,050,105

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements ▶	a	1,093,723
b	Amounts included on line a but not on line 17, Form 990		
(1)	Donated services and use of facilities \$		
(2)	Prior year adjustments reported on line 20, Form 990 \$		
(3)	Losses reported on line 20, Form 990 \$		
(4)	Other (specify) \$		
	Add amounts on lines (1) through (4) ▶	b	-0-
		c	1,093,723
c	Line a minus line b ▶		
d	Amounts included on line 17, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify) \$		
	Add amounts on lines (1) and (2) ▶	d	-0-
e	Total expenses per line 17, Form 990 (line c plus line d) ▶	e	1,093,723

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated, see Specific Instructions on page 26)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
Kevin G. Smith 777 Maryvale Dr., Buffalo, NY	Executive Director 35 hrs/week	62,219	9,332	-0-
Janice Cuddahee 777 Maryvale Dr., Buffalo, NY	Assoc. Execu. Dir. 35 hrs/week	53,984	8,097	-0-
Rosalinde Mecca 777 Maryvale Dr., Buffalo, NY	Dir. Dev. & Info. 35 hrs/week	46,273	6,940	-0-
Charles Carlin 777 Maryvale Dr., Buffalo, NY	Dir. Dev. & Info. 35 hrs/week	50,079	7,511	-0-
see attached schedule	Board of Directors	-0-	-0-	-0-

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? Yes No
If "Yes," attach schedule—see Specific Instructions on page 27

Part VI Other Information (See Specific Instructions on page 27)

		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes		X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
78b	If "Yes," has it filed a tax return on Form 990-T for this year?	n/a	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement		X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?		X
80a	If "Yes," enter the name of the organization <u>n/a</u> and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt		
81a	Enter direct or indirect political expenditures See line 81 instructions	81a	n/a
81b	Did the organization file Form 1120-POL for this year?		X
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
82b	If "Yes," you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III)	82b	n/a
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
83b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	n/a
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	X
84b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	n/a
85a	501(c)(4), (5), or (6) organizations Were substantially all dues nondeductible by members?	85a	n/a
85b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b	n/a
85c	Dues, assessments, and similar amounts from members	85c	n/a
85d	Section 162(e) lobbying and political expenditures	85d	n/a
85e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	n/a
85f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	n/a
85g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	n/a
85h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	n/a
86a	501(c)(7) orgs Enter a Initiation fees and capital contributions included on line 12	86a	n/a
86b	Gross receipts, included on line 12, for public use of club facilities	86b	n/a
87a	501(c)(12) orgs Enter a Gross income from members or shareholders	87a	n/a
87b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87b	n/a
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	n/a
89a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <u>0</u> , section 4912 <u>0</u> , section 4955 <u>0</u>		
89b	501(c)(3) and 501(c)(4) orgs Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
89c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0
89d	Enter Amount of tax on line 89c, above, reimbursed by the organization		0
90a	List the states with which a copy of this return is filed <u>New York</u>		
90b	Number of employees employed in the pay period that includes March 12, 2001 (See instructions)	90b	12
91	The books are in care of <u>Kevin G. Smith</u> Telephone no <u>(716) 631-5282</u> Located at <u>77 Maryvale Dr., Buffalo, NY</u> ZIP + 4 <u>14225-2712</u>		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041—Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <u>92</u>		n/a

Part VII Analysis of Income-Producing Activities (See Specific Instructions on page 32)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a Grants			03	43,676	
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	1,446	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income			15	32	
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a					
b Program Fees			03	9,613	
c Registration Fees			03	21,320	
d Affiliate Fees			03	5,069	
e Book Auction			05	1,742	
104 Subtotal (add columns (B), (D), and (E))					
105 Total (add line 104, columns (B), (D), and (E))					82,898

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 32)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	n/a

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See Specific Instructions on page 33)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
n/a	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See Specific Instructions on page 33)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please [Signature] Date 2/3/03

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

OMB No 1545-0047

2001

Department of the Treasury
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization: Literacy Volunteers of America - New York State, Inc. Employer identification number: 16-6171654

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions List each one If there are none, enter "None")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
Ann Marie Przybyl 777 Maryvale Dr., Buffalo, NY 14225	Director WNY/FLPDC	43,720	6,557	-0-
Total number of other employees paid over \$50,000 ▶	1			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
None		
Total number of others receiving over \$50,000 for professional services ▶		

Part III Statements About Activities (See page 2 of the instructions)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ <u>13,791</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a Sale, exchange, or leasing of property?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?		X
e Transfer of any part of its income or assets?		X
3 Does the organization make grants for scholarships, fellowships, student loans, etc.? (See Note below.)		X
4 Do you have a section 403(b) annuity plan for your employees?		X
Note: Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.		

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions)

The organization is not a private foundation because it is (Please check only **ONE** applicable box.)

- 5** A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6** A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7** A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8** A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9** A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶
- 10** An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
- 11a** An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 11b** A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 12** An organization that normally receives (1) more than 33% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and (2) no more than 33% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
- 13** An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 of the instructions)

n/a	(a) Name(s) of supported organization(s)	(b) Line number from above

- 14** An organization organized and operated to test for public safety Section 509(a)(4) (See page 6 of the instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) *Use cash method of accounting*

Note You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2000	(b) 1999	(c) 1998	(d) 1997	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants See line 28)	1,025,989	985,232	1,050,160	990,234	4,051,615
16 Membership fees received	-0-	-0-	-0-	-0-	-0-
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	3,094	5,231	6,727	6,321	21,373
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income Attach a schedule Do not include gain or (loss) from sale of capital assets	9,266	45,431	26,766	13,173	94,636
23 Total of lines 15 through 22	1,038,349	1,035,894	1,083,653	1,009,728	4,167,624
24 Line 23 minus line 17	1,038,349	1,035,894	1,083,653	1,009,728	4,167,624
25 Enter 1% of line 23	10,383	10,359	10,837	10,097	
26 Organizations described on lines 10 or 11	a Enter 2% of amount in column (e), line 24				26a 83,352
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1997 through 2000 exceeded the amount shown in line 26a Do not file this list with your return Enter the total of all these excess amounts					26b -0-
c Total support for section 509(a)(1) test Enter line 24, column (e)					26c 4,167,624
d Add Amounts from column (e) for lines	18 21,373	19			26d 116,009
	22 94,636	26b			26e 4,051,615
e Public support (line 26c minus line 26d total)					26e 4,051,615
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 97 %
27 Organizations described on line 12:	a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person" Do not file this list with your return. Enter the sum of such amounts for each year				
	(2000)	n/a	(1999)	(1998)	(1997)
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11, as well as individuals) Do not file this list with your return After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year	(2000)	n/a	(1999)	(1998)	(1997)
c Add Amounts from column (e) for lines	15		16		
	17		20	21	
d Add Line 27a total			and line 27b total		27c
e Public support (line 27c total minus line 27d total)					27d
f Total support for section 509(a)(2) test Enter amount from line 23, column (e)	27f				27e
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h -0- %
28 Unusual Grants For an organization described in line 10, 11, or 12 that received any unusual grants during 1997 through 2000, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant Do not file this list with your return. Do not include these grants in line 15					

Part V Private School Questionnaire (See page 7 of the instructions)

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

n/a

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement)		
32 Does the organization maintain the following		
a Records indicating the racial composition of the student body, faculty, and administrative staff?		
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d Copies of all material used by the organization or on its behalf to solicit contributions?		
If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)		
33 Does the organization discriminate by race in any way with respect to		
a Students' rights or privileges?		
b Admissions policies?		
c Employment of faculty or administrative staff?		
d Scholarships or other financial assistance?		
e Educational policies?		
f Use of facilities?		
g Athletic programs?		
h Other extracurricular activities?		
If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)		
34a Does the organization receive any financial aid or assistance from a governmental agency?		
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement		
35 Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

n/a

Check **a** if the organization belongs to an affiliated group Check **b** if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures

(The term "expenditures" means amounts paid or incurred)

	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)		
37 Total lobbying expenditures to influence a legislative body (direct lobbying)		
38 Total lobbying expenditures (add lines 36 and 37)		
39 Other exempt purpose expenditures		
40 Total exempt purpose expenditures (add lines 38 and 39)		
41 Lobbying nontaxable amount Enter the amount from the following table—		
If the amount on line 40 is—		
Not over \$500,000		
Over \$500,000 but not over \$1,000,000		
Over \$1,000,000 but not over \$1,500,000		
Over \$1,500,000 but not over \$17,000,000		
Over \$17,000,000		
The lobbying nontaxable amount is—		
20% of the amount on line 40		
\$100,000 plus 15% of the excess over \$500,000		
\$175,000 plus 10% of the excess over \$1,000,000		
\$225,000 plus 5% of the excess over \$1,500,000		
\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)		
43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36		
44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38		

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below
 See the instructions for lines 45 through 50 on page 11 of the instructions)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots nontaxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 12 of the instructions)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a** Volunteers
- b** Paid staff or management (Include compensation in expenses reported on lines c through h)
- c** Media advertisements
- d** Mailings to members, legislators, or the public
- e** Publications, or published or broadcast statements
- f** Grants to other organizations for lobbying purposes
- g** Direct contact with legislators, their staffs, government officials, or a legislative body
- h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i** Total lobbying expenditures (Add lines c through h.)

Yes	No	Amount
	X	
	X	
	X	
	X	
	X	
	X	
	X	
X		13,791
		13,791

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

Literacy Volunteers of America - NYS, Inc
#16-6171654
Form 990 Part II - Line 43 - Other Expenses

	Total	Program Services	Management & General
Software Support Purchase	16,714	16,714	
Micellaneous	327		327
Affiliate Expense	192,000	192,000	
Lobbying Expense	13,791		13,791
Public Relations	14,284		14,284
Insurance	4,193	2,935	1,258
Total	241,309	211,649	29,660

Literacy Volunteers of America - NYS, Inc
#16-6171654
Form 990 Part V

LVA-NYS Board of Directors

Kathleen Casella	777 Maryvale Drive Buffalo, NY 14225
Wendy Durgan	777 Maryvale Drive Buffalo, NY 14225
Mary Goodman	777 Maryvale Drive Buffalo, NY 14225
Monica Hansen	777 Maryvale Drive Buffalo, NY 14225
Robert Heverly	777 Maryvale Drive Buffalo, NY 14225
Marguente Kershaw	777 Maryvale Drive Buffalo, NY 14225
Martin Murphy	777 Maryvale Drive Buffalo, NY 14225
Maureen O'Connor	777 Maryvale Drive Buffalo, NY 14225
Robin Osborne	777 Maryvale Drive Buffalo, NY 14225
Susan Perkins	777 Maryvale Drive Buffalo, NY 14225
Sharon Swift	777 Maryvale Drive Buffalo, NY 14225
Diane Thompson	777 Maryvale Drive Buffalo, NY 14225
Richard Wigzell	777 Maryvale Drive Buffalo, NY 14225
Arthur Wilson	777 Maryvale Drive Buffalo, NY 14225
Alvinia Coulombie	777 Maryvale Drive Buffalo, NY 14225

Literacy Volunteers of America – NYS Inc.
#16-6171654
Form 990 Part VI –Line 57a and 57b

LITERACY VOLUNTEERS OF AMERICA NEW YORK STATE, INC.
FIXED ASSET - DEPRECIATION SCHEDULE
6/30/02

ASSET	ACQUIRED VALUE	DEPREC. EXPENSE	ACCUM. DEPREC.	BOOK VALUE
Equipment	420,808 74	22,724 24	356,913 10	63,895 64
Leased Equipment	8,058.00	1,611 60	6,874.15	1,183 85
Software	5,080.00	1,693.34	3,633 07	1,446 93
Furniture & Fixtures	33,238 80	2,110 74	26,071 08	7,167.72
Total	<u>467,185 54</u>	<u>28,139 92</u>	<u>393,491 40</u>	<u>73,694 14</u>

Literacy Volunteers of America – New York State Inc
#16-617654

SCHEDULE A, PART VI-B Page 5

Lobbying expense consists of the following items

1. Literacy Volunteers of America – New York State, Inc. has retained a public affairs consulting firm to perform the following functions
 - a Monitor legislative and administrative action including public hearings and meetings that may affect the organization's interests and promptly advise designated members of the organization,
 - b Prepare and formally notify the state legislature, the Governor, or any appropriate state agency of the organization's position regarding any legislative or administrative proposal of significant interest to the organization,
 - c At the organization's direction, draft and seek introduction of and support for legislative proposals which would achieve the organization's public objectives,
 - c At the organization's direction, draft and seek support for the adoption of regulatory proposals which would achieve the organization's public policy objectives

Total expenditures for the period ended June 30, 2002 13,791 00



GOULD & SWANSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**LITERACY VOLUNTEERS OF AMERICA -
NEW YORK STATE, INC.**

Single Audit and
Independent Auditors' Report

June 30, 2002

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GOULD & SWANSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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William J. Swerat, CPA
Daniel E. Connell, CPA
Joseph M. Becht, CPA

Robert K. Gould, CPA
(1915 - 1994)
Roger C. Swanson, CPA
(1927 - 1997)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Literacy Volunteers of America - New York State, Inc

We have audited the accompanying statement of financial position of Literacy Volunteers of America - New York State, Inc. (a New York not-for-profit corporation) as of June 30, 2002, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2001 financial statements, and in our report dated September 14, 2001, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Literacy Volunteers of America - New York State, Inc. as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2002, on our consideration of Literacy Volunteers of America - New York State, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Literacy Volunteers of America - New York State, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gould + Swanson, P. C.

September 10, 2002

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC.

Statement of Financial Position

June 30, 2002

(With Comparative Amounts for 2001)

<u>Assets</u>	<u>2002</u>	<u>2001</u>
Current assets.		
Cash and cash equivalents	\$ 93,507	163,740
Accounts receivable	35,356	18,206
Grants receivable	94,778	95,321
Notes receivable - affiliate	5,000	6,200
Prepaid expenses	<u>7,372</u>	<u>10,399</u>
Total current assets	236,013	293,866
Property and equipment, at cost, net of accumulated depreciation of \$393,491 (\$365,351 in 2001)	<u>73,694</u>	<u>100,727</u>
Total assets	\$ <u>309,707</u>	<u>394,593</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities		
Accounts payable	21,151	58,882
Accounts payable - affiliates	38,963	50,494
Accrued payroll and vacation pay	34,728	24,791
Current portion of capital lease obligation	<u>-</u>	<u>1,943</u>
Total current liabilities	<u>94,842</u>	<u>136,110</u>
Net assets:		
Unrestricted:		
Operating	61,696	77,888
Property and equipment	<u>73,694</u>	<u>100,727</u>
Total unrestricted	135,390	178,615
Temporarily restricted	<u>79,475</u>	<u>79,868</u>
Total net assets	<u>214,865</u>	<u>258,483</u>
Total liabilities and net assets	\$ <u>309,707</u>	<u>394,593</u>

The accompanying notes are an integral part of these statements.

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC.

Statement of Activities
 For the Year Ended June 30, 2002
 (With Comparative Amounts for 2001)

	<u>Unrestricted</u>				<u>Total All Funds</u>	
	<u>Operations</u>	<u>Property and Equipment</u>	<u>Total</u>	<u>Temporarily Restricted</u>	<u>2002</u>	<u>2001</u>
Support and revenue						
	\$					
Total public support						
Revenue						
Affiliate fees	5,069	-	5,069	-	5,069	4,815
Interest income	1,446	-	1,446	-	1,446	3,028
Registration fees	-	-	-	21,320	21,320	12,392
Royalties	32	-	32	-	32	66
Commissions	4,030	-	4,030	-	4,030	4,853
Miscellaneous	5,583	-	5,583	-	5,583	3,554
Book auction	1,742	-	1,742	-	1,742	-
LVA accreditation	-	-	-	10,000	10,000	-
Student Support	-	-	-	6,276	6,276	-
Net assets released from restrictions	<u>79,748</u>	<u>-</u>	<u>79,748</u>	<u>(79,748)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>125,050</u>	<u>-</u>	<u>125,050</u>	<u>(42,152)</u>	<u>82,898</u>	<u>42,958</u>
Total support and revenue	<u>1,049,391</u>	<u>1,107</u>	<u>1,050,498</u>	<u>(393)</u>	<u>1,050,105</u>	<u>1,151,876</u>
Expenditures						
Program services	799,777	19,698	819,475	-	819,475	829,954
Supporting services	<u>265,806</u>	<u>8,442</u>	<u>274,248</u>	<u>-</u>	<u>274,248</u>	<u>278,419</u>
Total expenditures	<u>1,065,583</u>	<u>28,140</u>	<u>1,093,723</u>	<u>-</u>	<u>1,093,723</u>	<u>1,108,373</u>
Change in net assets	(16,192)	(27,033)	(43,225)	(393)	(43,618)	43,503
Net assets beginning of year	<u>77,888</u>	<u>100,727</u>	<u>178,615</u>	<u>79,868</u>	<u>258,483</u>	<u>214,980</u>
Net assets end of year	\$ <u>61,696</u>	<u>73,694</u>	<u>135,390</u>	<u>79,475</u>	<u>214,865</u>	<u>258,483</u>

The accompanying notes are an integral part of these statements

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC.

Statement of Cash Flows

For the Year Ended June 30, 2002
(With Comparative Amounts for 2001)

Cash flows from operating activities:	<u>2002</u>	<u>2001</u>
Change in net assets	\$ (43,618)	43,503
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense and amortization	28,140	26,520
(Increase) decrease in operating assets		
Accounts receivable	(17,150)	(12,200)
Grants receivable	543	24,469
Notes receivable - affiliate	1,200	(1,200)
Prepaid expenses	3,027	5,224
Increase (decrease) in operating liabilities		
Accounts payable	(37,731)	(32,144)
Accounts payable - affiliates	(11,531)	(13,694)
Accrued payroll and vacation pay	9,937	736
Deferred revenue	<u>-</u>	<u>(13,417)</u>
Net cash provided by (used in) operating activities	<u>(67,183)</u>	<u>27,797</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(1,107)</u>	<u>(24,792)</u>
Net cash used in investing activities	<u>(1,107)</u>	<u>(24,792)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligation	<u>(1,943)</u>	<u>(2,095)</u>
Net cash used in financing activities	<u>(1,943)</u>	<u>(2,095)</u>
Net increase (decrease) in cash	(70,233)	910
Cash beginning of year	<u>163,740</u>	<u>162,830</u>
Cash end of year	\$ <u>93,507</u>	<u>163,740</u>
Supplemental disclosure of cash flows information		
Interest paid	\$ 1,139	7,525

The accompanying notes are an integral part of these statements

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2002
(With Comparative Amounts for 2001)

	Program <u>Services</u>	Supporting <u>Services</u>	<u>Totals</u> <u>2002</u>	<u>2001</u>
Salaries and benefits	\$ 328,069	140,601	468,670	420,861
Payroll taxes	25,964	11,128	37,092	33,987
Public relations	-	14,284	14,284	9,217
Professional fees	-	9,855	9,855	9,750
Contract services	77,534	17,510	95,044	95,712
Training expense	30,066	-	30,066	9,761
Supplies and materials	9,632	3,787	13,419	16,014
Rent	18,588	9,241	27,829	26,911
Telephone and internet	25,798	11,012	36,810	37,686
Postage	5,668	2,397	8,065	9,695
Travel	58,380	12,927	71,307	58,540
Travel - board	-	2,269	2,269	-
Printing	325	10,978	11,303	12,155
Dues and subscriptions	2,338	831	3,169	3,904
Equipment and maintenance	5,766	2,471	8,237	9,045
Insurance	2,935	1,258	4,193	3,448
Software purchase and support	16,714	-	16,714	37,322
Lobbying	-	13,791	13,791	13,802
Miscellaneous	-	327	327	472
Bad debts	-	-	-	6,006
Interest	-	1,139	1,139	7,565
Services provided by affiliates	<u>192,000</u>	<u>-</u>	<u>192,000</u>	<u>260,000</u>
Expenses before depreciation and amortization	799,777	265,806	1,065,583	1,081,853
Depreciation and amortization	<u>19,698</u>	<u>8,442</u>	<u>28,140</u>	<u>26,520</u>
Total expenses	\$ <u>819,475</u>	<u>274,248</u>	<u>1,093,723</u>	<u>1,108,373</u>

The accompanying notes are an integral part of these statements

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

a) Organization and Nature of Activities

Literacy Volunteers of America - New York State, Inc (the Organization) was incorporated in 1974 as a not-for-profit corporation providing technical assistance, training and management support to a statewide network of up to 46 community-based Literacy Volunteer affiliates. The affiliates are separately organized and are not included in these financial statements. The Organization provides financial assistance to the affiliates through the distribution of Adult Literacy Education Act and Adult Education Act Grant monies.

b) Accounting Method

The financial statements are prepared on the accrual basis of accounting.

c) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets. The Organization is also required to present a statement of cash flows.

The three classes of net assets required are.

Unrestricted

Includes unrestricted resources which represent the portion of expendable funds that are available for the support of Organization operations.

Temporarily Restricted

Represents resources or assets with donor-imposed restrictions with stipulation that they be used for a particular purpose, an investment for a specified term, used in a specified future period, or to acquire long-lived assets.

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies - Continued

Permanently Restricted

Represent resources or assets that are subject to donor-imposed restrictions with stipulation that they be used for some specified purpose, be preserved and not be sold, or assets which are invested to provide a permanent source of income. The Organization held no permanently restricted net assets at June 30, 2002 and 2001.

d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

e) Property and Equipment

The Organization follows the practice of capitalizing all material expenditures for land, building and equipment, at cost, except for donated items which are carried at their fair market value on the date received. When capitalized equipment is purchased with grant funds, the grantor retains title to the capitalized equipment. Furniture and equipment are depreciated utilizing the straight-line method over their estimated useful lives ranging from five to ten years and software is amortized over a three to five year period.

f) Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and support services benefited.

g) Estimates

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

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies - Continued

h) Income Taxes

Literacy Volunteers of America - New York State, Inc. 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. In addition, Literacy Volunteers of America - New York State, Inc. 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 for 2002 and 2001.

(2) Grants Receivable

The following is a summary of grants receivable as of June 30

	<u>2002</u>	<u>2001</u>
Adult Literacy Education Act	\$ 55,080	55,080
Adult Education Act - WIA	30,190	26,420
WNY Professional Development Consortium	<u>9,508</u>	<u>13,821</u>
	\$ <u>94,778</u>	<u>95,321</u>

At June 30, 2002, all receivables are considered collectible.

(3) Property and Equipment

The following is a summary of property and equipment as of June 30.

	<u>2002</u>	<u>2001</u>
Equipment	\$ 420,809	419,702
Equipment under capital lease	8,058	8,058
Software	5,080	5,080
Furniture and fixtures	<u>33,238</u>	<u>33,238</u>
	467,185	466,078
Less accumulated depreciation and amortization	<u>393,491</u>	<u>365,351</u>
	\$ <u>73,694</u>	<u>100,727</u>

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Notes to Financial Statements

June 30, 2002

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes

Program activities.	<u>2002</u>	<u>2001</u>
Adult Education Training	\$ 545	2,500
Adult Literacy and Technology	-	553
Affiliate Advisory Committee	2,072	2,218
Even Start	1,529	5,000
Fleet Master Trainers	3,825	-
Laubach Literacy	4,500	4,500
Literacy Practitioner Newsletter	-	4,679
LVA Accreditation	1,204	14,527
LVA Student Congress	1,894	-
New York State Public Library	5,171	5,827
Rural Opportunity Outreach Fund	-	750
WNY Professional Development Consortium	24,908	39,314
WNYPDC Workforce Conference	11,184	-
Verizon	<u>22,643</u>	<u>-</u>
Total temporarily restricted net assets	\$ <u>79,475</u>	<u>79,868</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2002</u>
Adult Education Training	\$ 1,955
Adult Literacy and Technology	553
Affiliate Advisory Committee	146
Even Start	3,471
Literacy Practitioner Newsletter	4,679
LVA Accreditation	23,324
LVA Student Conference	4,382
New York State Public Library	656
Rural Opportunity Outreach Fund	750
WNY Professional Development Consortium	35,725
WNYPDC Workforce Conference	1,750
Verizon	<u>2,357</u>
Total restrictions released	\$ <u>79,748</u>

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Notes to Financial Statements

June 30, 2002

(5) Donated Services

Donated services have not been reflected in the financial statements since an objective basis for measuring the value of these services is not available. However, a number of volunteers have donated significant time to the Organization.

(6) Operating Lease Commitments

In June 2001, the Organization entered into operating lease agreements for office space in Ithaca and Buffalo expiring through June 2002.

The Organization also leases office equipment under non-cancelable leases expiring through May 2005.

Rent expense for all operating leases for 2002 and 2001 was \$33,240 and \$31,756, respectively.

Future minimum lease payments under all operating leases are as follows.

<u>Year Ending June 30</u>	
2003	\$ 33,423
2004	5,028
2005	<u>3,444</u>
	\$ <u>41,895</u>

(7) Capital Lease Obligation

The Organization leases office equipment under various agreements classified as capital leases expiring through September 2002. Equipment cost was \$8,058 for 2002 and 2001 and accumulated depreciation was \$6,874 and \$5,263, respectively. There are no future lease payments due.

(8) Line of Credit

The Organization has an approved line of credit through December 31, 2003, with a bank for \$300,000 which requires interest of prime plus 2%, secured by accounts receivable, general intangibles, and chattel paper. None of the line was utilized at June 30, 2002.

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC.

Notes to Financial Statements

June 30, 2002

(9) Flexible Benefit Plan and Trust

The Organization maintains a flexible benefit plan under the provisions of Section 125 of the Internal Revenue Code pursuant to a salary reduction agreement. Employees are eligible to participate in the plan after 30 days of employment and must work a minimum of 1,000 hours per year. Participants can choose from various benefits including medical and dependent care reimbursement and tax sheltered annuities under a Section 403 (b) plan. Contributions to the plan are authorized annually by the Board of Directors. The rate authorized for 2002 and 2001 was 15%. The total benefit expense for 2002 and 2001 was \$66,583 and \$59,270, respectively, which includes Section 403(b) plan contributions of \$54,176 and \$48,905, respectively. These contributions are included and reported as salaries in the financial statements.

(10) Contingencies

The Organization participates in Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act of 1996. Prior years' compliance audits have been submitted to the appropriate Federal and State agencies for review. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Organization believes such amounts, if any, would be immaterial.

Literacy Volunteers of America, Inc. is the national headquarters of the Organization. At the present time, they are undergoing the process of merging with Laubach Literacy International. The merger should be finalized in the coming year. It is unlikely that this combination will require a merge at the local level. Literacy Volunteers of America - New York State, Inc. will decide on their relationship with the new organization after the merger takes place. They are not dependent on the national headquarters. The national organization provided only 087% of funds for the current year.

(11) Concentrations

Financial instruments that potentially subject the Organization to credit risk include cash balances at a bank which exceeded the related federal deposit insurance at June 30, 2002 and 2001 by \$18,973 and \$58,236, respectively.

The majority of funds received by the Organization comes from federal and state awards. Federal and state grants consist of 87% of support and revenue.

(12) Financial Statement Presentation

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2002
(With Comparative Amounts for 2001)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	
			<u>2002</u>	<u>2001</u>
U S Department of Education Pass-through from State Education Department -				
Adult Literacy RFP	84 002	140701630020	\$ 550,800	550,800
WIA, Title II, Adult Education & Literacy	84 002	140701630020	254,200	366,950
WIA, Title II, State Leadership	84.002	140701630020	<u>141,998</u>	<u>139,764</u>
Total			\$ <u>946,998</u>	<u>1,057,514</u>

See Independent Auditors' Report on accompanying information.

LITERACY VOLUNTEERS OF AMERICA - NEW YORK STATE, INC

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2002

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Literacy Volunteers of America - New York State, Inc and is presented on the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



GOULD & SWANSON, P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Literacy Volunteers of America - New York State, Inc.

We have audited the financial statements of Literacy Volunteers of America - New York State, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated September 10, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether Literacy Volunteers of America - New York State, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Literacy Volunteers of America - New York State, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Gould + Swanson, P.C.

September 10, 2002



GOULD & SWANSON, P.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Literacy Volunteers of America - New York State, Inc.

Compliance

We have audited the compliance of Literacy Volunteers of America - New York State, Inc. with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Literacy Volunteers of America - New York State, Inc.'s management. Our responsibility is to express an opinion on Literacy Volunteers of America - New York State, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Literacy Volunteers of America - New York State, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Literacy Volunteers of America - New York State, Inc.'s compliance with those requirements.

In our opinion, Literacy Volunteers of America - New York State, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Literacy Volunteers of America - New York State, Inc is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Literacy Volunteers of America - New York State, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gould + Swanson, P.C.

September 10, 2002

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
 - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).
- Note: Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.**

Part I Automatic 3-Month Extension of Time—Only submit original (no copies needed)
Note: Form 990-T corporations requesting an automatic 6-month extension—check this box and complete Part I only
All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.

Type or print	Name of Exempt Organization Literacy Volunteers of America	Employer identification number 16 : 6171654
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. if a P O box, see instructions. 777 Maryvale Dr.	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Buffalo, NY 14225	

Check type of return to be filed (file a separate application for each return):

- | | | |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the **whole group**, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover

1 I request an automatic 3-month (6-month, for **990-T corporation**) extension of time until _____, 20____ to file the exempt organization return for the organization named above. The extension is for the organization's return for:
 ▶ calendar year 20 ... or
 ▶ tax year beginning _____, 20 .. , and ending _____, 20 ..

2 If this tax year is for less than 12 months, check reason. Initial return Final return Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ _____

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____

c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ _____

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ Title ▶ **Executive Director** Date ▶ **11/4/02**