

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

**Financial Statements
and Supplementary Information
June 30, 2014 and 2013**

With Independent Auditor's Report Thereon

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

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Independent Auditor's Report

To the Board of Directors
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, 2014 and 2013, 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, 2014 and 2013, 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.

Other Matter

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 13 and 14 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.

Rockville, Maryland
October 1, 2014

Saggar + Rosenberg, PC

Montgomery Coalition for Adult English Literacy, Inc.
Statements of Financial Position
June 30, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 143,878	\$ 120,267
Prepaid expenses	<u>-</u>	<u>1,535</u>
Total Current Assets	<u>143,878</u>	<u>121,802</u>
Property and Equipment, net	<u>1,412</u>	<u>2,461</u>
Other Assets		
Deposit	<u>1,575</u>	<u>1,575</u>
Total Assets	<u>\$ 146,865</u>	<u>\$ 125,838</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ -	\$ 1,031
Accrued expenses	10,090	7,475
Deferred revenue	<u>-</u>	<u>1,200</u>
Total Current Liabilities	<u>10,090</u>	<u>9,706</u>
Net Assets		
Unrestricted net assets	134,775	113,012
Temporarily restricted net assets	<u>2,000</u>	<u>3,120</u>
Total Net Assets	<u>136,775</u>	<u>116,132</u>
Total Liabilities and Net Assets	<u>\$ 146,865</u>	<u>\$ 125,838</u>

See Independent Auditor's Report and Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Activities
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 28,071	\$ 869	\$ 28,940
Public grants	51,200	-	51,200
Government grants	927,058	-	927,058
Subtotal	<u>1,006,329</u>	<u>869</u>	<u>1,007,198</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	1,989	(1,989)	-
Total Support and Revenue	<u>1,008,318</u>	<u>(1,120)</u>	<u>1,007,198</u>
Expenses			
Program services			
Capacity building	726,707	-	726,707
Public engagement	117,844	-	117,844
Total Program Services	<u>844,551</u>	<u>-</u>	<u>844,551</u>
Supporting services			
Management and general	119,630	-	119,630
Fundraising	22,374	-	22,374
Total Supporting Services	<u>142,004</u>	<u>-</u>	<u>142,004</u>
Total Expenses	<u>986,555</u>	<u>-</u>	<u>986,555</u>
Change in Net Assets	21,763	(1,120)	20,643
Net Assets at the Beginning of Year	<u>113,012</u>	<u>3,120</u>	<u>116,132</u>
Net Assets at the End of Year	<u>\$ 134,775</u>	<u>\$ 2,000</u>	<u>\$ 136,775</u>

See Independent Auditor's Report and Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Activities
For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 26,656	\$ 2,050	\$ 28,706
Public grants	31,000	-	31,000
Government grants	716,058	-	716,058
Subtotal	<u>773,714</u>	<u>2,050</u>	<u>775,764</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>10,375</u>	<u>(10,375)</u>	<u>-</u>
Total Support and Revenue	<u>784,089</u>	<u>(8,325)</u>	<u>775,764</u>
 Expenses			
Program services			
Capacity building	606,109	-	606,109
Public engagement	51,609	-	51,609
Total Program Services	<u>657,718</u>	<u>-</u>	<u>657,718</u>
Supporting services			
Management and general	82,159	-	82,159
Fundraising	44,893	-	44,893
Total Supporting Services	<u>127,052</u>	<u>-</u>	<u>127,052</u>
Total Expenses	<u>784,770</u>	<u>-</u>	<u>784,770</u>
 Change in Net Assets	 (681)	 (8,325)	 (9,006)
 Net Assets at the Beginning of Year	 <u>113,693</u>	 <u>11,445</u>	 <u>125,138</u>
 Net Assets at the End of Year	 <u>\$ 113,012</u>	 <u>\$ 3,120</u>	 <u>\$ 116,132</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, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 20,643	\$ (9,006)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,049	1,191
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	-	2,220
Decrease (increase) in prepaid expense	1,535	4,219
Increase (decrease) in accounts payable	(1,031)	(45)
Increase (decrease) in accrued expenses	2,615	2,613
Increase (decrease) in deferred revenue	(1,200)	1,200
Net Cash Provided By Operating Activities	23,611	2,392
Net Increase In Cash and Cash Equivalents	23,611	2,392
Cash and Cash Equivalents At Beginning of Year	120,267	117,875
Cash and Cash Equivalents At End of Year	\$ 143,878	\$ 120,267

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 (2,5 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 serves as 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

In addition to directly supporting the 60+ adult literacy programs, MCAEL's services provide a support system to the almost 20,000 adult English learners that the coalition network serves 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 130,000 individuals in the county that are identified as Limited English Proficient. The County's English language learners support the economic and social growth of Montgomery County as a whole.

In fiscal year 2014, MCAEL served over 190 instructors and provider staff over the year to improve their skills. Additionally, 37 instructors and provider staff attended a MCAEL meeting/workshop for the first time. MCAEL connected with over 51 programs through this work through a professional development institute for provider staff and instructors, workshops, e-news, resources, technical assistance, etc.

With funding from Montgomery County, MCAEL awarded \$660,000 in County grants. The funding supported 13 organizations and 16 programs – 4 of which were micro grants for smaller and emerging programs. The grant funded programs served 1,700 learners fall (Sept – December) (an increase of 200 learners from fiscal year 2013) and 2,489 in the spring (Jan-June). MCAEL serves between 15,000 – 20,000 learners annually.

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

Note 2: Expenditures

Of the total costs for the year ended June 30, 2014, MCAEL incurred 85.60% for program services, 12.13% for management and general operations, and 2.27% for fundraising costs.

Of the total costs for the year ended June 30, 2013, MCAEL incurred 83.81% for program services, 10.47% for management and general operations, and 5.72% 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.

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 and Services

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. Total services and use of facilities for the years ended June 30, 2014 and 2013 totaled \$2,500 and \$600, respectively.

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

Note 3: Summary of Significant Accounting Policies (Continued)

In addition, non-professional volunteers donated time to perform a variety of tasks that assist MCAEL. For the year ended June 30, 2014, 81 volunteers donated 1,572 hours of time. These hours are valued at \$25.43 per hour. In total, \$39,976 of in-kind support was leveraged. For the year ended June 30, 2013, 74 volunteers donated 1,889 hours of time. These hours are valued at \$23.05 per hour. In total, \$43,541 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.

Reclassifications

Certain amounts in prior year financial statements may have been reclassified to conform to the current year presentation.

Subsequent Events

For the year ended June 30, 2014, MCAEL has evaluated subsequent events for potential recognition and disclosure through October 1, 2014, which is the date the financial statements were available to be issued.

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

Note 4: Concentrations

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each financial institution. At June 30, 2014 and 2013, MCAEL maintained its bank account balances within the FDIC-insured level.

MCAEL receives a substantial portion of its revenue from local government. During fiscal years 2014 and 2013, MCAEL received, respectively, approximately 92% and 93% of its revenue from the Montgomery County Government.

Note 5: Operating Leases

During the year ended June 30, 2014, MCAEL extended its operating lease for its office space that expires in June 2015. The total future minimum lease payment under this non-cancelable lease for the year ended June 30, 2014 is as follows:

<u>Fiscal year</u>	
2015	\$ <u>20,400</u>

Rent expense for the years ended June 30, 2014 and 2013 was \$18,415 and \$18,004, respectively.

Note 6: Property and Equipment

Property and equipment consist of the following:

	June 30, <u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 11,841	\$ 11,841
Less: accumulated depreciation	<u>(10,429)</u>	<u>(9,380)</u>
Net property and equipment	<u>\$ 1,412</u>	<u>\$ 2,461</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$1,049 and \$1,191, respectively.

See Independent Auditor's Report

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

Note 7: Related Party Transactions

For the year ended June 30, 2014 and 2013, two board members served as provider representatives to the board, and also represented two organizations that received program funding from MCAEL through the capacity building grant process. The Board's policy is to exclude such individuals from any involvement in actions that relate to the disbursement of such grant funding. During fiscal years 2014 and 2013, MCAEL provided grant funding of \$261,500 and \$217,287, respectively, to the organization(s) represented on the Board of Directors.

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2014	2013
Dr. Debbie Bhattacharyya Memorial Fund	\$ --	\$ 1,120
Grants pilot project	2,000	2,000
Total temporarily restricted net assets	\$ 2,000	\$ 3,120

Montgomery Coalition for Adult English Literacy, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2014

	Program Services			Supporting Services		
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Total
Program activities	\$ 673,103	\$ 9,548	\$ 682,651	\$ -	\$ -	\$ 682,651
Personnel	29,582	80,918	110,500	66,358	19,665	86,023
Rent	3,148	8,612	11,760	7,062	2,093	9,155
Professional fees	2,138	4,500	6,638	26,350	-	26,350
Operations	13,203	10,016	23,219	16,194	100	16,294
Travel and meetings	4,757	2,128	6,885	945	-	945
Miscellaneous	776	2,122	2,898	1,672	516	2,188
Depreciation	-	-	-	1,049	-	1,049
Total expenses	\$ 726,707	\$ 117,844	\$ 844,551	\$ 119,630	\$ 22,374	\$ 142,004
Percent of total expenses	73.65%	11.95%	85.60%	12.13%	2.27%	14.40%
						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, 2013

	Program Services			Supporting Services		
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Total
Program activities	\$ 531,987	\$ -	\$ 531,987	\$ -	\$ -	\$ 531,987
Personnel	51,152	47,982	99,134	49,140	36,186	184,460
Rent	9,834	6	9,840	4,847	3,317	18,004
Professional fees	2,781	-	2,781	11,590	1,000	15,371
Operations	4,395	3,620	8,015	13,759	810	22,584
Travel and meetings	2,398	-	2,398	449	2,823	5,670
Miscellaneous	3,562	1	3,563	1,183	757	5,503
Depreciation	-	-	-	1,191	-	1,191
Total expenses	\$ 606,109	\$ 51,609	\$ 657,718	\$ 82,159	\$ 44,893	\$ 127,052
Percent of total expenses	77.23%	6.58%	83.81%	10.47%	5.72%	16.19%
						100.00%

See Independent Auditor's Report and Notes