

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

**Financial Statements
and Supplementary Information
June 30, 2016 and 2015**

With Independent Auditor's Report Thereon

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

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One Church Street
Suite 204
Rockville, Maryland 20850

Office: 301.738.9040
Fax: 301.738.9010
Toll-Free: 800.541.5811

Independent Auditor's Report

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

We have audited the accompanying statements of Montgomery Coalition for Adult English Literacy, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery Coalition for Adult English Literacy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Saggan + Rosenberg, PC". The signature is written in a cursive, flowing style.

Rockville, Maryland
July 27, 2016

Montgomery Coalition for Adult English Literacy, Inc.
Statements of Financial Position
June 30, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 211,191	\$ 186,657
Prepaid expenses	<u>3,840</u>	<u>2,599</u>
Total Current Assets	<u>215,031</u>	<u>189,256</u>
Property and Equipment, Net	<u>271</u>	<u>842</u>
Other Assets		
Deposit	<u>2,475</u>	<u>2,475</u>
 Total Assets	 <u>\$ 217,777</u>	 <u>\$ 192,573</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ -	\$ 100
Accrued expenses	<u>6,602</u>	<u>13,056</u>
Total Current Liabilities	<u>6,602</u>	<u>13,156</u>
 Net Assets		
Unrestricted net assets	208,141	176,876
Temporarily restricted net assets	<u>3,034</u>	<u>2,541</u>
Total Net Assets	<u>211,175</u>	<u>179,417</u>
 Total Liabilities and Net Assets	 <u>\$ 217,777</u>	 <u>\$ 192,573</u>

See Independent Auditor's Report and Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 46,905	\$ 1,703	\$ 48,608
Public grants	35,000	-	35,000
Government grants	1,357,058	-	1,357,058
Subtotal	<u>1,438,963</u>	<u>1,703</u>	<u>1,440,666</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>1,210</u>	<u>(1,210)</u>	<u>-</u>
Total Support and Revenue	<u>1,440,173</u>	<u>493</u>	<u>1,440,666</u>
Expenses			
Program services			
Capacity building	1,028,730	-	1,028,730
Public engagement	256,749	-	256,749
Total Program Services	<u>1,285,479</u>	<u>-</u>	<u>1,285,479</u>
Supporting services			
Management and general	106,872	-	106,872
Fundraising	16,557	-	16,557
Total Supporting Services	<u>123,429</u>	<u>-</u>	<u>123,429</u>
Total Expenses	<u>1,408,908</u>	<u>-</u>	<u>1,408,908</u>
Change in Net Assets	31,265	493	31,758
Net Assets at the Beginning of Year	<u>176,876</u>	<u>2,541</u>	<u>179,417</u>
Net Assets at the End of Year	<u>\$ 208,141</u>	<u>\$ 3,034</u>	<u>\$ 211,175</u>

See Independent Auditor's Report and Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 31,805	\$ 1,821	\$ 33,626
Public grants	35,000	-	35,000
Government grants	<u>1,294,058</u>	<u>-</u>	<u>1,294,058</u>
Subtotal	<u>1,360,863</u>	<u>1,821</u>	<u>1,362,684</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>1,280</u>	<u>(1,280)</u>	<u>-</u>
Total Support and Revenue	<u>1,362,143</u>	<u>541</u>	<u>1,362,684</u>
Expenses			
Program services			
Capacity building	1,024,453	-	1,024,453
Public engagement	<u>165,607</u>	<u>-</u>	<u>165,607</u>
Total Program Services	<u>1,190,060</u>	<u>-</u>	<u>1,190,060</u>
Supporting services			
Management and general	114,428	-	114,428
Fundraising	<u>15,554</u>	<u>-</u>	<u>15,554</u>
Total Supporting Services	<u>129,982</u>	<u>-</u>	<u>129,982</u>
Total Expenses	<u>1,320,042</u>	<u>-</u>	<u>1,320,042</u>
Change in Net Assets	42,101	541	42,642
Net Assets at the Beginning of Year	<u>134,775</u>	<u>2,000</u>	<u>136,775</u>
Net Assets at the End of Year	<u>\$ 176,876</u>	<u>\$ 2,541</u>	<u>\$ 179,417</u>

See Independent Auditor's Report and Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 31,758	\$ 42,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	571	570
Changes in assets and liabilities:		
Increase in prepaid expense	(1,241)	(2,599)
Increase in deposits	-	(900)
(Decrease) increase in accounts payable	(100)	100
(Decrease) increase in accrued expenses	(6,454)	2,966
Net Cash Provided By Operating Activities	24,534	42,779
Net Increase In Cash and Cash Equivalents	24,534	42,779
Cash and Cash Equivalents At Beginning of Year	186,657	143,878
Cash and Cash Equivalents At End of Year	\$ 211,191	\$ 186,657

See Independent Auditor's Report and Notes

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

Note 1: Organization

Mission

Montgomery Coalition for Adult English Literacy, Inc. (“MCAEL” or the “Organization”) strengthens the countywide adult English literacy network to support a thriving community and effective workforce.

Vision

MCAEL envisions a culturally diverse community where dreams are achieved through the power of literacy.

MCAEL (3.9 FTE staff) achieves its mission through two programs, **Capacity Building & Public Engagement**, by doing the following:

Capacity Building

MCAEL strengthens the capacity of adult English literacy programs to deliver high quality, effective programs that meet the needs of the learners. To accomplish this, the following activities are conducted:

For Providers:

- Capacity Building Grants
- Workshops
- Technical Assistance
- Networking Meetings
- Resource Library
- Provider E-News
- Online Tools
- Job/Volunteer Postings

For Instructors:

- Trainings
- Resource Library
- Awards/Stipends
- Networking Meetings
- Instructor E-news List
- Job/Volunteer Postings
- Online Tools

See Independent Auditor’s Report

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

Note 1: Organization (Continued)

Public Engagement

MCAEL acts as a catalyst for community outreach and education about the benefits that adult English literacy brings to the whole community. MCAEL is a community resource and knowledge center for information on adult English literacy in Montgomery County. MCAEL engages the broader community to understand literacy needs, garner support, and promote the 60+ programs that provide English Literacy services. Activities include:

- Data Collection and Analysis
- Reports
- Provider Directory
- Learner Stories
- Promoting Community Literacy
- Coalition Building
- Connecting Business, Government, Nonprofits, and Individuals
- Local, State, and National Policy Monitoring

MCAEL directly supports 60+ adult literacy programs in Montgomery County, providing coordination and collaboration to build the capacity and quality of those programs. The leveraging power of the coalition supports a system that serves almost 20,000 adult English learners allowing them to move from poverty to prosperity, from dependence to independence, and from isolation to full engagement in our community. MCAEL supports a wide range of organizations, yet there are still almost thousands of adults in the County that are identified as Limited English Proficient who are not in classes or receiving tutoring. The County's English language learners support the economic and social growth of Montgomery County as a whole.

In fiscal years 2016 and 2015, MCAEL served over 200 instructors and provider staff (unique individuals) to improve their skills. Additionally, 58 instructors and provider staff, attended a MCAEL meeting/workshop for the first time. MCAEL connected with almost 40 separate organizations, and multiple programs at those organizations through a professional development institute for provider staff and instructors, workshops, e-news, resources, technical assistance, etc.

With funding from Montgomery County, MCAEL awarded in fiscal years 2016 and 2015, \$950,000 and \$910,000, respectively, of County grants. The funding supported 18 organizations and 22 programs and 18 organizations and 16 programs, respectively. The grant funded programs served over 5,000 learners in fiscal years 2016 and 2015. The coalition serves between 15,000 – 20,000 learners annually.

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

Note 2: Expenditures

Of the total costs for the year ended June 30, 2016, MCAEL incurred 91.23% for program services, 7.59% for management and general operations, and 1.18% for fundraising costs.

Of the total costs for the year ended June 30, 2015, MCAEL incurred 90.15% for program services, 8.67% for management and general operations, and 1.18% for fundraising costs.

Note 3: Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts.

Income Taxes

MCAEL is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. MCAEL has been classified as other than a private foundation. Any income that may be determined to be unrelated is taxable.

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.

Revenue from grants and contracts is recognized as related qualifying expenses are incurred.

Donated Services, Materials and Facilities

The Organization uses in-kind contributions to support its programs. These donated services, materials and uses of facilities are reported as in-kind contributions on the statement of activities and statement of functional expenses.

In addition, non-professional volunteers donated time to perform a variety of tasks that assist MCAEL. For the year ending June 30, 2016, MCAEL had 75 volunteers donate 1,214 hours

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

Note 3: Summary of Significant Accounting Policies (Continued)

of time. The time is valued at \$23.56 per hour (see www.volunteeringinamerica.gov). In total, \$28,601 of in-kind support was leveraged. For the year ended June 30, 2015, 31 volunteers donated 922 hours of time valued at \$25.43 per hour (see www.volunteeringinamerica.gov) In total \$23,446 of in-kind support was leveraged. No amounts have been reflected in the financial statements for these non-professional services.

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 accounting principles generally accepted in the United States of America 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 is stated at cost. The cost of maintenance and repairs is recorded as an expense when incurred. MCAEL capitalizes property and equipment purchases that are valued at \$2,500 or greater and that have an estimated useful life of greater than one year. Depreciation is calculated using the straight-line method over the estimated useful life of five years.

Subsequent Events

For the year ended June 30, 2016, MCAEL has evaluated subsequent events for potential recognition and disclosure through July 27, 2016, which is the date the financial statements were available to be issued.

Note 4: Concentrations

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each financial institution. At June 30, 2016 and 2015, MCAEL maintained its bank account balances within the FDIC-insured level.

MCAEL receives a substantial portion of its revenue from a local government. During fiscal years 2016 and 2015, MCAEL received, respectively, approximately 94% and 92% of its revenue from the Montgomery County Government.

See Independent Auditor's Report

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

Note 5: Operating Lease

During the year ended June 30, 2016, MCAEL extended its operating lease for its office space through June 30, 2017 at a rate of \$33,579 per year.

Rent expense for the years ended June 30, 2016 and 2015 was \$31,915 and \$29,864, respectively.

Note 6: Property and Equipment

Property and equipment consist of the following:

	June 30,	
	2015	2015
Furniture and equipment	\$ 11,841	\$ 11,841
Less: accumulated depreciation	(11,570)	(10,999)
Net property and equipment	\$ 271	\$ 842

Depreciation expense for the years ended June 30, 2016 and 2015 was \$571 and \$570, respectively.

Note 7: Related Party Transactions

For the years ending June 30, 2016 and 2015, two board members served as provider representatives to the board, and also represented organizations that received grant funding from MCAEL through the capacity building grants process. The Board's policy is to exclude such individuals from any involvement in actions that related to the disbursement of such grant funding. During fiscal years 2016 and 2015, MCAEL provided grant funding of \$11,250 and \$160,023 and \$11,250 and \$261,500, respectively, to the organizations represented on the Board of Directors.

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the Dr. Debbie Bhattacharyya Memorial Fund and totaled \$3,081 and \$2,541 at June 30, 2016 and 2015, respectively.

Montgomery Coalition for Adult English Literacy, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2016

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Capacity Building</u>	<u>Public Engagement</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Program activities	\$ 956,144	\$ 15,133	\$ 971,277	\$ -	\$ -	\$ -	\$ 971,277
Personnel	50,711	161,266	211,977	75,855	11,819	87,674	299,651
Rent	5,401	17,176	22,577	8,079	1,259	9,338	31,915
Professional fees	7,157	11,280	18,437	12,669	3,390	16,059	34,496
Operations	7,357	42,069	49,426	9,602	-	9,602	59,028
Travel and meetings	1,577	8,608	10,185	95	-	95	10,280
Miscellaneous	286	910	1,196	427	67	494	1,690
Depreciation	97	307	404	145	22	167	571
Total expenses	<u>\$ 1,028,730</u>	<u>\$ 256,749</u>	<u>\$ 1,285,479</u>	<u>\$ 106,872</u>	<u>\$ 16,557</u>	<u>\$ 123,429</u>	<u>\$ 1,408,908</u>
Percent of total expenses	73.01%	18.22%	91.23%	7.59%	1.18%	8.77%	100.00%

See Independent Auditor's Report and Notes

Montgomery Coalition for Adult English Literacy, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2015

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Capacity Building</u>	<u>Public Engagement</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Program activities	\$ 960,385	\$ 4,819	\$ 965,204	\$ -	\$ -	\$ -	\$ 965,204
Personnel	48,798	97,618	146,416	78,883	13,524	92,407	238,823
Rent	6,102	12,207	18,309	9,864	1,691	11,555	29,864
Professional fees	5,292	8,908	14,200	10,650	240	10,890	25,090
Operations	3,117	32,589	35,706	14,289	-	14,289	49,995
Travel and meetings	401	8,752	9,153	166	-	166	9,319
Miscellaneous	241	481	722	388	67	455	1,177
Depreciation	117	233	350	188	32	220	570
Total expenses	<u>\$ 1,024,453</u>	<u>\$ 165,607</u>	<u>\$ 1,190,060</u>	<u>\$ 114,428</u>	<u>\$ 15,554</u>	<u>\$ 129,982</u>	<u>\$ 1,320,042</u>
Percent of total expenses	77.60%	12.55%	90.15%	8.67%	1.18%	9.85%	100.00%

See Independent Auditor's Report and Notes