

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

**Financial Statements  
June 30, 2021 and 2020**

**With Independent Auditor's Report Thereon**

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

**Table of Contents**

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-17



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Montgomery Coalition for Adult English Literacy, Inc. (MCAEL) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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, 2021 and 2020, 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.

*Saggar & Rosenberg P.C.*

Rockville, Maryland  
November 8, 2021

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

**Assets**

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 402,887	\$ 428,188
Prepaid expenses	10,650	-
Total current assets	<u>413,537</u>	<u>428,188</u>
Property and equipment, net	18,004	29,563
Deposit	<u>4,215</u>	<u>4,215</u>
Total assets	<u><u>\$ 435,756</u></u>	<u><u>\$ 461,966</u></u>

**Liabilities and Net Assets**

Current liabilities		
PPP loan	\$ -	\$ 71,752
Accounts payable	2,030	1,000
Accrued expenses	5,607	9,230
Deferred rent, current	<u>4,051</u>	<u>2,846</u>
Total current liabilities	11,688	84,828
Deferred rent, long term	<u>2,318</u>	<u>6,370</u>
Total non-current liabilities	2,318	6,370
Total liabilities	<u>14,006</u>	<u>91,198</u>
Net assets		
Without donor restriction	411,750	370,103
With donor restriction	<u>10,000</u>	<u>665</u>
Total net assets	<u>421,750</u>	<u>370,768</u>
Total liabilities and net assets	<u><u>\$ 435,756</u></u>	<u><u>\$ 461,966</u></u>

See Accompanying Footnotes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 61,574	\$ -	\$ 61,574
Public grants	45,000	10,000	55,000
Government grants	1,856,788	-	1,856,788
Forgiveness of debt	71,752	-	71,752
Special event - contributions	3,814	-	3,814
Less: cost of direct benefit to donors	<u>(4,062)</u>	<u>-</u>	<u>(4,062)</u>
Net special event loss	(248)	-	(248)
Subtotal	<u>2,034,866</u>	<u>10,000</u>	<u>2,044,866</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>665</u>	<u>(665)</u>	<u>-</u>
Total Support and Revenue	<u>2,035,531</u>	<u>9,335</u>	<u>2,044,866</u>
Expenses			
Program services			
Capacity building	1,369,662	-	1,369,662
Public engagement	<u>395,904</u>	<u>-</u>	<u>395,904</u>
Total Program Services	<u>1,765,566</u>	<u>-</u>	<u>1,765,566</u>
Supporting services			
Management and general	217,719	-	217,719
Fundraising	<u>10,599</u>	<u>-</u>	<u>10,599</u>
Total Supporting Services	<u>228,318</u>	<u>-</u>	<u>228,318</u>
Total Expenses	<u>1,993,884</u>	<u>-</u>	<u>1,993,884</u>
Change in Net Assets	41,647	9,335	50,982
Net Assets at the Beginning of Year	<u>370,103</u>	<u>665</u>	<u>370,768</u>
Net Assets at the End of Year	<u>\$ 411,750</u>	<u>\$ 10,000</u>	<u>\$ 421,750</u>

See Accompanying Footnotes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	<b><u>Without Donor</u></b> <b><u>Restrictions</u></b>	<b><u>With Donor</u></b> <b><u>Restrictions</u></b>	<b><u>Total</u></b>
Support and Revenue			
Contributions	\$ 36,665	\$ -	\$ 36,665
Public grants	60,000	-	60,000
Government grants	1,857,058	-	1,857,058
Special event - contributions	14,742	-	14,742
Less: cost of direct benefit to donors	<u>(4,944)</u>	<u>-</u>	<u>(4,944)</u>
Net special event income	9,798	-	9,798
Subtotal	<u>1,963,521</u>	<u>-</u>	<u>1,963,521</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>15,680</u>	<u>(15,680)</u>	<u>-</u>
Total Support and Revenue	<u>1,979,201</u>	<u>(15,680)</u>	<u>1,963,521</u>
Expenses			
Program services			
Capacity building	1,337,932	-	1,337,932
Public engagement	421,823	-	421,823
Total Program Services	<u>1,759,755</u>	<u>-</u>	<u>1,759,755</u>
Supporting services			
Management and general	191,527	-	191,527
Fundraising	8,069	-	8,069
Total Supporting Services	<u>199,596</u>	<u>-</u>	<u>199,596</u>
Total Expenses	<u>1,959,351</u>	<u>-</u>	<u>1,959,351</u>
Change in Net Assets	19,850	(15,680)	4,170
Net Assets at the Beginning of Year	<u>350,253</u>	<u>16,345</u>	<u>366,598</u>
Net Assets at the End of Year	<u>\$ 370,103</u>	<u>\$ 665</u>	<u>\$ 370,768</u>

See Accompanying Footnotes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	<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>Cost of Goods Sold</u>		<u>Total</u>
Program and support activities	\$ 1,280,332	\$ 109,737	\$ 1,390,069	\$ 684	\$ -	\$ -	\$ 684	\$ 1,390,753
Personnel	88,981	213,022	302,003	167,728	10,599	-	178,327	480,330
Rent	-	44,178	44,178	-	-	-	-	44,178
Professional fees	-	20,988	20,988	32,491	-	-	32,491	53,479
Operations	349	6,520	6,869	5,258	-	-	5,258	12,127
Travel and meetings	-	1,459	1,459	-	-	-	-	1,459
Cost of direct benefit to donors	-	-	-	-	-	4,062	4,062	4,062
Depreciation	-	-	-	11,558	-	-	11,558	11,558
Total expenses	<u>\$ 1,369,662</u>	<u>\$ 395,904</u>	<u>\$ 1,765,566</u>	<u>\$ 217,719</u>	<u>\$ 10,599</u>	<u>\$ 4,062</u>	<u>\$ 232,380</u>	<u>\$ 1,997,946</u>
Less expenses with support and revenue								
Cost of direct benefit to donors	-	-	-	-	-	(4,062)	(4,062)	(4,062)
Total expenses on statement of activities	<u>\$ 1,369,662</u>	<u>\$ 395,904</u>	<u>\$ 1,765,566</u>	<u>\$ 217,719</u>	<u>\$ 10,599</u>	<u>\$ -</u>	<u>\$ 228,318</u>	<u>\$ 1,993,884</u>
Percent of total expenses	<u>68.69%</u>	<u>19.86%</u>	<u>88.55%</u>	<u>10.92%</u>	<u>0.53%</u>	<u>0.00%</u>	<u>11.45%</u>	<u>100.00%</u>

See Accompanying Footnotes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

	<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>Cost of Goods Sold</u>		<u>Total</u>
Program and support activities	\$ 1,254,365	\$ 112,053	\$ 1,366,418	\$ 558	\$ 88	\$ -	\$ 646	\$ 1,367,064
Personnel	83,068	216,565	299,633	148,329	7,981	-	156,310	455,943
Rent	-	51,957	51,957	-	-	-	-	51,957
Professional fees	-	26,615	26,615	27,150	-	-	27,150	53,765
Operations	349	2,766	3,115	6,162	-	-	6,162	9,277
Travel and meetings	150	9,137	9,287	-	-	-	-	9,287
Cost of direct benefit to donors	-	-	-	-	-	4,944	4,944	4,944
Depreciation	-	2,730	2,730	9,328	-	-	9,328	12,058
Total expenses	<u>\$ 1,337,932</u>	<u>\$ 421,823</u>	<u>\$ 1,759,755</u>	<u>\$ 191,527</u>	<u>\$ 8,069</u>	<u>\$ 4,944</u>	<u>\$ 204,540</u>	<u>\$ 1,964,295</u>
Less expenses with support and revenue								
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,944)</u>	<u>(4,944)</u>	<u>(4,944)</u>
Total expenses on statement of activities	<u>\$ 1,337,932</u>	<u>\$ 421,823</u>	<u>\$ 1,759,755</u>	<u>\$ 191,527</u>	<u>\$ 8,069</u>	<u>\$ -</u>	<u>\$ 199,596</u>	<u>\$ 1,959,351</u>
Percent of total expenses	<u>68.28%</u>	<u>21.53%</u>	<u>89.81%</u>	<u>9.78%</u>	<u>0.41%</u>	<u>0.00%</u>	<u>10.19%</u>	<u>100.00%</u>

See Accompanying Footnotes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 50,982	\$ 4,170
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,559	12,058
Deferred rent liability	(2,847)	(1,678)
PPP loan forgiveness	(71,752)	-
Changes in assets and liabilities:		
Decrease in contributions receivable	-	15,000
Decrease (Increase) in prepaid expenses	(10,650)	6,487
Increase in accounts payable	1,030	1,000
Decrease in accrued expenses	(3,623)	(1,037)
Net Cash (Used In) Provided By Operating Activities	(25,301)	36,000
Cash Flows Used In Investing Activities:		
Purchase of property and equipment	-	(442)
Net Cash Used In Investing Activities	-	(442)
Cash Flows From Financing Activities:		
PPP Loan	-	71,752
Net Cash Provided By Financing Activities	-	71,752
Net Increase (Decrease) In Cash and Cash Equivalents	(25,301)	107,310
Cash and Cash Equivalents At Beginning of Year	428,188	320,878
Cash and Cash Equivalents At End of Year	\$ 402,887	\$ 428,188

See Accompanying Footnotes

**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 (5.5 full-time equivalent staff) achieves its mission through two programs, **Capacity Building and Public Engagement**, by doing the following:

Capacity Building

MCAEL strengthens the community by advancing a coalition of organizations dedicated to enabling all Montgomery County residents to achieve their full potential by improving their English language skills. To accomplish this, the following activities are conducted:

For Providers:

- Capacity Building Grants for community programs
- Convenings to create strategies to address current and/or hot topics
- Workshops
- Technical Assistance
- Networking Meetings
- Resource Library
- Provider E-News
- Online Tools
- Job/Volunteer Postings

For Instructors:

- Trainings
- Convenings to create strategies to address current and/or hot topics
- Resource Library
- Awards/Stipends
- Networking Meetings
- Instructor E-news List
- Job/Volunteer Postings
- Online Tools

**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 county-wide data on adult English literacy in Montgomery County. MCAEL engages the broader community to understand ESOL needs, garner support, and promote the 65+ programs that provide English Literacy services. Activities include:

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

The leveraging power of the coalition supports a system that serves almost 15,000 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 knows a healthy, vibrant community is one where all community members have the opportunity to fully participate, access community resources, and thrive.

MCAEL supports a wide range of organizations, yet there are still tens of thousands of adults in Montgomery County that are identified as Limited English Proficient who are not in classes or receiving tutoring. MCAEL continues to work to identify new service delivery models and new providers. The County's English language learners support the economic and social growth of Montgomery County as a whole.

In fiscal year 2021 MCAEL served 307 instructor and provider staff (unique individuals) to improve their skills. MCAEL connected with over 44 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 2021 and 2020, \$1,285,000 and \$1,260,000, respectively, of Montgomery County grants. The funding supported 22 organizations and 30 programs and 20 organizations and 27 programs, respectively. The grant funded programs served 6,900 and 7,200 learners in fiscal years 2021 and 2020, respectively. The coalition serves about 15,000 - 17,000 learners annually.

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

Note 2: Summary of Significant Accounting Policies

*Basis of Accounting*

The financial statements of MCAEL have been prepared in accordance with U.S Generally Accepted Accounting Principles (“US GAAP”), which require MCAEL to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions*- Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of MCAEL’s management and the board of directors.

*Net Assets With Donor Restrictions*- Net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

*New accounting pronouncements*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance codified in Accounting Standards Codification (“ASC”) 606, *Revenue Recognition- Revenue from Contracts with Customers*, which amends the guidance in former ASC 605, *Revenue Recognition*, and most other existing revenue guidance in the U.S. Generally Accepted Accounting Principles (“GAAP”), requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customers and provide additional disclosures. As amended, the effective date for nonpublic entities is annual reporting periods beginning after December 15, 2018 and interim periods therein. The Organization adopted the standard on July 1, 2019.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit entities (Topic 958)* intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit Organization. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The effective date for a public company or a not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, is annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. All other entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The

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

Note 2: Summary of Significant Accounting Policies (continued)

Organization has adopted the standard on July 1, 2019.

Cash and Cash Equivalents

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

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 three to five years.

Deferred Rent

MCAEL leases office space under a lease which contains provisions for future rent increases and periods in which rent payments are abated. The Organization recognizes rent expense on a straight-line basis over the term of the leases in accordance with accounting principles generally accepted in the United States of America. The difference between the amounts charged to expense and the rent paid is recorded as a deferred rent liability and amortized over the lease term. The deferred rent liability as of June 30, 2021, and 2020 was \$6,369 and \$ 9,216 respectively.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances.

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

Note 2: Summary of Significant Accounting Policies (continued)

Donated Services

The Organization uses in-kind contributions to support its programs. The Organization recognizes contributed services to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation. For the year ending June 30, 2021, MCAEL had 45 volunteers donate 1,229 hours of time. The time is valued at \$28.54 per hour (see [www.independentsector.org/volunteer\\_time](http://www.independentsector.org/volunteer_time)). In total, \$35,076 of in-kind support was leveraged. These services were not reflected in the accompanying statements of activities as they do not meet the necessary criteria for recognition under US GAAP. For the year ending June 30, 2020, MCAEL had 48 volunteers donate 914 hours of time. The time is valued at \$27.20 per hour (see [www.independentsector.org/volunteer\\_time](http://www.independentsector.org/volunteer_time)). In total, \$24,861 of in-kind support was leveraged.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Program and support activities	Time and effort
Personnel costs	Time and effort
Rent	Square footage
Professional fees	Time and effort
Operations	Time and effort
Travel and meetings	Time and effort
Depreciation	Square footage

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. Taxable years before June 30, 2021, are subject to federal and other jurisdictions' tax authority examinations. Management is of the opinion that no liability will result from these actions.

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.

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

Note 2: Summary of Significant Accounting Policies (continued)

Subsequent Events

For the year ended June 30, 2021, MCAEL has evaluated subsequent events for potential recognition and disclosure through November 8, 2021, which is the date the financial statements were available to be issued.

Note 3: Concentrations

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each financial institution. At June 30, 2021 MCAEL cash balance exceeded insured limits by \$168,942. At June 30, 2020 MCAEL cash balance exceeded insured limits by \$182,265.

MCAEL receives a substantial portion of its revenue from a local government. During fiscal years 2021 and 2020, MCAEL received, approximately 92% and 94%, respectively, of its support and revenue from the Montgomery County Government.

Note 4: Availability and Liquidity

The following represents MCAEL's financial assets at June 30,

Financial Assets at year end:	2021	2020
Cash and cash equivalents	\$ <u>402,887</u>	\$ <u>428,188</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>402,887</u>	\$ <u>428,188</u>

As part of MCAEL's liquidity management plan, the Organization has a policy to maintain a reserve of unrestricted current assets that could cover 90 days of operating expenses. In the future, MCAEL is striving to increase the reserve to cover 180 days of operating expenses.

Note 5: Line of Credit

During FY 21 the organization opened a revolving line of credit with a commercial bank. As defined in the agreement, the line of credit has a maximum borrowing of \$100,000 and bears interest at the Highest Prime Rate Published in the Wall Street Journal plus 0.35% (6.75% on June 31, 2020). The line is secured by certain assets of the organization. There was no interest expense related to the line of credit during 2021.

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

Note 6: Paycheck Protection Program Loan

During April 2020, the Organization received loan proceeds in the amount of \$71,752 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP.

During the year ended June 30, 2021, the Organization applied for, and received, full forgiveness of the loan. This has been recorded as a forgiveness of debt on the 2021 Statement of Activities.

Note 7: Operating Leases

In June 2017, MCAEL entered into an office lease agreement terminating in January 2023. The lease includes rent escalations and an abatement for the first three months.

Rent expense for the years ended June 30, 2021, and 2020 was \$44,178 and \$50,821 respectively.

Future minimum lease payments under this operating lease total \$53,473 and \$27,719 for the years ended June 30, 2022, and 2023, respectively.

Note 8: Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 64,969	\$ 64,969
Less: Accumulated depreciation	<u>(46,965)</u>	<u>(35,436)</u>
Property and equipment, net	<u>\$ 18,004</u>	<u>\$ 29,563</u>

Depreciation expense for the years ended June 30, 2021, and 2020 was \$11,559 and \$12,058, respectively.

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

Note 9: Retirement Plan

MCAEL has a Simple IRA Plan for all employees who earn at least \$5,000 during the year. Participants may defer compensation up to the maximum amount allowed by the IRS, including catch-up contributions. MCAEL makes non-elective contributions up to two percent of compensation for each participant who earns more than \$5,000 during the year. Employer contributions totaled \$13,244 and \$13,288 for the years ended June 30, 2021, and 2020, respectively.

Note 10: Related Party Transactions

For the years ending June 30, 2021, and 2020, 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 year 2021, MCAEL provided grant funding of \$241,539 to two organizations represented on the Board of Directors. During fiscal year 2020, MCAEL provided grant funding of \$232,847 to two organizations represented on the Board of Directors.

Note 11: Donor Restricted Net Assets

Donor restricted net assets at June 30, 2020 consisted of \$665 of the Debbie Bhattacharya Memorial Fund. There was \$10,000 of donor restricted net assets at June 30, 2021.

Note 12: Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. The effects of COVID-19 have resulted in significant volatility in the global financial markets. MCAEL has adapted to a work from home environment by hosting online fundraising events and classes. The impact of COVID-19 is evolving, and its future effects on the Organization are uncertain.

Note 13: Accounting Standard Update

In February 2016, the FASB issued guidance codified in ASC 842, *Leases*, which amends the guidance in former ASC 840, *Leases*, requiring the recognition of lease assets and lease liabilities by lessee for those leases classified as operating leases under previous U.S. GAAP. The effective date for nonpublic entities is annual reporting periods beginning after December 15, 2021 and interim periods therein, with early adoption permitted. As such, the Organization will be required to adopt the standard on July 1, 2022. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Organization is currently evaluating how ASC 842 will affect its financial statements.

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

Note 14: Supplemental Cash Flow Information

*Non-cash financing activities:*

During the year ended June 30, 2021, the Organization extinguished a \$71,752 note payable as forgiveness of debt.