

**Montgomery Coalition for  
Adult English Literacy, Inc.**

**Financial Statements  
June 30, 2009**

**With Independent Auditors' Report Thereon**

**Montgomery Coalition for  
Adult English Literacy, Inc.**

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Independent Auditors' Report

To the Board of Directors  
Montgomery Coalition for Adult English Literacy, Inc.  
Rockville, Maryland

We have audited the accompanying statement of financial position of Montgomery Coalition for Adult English Literacy, Inc. as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Montgomery Coalition for Adult English Literacy, Inc. 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. 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 Montgomery Coalition for Adult English Literacy, Inc. as of June 30, 2009 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.

November 13, 2009  
Rockville, Maryland

*Saggar + Rosenberg, PC*

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Financial Position**  
**June 30, 2009**

**Assets**

Cash	\$ 63,810
Accounts receivable	7,424
Prepaid expenses	2,213
Property and Equipment, Net	5,857
Deposit	<u>1,575</u>
Total Assets	<u>\$ 80,879</u>

**Liabilities and Net Assets**

Accounts payable	\$ 10,401
Accrued Leave and Payroll	5,250
Deferred Revenue	<u>11,663</u>
Total Liabilities	<u>27,314</u>
Unrestricted net assets	<u>53,565</u>
Total Net Assets	<u>53,565</u>
Total Liabilities and Net Assets	<u>\$ 80,879</u>

See Auditors' Report and Notes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 20,257	\$ -	\$ 20,257
Public Grants	26,809	-	26,809
Government Grants	735,886	-	735,886
Miscellaneous Income	756	-	756
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>783,708</u>	<u>-</u>	<u>783,708</u>
Expenses			
Program Services			
Capacity Building	682,654	-	682,654
Public Engagement	<u>39,928</u>	<u>-</u>	<u>39,928</u>
Total Program Services	<u>722,582</u>	<u>-</u>	<u>722,582</u>
Supporting Services			
Management and General	41,617	-	41,617
Fundraising	<u>5,436</u>	<u>-</u>	<u>5,436</u>
Total Supporting Services	<u>47,053</u>	<u>-</u>	<u>47,053</u>
Total Expenses	<u>769,635</u>	<u>-</u>	<u>769,635</u>
Change in Net Assets	14,073	-	14,073
Net Assets at the Beginning of year	<u>39,492</u>	<u>-</u>	<u>39,492</u>
Net Assets at the End of year	<u>\$ 53,565</u>	<u>\$ -</u>	<u>\$ 53,565</u>

See Auditors' Report and Notes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2009**

	Program Services			Supporting Services			Total Expenses
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Total	
Program activities	\$ 543,123	\$ 850	\$ 543,973	\$ -	\$ -	\$ -	\$ 543,973
Personnel	109,223	22,902	132,125	17,706	3,944	21,650	153,775
Rent	17,599	3,690	21,289	3,217	765	3,982	25,271
Professional Fees	6,000	2,948	8,948	14,382	-	14,382	23,330
Operations	2,545	7,952	10,497	2,259	153	2,412	12,909
Travel and Meetings	2,799	1,265	4,064	973	-	973	5,037
Miscellaneous	120	60	180	1,570	479	2,049	2,229
Depreciation	-	-	-	1,261	-	1,261	1,261
Insurance	1,245	261	1,506	189	45	234	1,740
Bank Fees	-	-	-	60	50	110	110
<b>Total expenses</b>	<b>\$ 682,654</b>	<b>\$ 39,928</b>	<b>\$ 722,582</b>	<b>\$ 41,617</b>	<b>\$ 5,436</b>	<b>\$ 47,053</b>	<b>\$ 769,635</b>
Percent of total expenses	88.70%	5.19%	93.89%	5.40%	0.71%	6.11%	100.00%

See Auditor's Report and Notes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2009**

Cash Flows From Operating Activities:	
Change in net assets	\$ 14,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,261
Changes in assets and liabilities:	
Increase in prepaid expenses	(1,525)
Increase in accounts receivable	(2,457)
Increase in deposit	(1,575)
Increase in accounts payable	9,713
Increase in deferred revenue	11,663
Net Cash Provided By Operating Activities	<u>31,153</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(2,102)</u>
Net Cash Used In Investing Activities	(2,102)
Net Increase in Cash	29,051
Cash at Beginning of Year	<u>34,759</u>
Cash at End of Year	<u><u>\$ 63,810</u></u>

See Auditors' Report and Notes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Notes to Financial Statements**

Note 1: Organization

The Montgomery Coalition for Adult English Literacy, Inc. (MCAEL) works to strengthen the county-wide adult English literacy network with resources, training, collaboration and advocacy to support a thriving community and an optimal workforce.

The program services provided by MCAEL include:

Capacity Building

MCAEL works to strengthen the capacity of adult English literacy service providers to deliver high quality, effective programs that meet the needs of learners.

Public Engagement

MCAEL serves as a community resource for information on adult English literacy in Montgomery County and works to promote adult English literacy as central to family, community, and economic prosperity in Montgomery County.

Note 2: Expenditures

Of the total costs for the year ended June 30, 2009, MCAEL incurred 93.89% for program services, 5.40% for management and general operations, and 0.71% for fundraising costs.

Note 3: Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and savings accounts as well as certificates of deposit and all unrestricted highly liquid debt instruments with original maturities of 3 months or less.

Income Taxes

MCAEL is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The organization has been classified as other than a private foundation.

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Notes to Financial Statements**

Note 3: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized as revenue when received or when an unconditional promise to give has been received and sufficient documentation exists. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage.

Estimates

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

Property and Equipment

Property and equipment are stated at cost. The cost of maintenance and repairs is recorded as an expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful life of five years.

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Notes to Financial Statements**

Note 4: Property and Equipment

Property and equipment at June 30, 2009 consists of the following:

Furniture and Equipment	\$ 8,407
Less: accumulated depreciation	<u>(2,550)</u>
Net property and equipment	<u>\$ 5,857</u>

Depreciation for the year ended June 30, 2009 was \$1,261.

Note 5: Operating Leases

Subsequent to year end, MCAEL entered into a non-cancelable operating lease on its office space that expires in June 2011. Future minimum lease payments under the non-cancelable lease at June 30, 2009 are as follows:

<u>Fiscal year</u>	
2010	\$ 17,100
2011	<u>17,528</u>
Total	<u>\$ 34,628</u>

Rent expense for the year ended June 30, 2009 was \$24,600. This amount relates to the old office space.

Note 6: Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair market value at the date of receipt. MCAEL recognizes contributed services to the extent the services create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation. During fiscal year 2009, MCAEL received \$11,895 in donated materials and contributed services.

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Notes to Financial Statements**

Note 7: Related Party Transactions

Three board members serve as provider representatives to the board, and two represent organizations that receive program funding from MCAEL through the grants process. The Board's policy is to exclude such individuals from any involvement in actions that relate to the disbursement of grant funding. During 2009, MCAEL provided grant funding of \$66,750 and \$50,000, respectively, to the organizations represented on the Board of Directors.

Note 8: Concentrations

MCAEL receives a substantial portion of its revenue from local government. During 2009 MCAEL received approximately 94% of its revenue from the Montgomery County government.