

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

**Financial Statements
June 30, 2024 and 2023**

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 of
Montgomery Coalition for Adult English Literacy, Inc.

Opinion

We have audited the accompanying financial statements of Montgomery Coalition for Adult English Literacy, Inc. ("MCAEL" or the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024, and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024, and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery Coalition for Adult English Literacy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery Coalition for Adult English Literacy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montgomery Coalition for Adult English Literacy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery Coalition for Adult English Literacy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Saggar & Rosenberg P.C.

Rockville, Maryland
October 24, 2024

Montgomery Coalition for Adult English Literacy, Inc.
Statements of Financial Position
June 30, 2024 and 2023

Assets

	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 386,024	\$ 432,998
Grants receivables	250	250
Pledges receivables	6,000	24,500
Prepaid expenses	5,216	14,637
Total current assets	<u>397,490</u>	<u>472,385</u>
Property and equipment, net	17,692	1,653
Other assets		
Operating lease right-of-use assets	86,250	132,554
Security deposit	4,215	4,215
Total other assets	<u>90,465</u>	<u>136,769</u>
Total assets	<u>\$ 505,647</u>	<u>\$ 610,807</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 3,173	\$ 6,224
Accrued expenses	22,298	21,290
Operating lease liability- short term	52,985	49,577
Total current liabilities	<u>78,456</u>	<u>77,091</u>
Long - term liabilities		
Operating lease liability- long term	42,040	95,025
Total long- term liabilities	<u>42,040</u>	<u>95,025</u>
Total liabilities	<u>120,496</u>	<u>172,116</u>
Net assets		
Without donor restrictions	364,151	402,691
With donor restrictions	21,000	36,000
Total net assets	<u>385,151</u>	<u>438,691</u>
Total liabilities and net assets	<u>\$ 505,647</u>	<u>\$ 610,807</u>

See Accompanying Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Activities
For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 68,823	\$ -	\$ 68,823
Public grants	40,504	6,000	46,504
Government grants	2,281,050	-	2,281,050
Special event - contributions	51,427	-	51,427
Less: cost of direct benefit to donors	<u>(6,425)</u>	<u>-</u>	<u>(6,425)</u>
Net special event income	<u>45,002</u>	<u>-</u>	<u>45,002</u>
Subtotal	<u>2,435,379</u>	<u>6,000</u>	<u>2,441,379</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>21,000</u>	<u>(21,000)</u>	<u>-</u>
Total Support and Revenue	<u>2,456,379</u>	<u>(15,000)</u>	<u>2,441,379</u>
Expenses			
Program services			
Capacity building	1,560,250	-	1,560,250
Public engagement	552,919	-	552,919
Total program services	<u>2,113,169</u>	<u>-</u>	<u>2,113,169</u>
Supporting services			
Management and general	346,933	-	346,933
Fundraising	34,817	-	34,817
Total supporting services	<u>381,750</u>	<u>-</u>	<u>381,750</u>
Total expenses	<u>2,494,919</u>	<u>-</u>	<u>2,494,919</u>
Change in net assets	(38,540)	(15,000)	(53,540)
Net assets at the beginning of year	<u>402,691</u>	<u>36,000</u>	<u>438,691</u>
Net assets at the end of year	<u>\$ 364,151</u>	<u>\$ 21,000</u>	<u>\$ 385,151</u>

See Accompanying Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 41,558	\$ -	\$ 41,558
Public grants	58,576	36,000	94,576
Government grants	2,109,604	-	2,109,604
Special event - contributions	35,933	-	35,933
Less: cost of direct benefit to donors	<u>(11,353)</u>	<u>-</u>	<u>(11,353)</u>
Net special event income	24,580	-	24,580
Subtotal	<u>2,234,318</u>	<u>36,000</u>	<u>2,270,318</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,234,318</u>	<u>36,000</u>	<u>2,270,318</u>
Expenses			
Program services			
Capacity building	1,487,237	-	1,487,237
Public engagement	472,879	-	472,879
Total program services	<u>1,960,116</u>	<u>-</u>	<u>1,960,116</u>
Supporting services			
Management and general	341,609	-	341,609
Fundraising	16,347	-	16,347
Total supporting services	<u>357,956</u>	<u>-</u>	<u>357,956</u>
Total expenses	<u>2,318,072</u>	<u>-</u>	<u>2,318,072</u>
Change in net assets	(83,754)	36,000	(47,754)
Net assets at the beginning of year	<u>486,445</u>	<u>-</u>	<u>486,445</u>
Net assets at the end of year	<u>\$ 402,691</u>	<u>\$ 36,000</u>	<u>\$ 438,691</u>

See Accompanying Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services			Supporting Services				Total Expenses
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Cost of Goods Sold	Total	
Program and support activities	\$ 1,457,799	\$ 74,686	\$ 1,532,485	\$ 11,990	\$ -	\$ -	\$ 11,990	\$ 1,544,475
Personnel	102,202	436,538	538,740	261,342	21,771	-	283,113	821,853
Rent	-	26,116	26,116	37,658	-	-	37,658	63,774
Professional fees	-	11,777	11,777	25,981	12,953	-	38,934	50,711
Operations	-	-	-	2,911	-	-	2,911	2,911
Travel and meetings	249	3,802	4,051	2,015	93	-	2,108	6,159
Cost of direct benefit to donors	-	-	-	-	-	6,425	6,425	6,425
Depreciation and loss on disposal	-	-	-	5,036	-	-	5,036	5,036
Total expenses	<u>\$ 1,560,250</u>	<u>\$ 552,919</u>	<u>\$ 2,113,169</u>	<u>\$ 346,933</u>	<u>\$ 34,817</u>	<u>\$ 6,425</u>	<u>\$ 388,175</u>	<u>\$ 2,501,344</u>
Less expenses with support and revenue								
Cost of direct benefit to donors	-	-	-	-	-	(6,425)	(6,425)	(6,425)
Total expenses on statement of activities	<u>\$ 1,560,250</u>	<u>\$ 552,919</u>	<u>\$ 2,113,169</u>	<u>\$ 346,933</u>	<u>\$ 34,817</u>	<u>\$ -</u>	<u>\$ 381,750</u>	<u>\$ 2,494,919</u>
Percent of total expenses	<u>62.54%</u>	<u>22.16%</u>	<u>84.70%</u>	<u>13.90%</u>	<u>1.40%</u>	<u>0.00%</u>	<u>15.30%</u>	<u>100.00%</u>

See Accompanying Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services			Supporting Services				Total Expenses
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Cost of Goods Sold	Total	
Program and support activities	\$ 1,346,175	\$ 118,685	\$ 1,464,860	\$ -	\$ (74)	\$ -	\$ (74)	\$ 1,464,786
Personnel	139,610	217,716	357,326	308,404	16,410	-	324,814	682,140
Rent	-	48,444	48,444	-	-	-	-	48,444
Professional fees	-	57,485	57,485	24,164	-	-	24,164	81,649
Operations	1,452	23,264	24,716	3,087	-	-	3,087	27,803
Travel and meetings	-	7,285	7,285	-	11	-	11	7,296
Cost of direct benefit to donors	-	-	-	-	-	11,353	11,353	11,353
Depreciation	-	-	-	5,954	-	-	5,954	5,954
Total expenses	<u>\$ 1,487,237</u>	<u>\$ 472,879</u>	<u>\$ 1,960,116</u>	<u>\$ 341,609</u>	<u>\$ 16,347</u>	<u>\$ 11,353</u>	<u>\$ 369,309</u>	<u>\$ 2,329,425</u>
Less expenses with support and revenue								
Cost of direct benefit to donors	-	-	-	-	-	(11,353)	(11,353)	(11,353)
Total expenses on statement of activities	<u>\$ 1,487,237</u>	<u>\$ 472,879</u>	<u>\$ 1,960,116</u>	<u>\$ 341,609</u>	<u>\$ 16,347</u>	<u>\$ -</u>	<u>\$ 357,956</u>	<u>\$ 2,318,072</u>
Percent of total expenses	<u>64.16%</u>	<u>20.40%</u>	<u>84.56%</u>	<u>14.74%</u>	<u>0.70%</u>	<u>0.00%</u>	<u>15.44%</u>	<u>100.00%</u>

See Accompanying Notes

Montgomery Coalition for Adult English Literacy, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (53,540)	\$ (47,754)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,536	5,954
Loss on disposal of property and equipment	500	-
Non-cash lease expense	46,304	46,688
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	18,500	(24,750)
Decrease in prepaid expenses	9,421	363
(Decrease) Increase in accounts payable	(3,051)	6,224
Increase in accrued expenses	1,008	10,802
Decrease in operating lease liability	<u>(49,577)</u>	<u>(36,958)</u>
Net cash used in operating activities	<u>(25,899)</u>	<u>(39,431)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(21,075)</u>	<u>(1,161)</u>
Net cash used in investing activities	<u>(21,075)</u>	<u>(1,161)</u>
Net decrease in cash and cash equivalents	(46,974)	(40,592)
Cash and cash equivalents at beginning of year	<u>432,998</u>	<u>473,590</u>
Cash and cash equivalents at end of year	<u><u>\$ 386,024</u></u>	<u><u>\$ 432,998</u></u>

See Accompanying Notes

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

Note 1: Organization

Mission

The Montgomery Coalition for Adult English Literacy (MCAEL) strengthens and builds adult English language learning programs and instruction to further individual and family success at work, school, and in the community.

We believe that all English language learners should have easy access to high-quality, culturally responsive English language programs.

MCAEL is the hub of a coalition that supports ~60 English language programs, which engage 1,500 program staff and instructors, who reach an increasing number of adults – about 16,000 annually in Montgomery County. Our work supports learners in their efforts to access employment and other needed services, earn family-sustaining wages, be engaged in their children’s education, and achieve citizenship, benefiting the community at large.

MCAEL supports a wide range of organizations and learners, yet there are still tens of thousands of adults in Montgomery County who self-report that they speak English less than “very well” who are not able to access English classes. MCAEL continues to work to identify new service delivery models and new organizations to provide instruction. The County’s English language learners support the economic and social growth of Montgomery County as a whole.

MCAEL (8.5 FTE staff) achieves its mission through two programs, Capacity Building and Public Engagement.

Capacity Building: Increasing Access to High-Quality Instruction

Professional Development

MCAEL provides free professional development opportunities for program administrators and instructors throughout Montgomery County to support staff and ensure quality instruction. Each year, we hold 5 – 6 convenings for program administrators and 8 – 10 instructor workshops and sharing sessions. We also recruit and train much-needed new instructors.

Community Grants

Each year, MCAEL awards grants to support adult English language learning programs in Montgomery County, with funds provided by the Montgomery County Government. The grants both sustain and expand existing programs and help establish new programs, with the goal of increasing the availability and quality of English language instruction. Grant funding decisions are made by a volunteer Grant Review Panel, organized by MCAEL and made up of a diverse group of community members.

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

Note 1: Organization (continued)

Community Learning Groups

Responding to a need for English classes in communities that lack learning opportunities, MCAEL developed Community Learning Groups (CLGs), nine-week starter classes provided through partnerships with local schools, community centers, religious institutions, and businesses. The CLG model includes training new instructors, many of whom are members of the same community they are serving.

Data Analysis

MCAEL collects, analyzes, and maps data from adult ESOL programs in the county to illustrate coalition work and impact. Our comprehensive, interactive StoryMap gives an overview of the adult ESOL landscape, helping MCAEL and coalition partners to identify areas that most need attention.

Public Engagement: Education, Advocacy, & Community

Education

Using data and stories, MCAEL educates and engages the public on the power of adult English language learning to transform individual lives and the impact that adult English classes have on the health and economic well-being of our county.

Advocacy

MCAEL works closely with the Montgomery County Government, businesses, schools, and local organizations to advocate for the needs of the coalition and the people we serve.

Community

To ensure that we are addressing the needs, goals, and lived experience of current and potential learners, MCAEL has intentionally created welcoming, structured spaces for shared ideas and input:

The MCAEL Advisory Group (MAG), made up of ESOL administrators and instructors, provides regular input on programming to ensure that we are responding to the current needs of programs, instructors, and learners.

Our newly launched Learner Leadership Group (LLG) elevates learner voices so that their ideas, goals, and experiences are reflected in MCAEL's network programming and advocacy.

MCAEL builds strong connections through in-person and online convenings, meetings, and conferences for the programs and the community.

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

Note 1: Organization (continued)

In fiscal year 2024 and 2023, MCAEL served 514 and 392 instructors, respectively, and program staff through professional development workshops and meetings (total meeting attendance, includes duplicates).

All told, MCAEL connected with more than 50 separate organizations through its workshops and meetings for program staff and instructors, biennial Professional Development Conference, and through providing e-news, instructional resources, technical assistance, etc.

With funding from Montgomery County, MCAEL awarded \$1,425,000 and \$1,345,000 in grant funding in fiscal years 2024 and 2023, respectively. The funding supported 21 organizations for 27 programs and 23 organizations for 31 programs, for the years ended June 30, 2024, and 2023, respectively. The coalition serves about 16,000 adults annually.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

MCAEL maintains its records on the accrual basis of accounting.

Basis of Presentation

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.

Cash and Cash Equivalents

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

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

Note 2: Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses

The allowance for credit losses is established through charges to the provision for credit losses. The Organization evaluates the adequacy of the allowance for credit losses on a periodic basis. The evaluation includes historical trends in collections and write-offs, management's judgment of the probability of collecting accounts and management's evaluation of business risk. Management estimates all receivables at June 30, 2024 and 2023, to be collectible; therefore, no provision for credit losses has been made.

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.

Leases

MCAEL determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liability – short term and operating lease liability – long term on the balance sheet. ROU assets represent MCAEL's right to use an underlying asset for the lease term and lease liabilities represent MCAEL's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. MCAEL includes the impact of options to extend or terminate the lease in its calculation of the lease term when it is reasonably certain that MCAEL will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

MCAEL has made the accounting policy election permitted under Accounting Standards Classification ("ASC") 842, Leases, to exclude short-term leases (leases which have a lease term of 12-months or less at the commencement date of the lease and which do not include an option to purchase the underlying asset or option to extend the lease that MCAEL is reasonably certain to exercise) from the recognition requirements of ASC 842.

MCAEL has made the accounting policy election permitted under ASC 842 to use the risk-free discount rate for a period comparable with that of the lease term when determining the initial amount of the lease liability and associated ROU asset for leases that are subject to the recognition requirements of ASC 842 when the implicit rate is not readily available.

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

Note 2: Summary of Significant Accounting Policies (continued)

MCAEL has elected to separate lease components from non-lease components. Non-lease components consist of MCAEL's pro-rata portion of common area maintenance fees, taxes, and other assessments, as defined in the respective lease agreements. Non-lease components are not included in MCAEL's calculation of ROU assets and liabilities. These amounts are expensed as incurred.

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.

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, 2024, MCAEL had 47 volunteers donate 1,194 hours of time. The time is valued at \$33.49 per hour (see <https://independentsector.org/resource/value-of-volunteer-time/>). In total, \$39,987 of in-kind support was leveraged. For the year ending June 30, 2023, MCAEL had 41 volunteers to donate 1,158 hours of time. The time is valued at \$31.80 per hour (see www.independentsector.org/volunteer_time). In total, \$36,809 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.

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

Note 2: Summary of Significant Accounting Policies (continued)

Contributed Nonfinancial Assets

Contributed materials and facilities are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated materials and facilities are recorded as unrestricted support unless there are explicit donor stipulations as to how the donated assets must be used.

Functional Expenses

The costs of providing the 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:

Expense	Method of Allocation
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 an other than a private foundation. Any income that may be determined to be unrelated is taxable. Taxable years before June 30, 2024, are subject to federal and other jurisdictions' tax authority examinations.

Management is of the opinion that no liability will result from these potential 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, 2024, MCAEL has evaluated subsequent events for potential recognition and disclosure through October 24, 2024, which is the date the financial statements were available to be issued.

Note 3: Recently Adopted Accounting Guidance

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments Credit Losses (Topic 326)*, which was further amended in November 2019 by ASU 2019-10 *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which changes the way the Organization recognizes credit losses. Under this ASU, organizations no longer record allowances for credit losses when amounts are “probable” of not being collected. Instead, organizations record allowances for credit losses based on their current estimate of all expected credited losses after evaluating collectability based on expanded evaluation criteria. Previously, when credit losses were measured under GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. The amendments in this ASU broaden the information that an entity may consider in developing its expected credit loss estimate for assets measured either collectively or individually to include forecasts of expected collectability. As amended, the ASU is effective for fiscal years beginning after December 15, 2022. The Organization adopted ASU No. 2016-13, as amended by ASU 2019-10, on July 1, 2023.

The adoption of ASU No. 2016-13 had no impact on the Organization’s prior year net assets.

Note 4: Property and Equipment

Property and equipment consist of the following on June 30:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 68,491	\$ 66,130
Less: Accumulated depreciation	<u>(50,799)</u>	<u>(64,477)</u>
Property and equipment, net	\$ <u>17,692</u>	\$ <u>1,653</u>

Depreciation expense for the years ended June 30, 2024, and 2023, was \$4,536 and \$5,954, respectively.

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

Note 5: Line of Credit

MCAEL maintains 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 3.50% (12.00% on June 30, 2024). The line is secured by certain assets of the organization. There was no outstanding balance or interest expense related to the line of credit during 2024 or 2023.

Note 6: Operating Leases

The Organization leases office space and a copier under operating lease agreements that expire at various times through January 2026.

Lease expense for the years ended June 30, 2024, and 2023, consisted of operating lease costs of \$51,400 and \$51,368, respectively.

The future payments under the Organization's operating lease agreements are as follows as of June 30, 2024:

Year ending June 30:	
2025	\$ 55,949
2026	<u>42,776</u>
Total Lease payment	98,725
Less: Imputed interest	<u>(3,700)</u>
	<u>\$ 95,025</u>

For the year ended June 30, 2024, and 2023, operating cash flows from operating leases were \$54,684 and \$49,577, respectively.

The weighted average remaining lease term for the Organization's operating leases as of June 30, 2024, and 2023, was 1.75 years and 2.75 years, respectively.

The weighted average discount rate the Organization used to determine the right-of-use asset for operating leases in place as of June 30, 2024, and 2023, was 4.18% and 4.18% per annum, respectively.

Rent expense was \$51,400 and \$45,525 for the years ended June 30, 2024, and 2023, respectively.

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Note 7: Contributed Nonfinancial Assets

MCAEL received the following contributions of nonfinancial assets for its special event for the year ended June 30:

		2024		2023
Occupancy	\$	4,425	\$	2,490
Advertising		2,490		1,925
Total contributed nonfinancial assets	\$	6,915	\$	4,415

These nonfinancial assets were valued at fair market value. All donated nonfinancial assets were utilized during the Organization's special event.

Note 8: Retirement Plan

Through December 31, 2023, MCAEL had a Simple IRA Plan for all employees who earn at least \$5,000 during the year. Participants could defer compensation up to the maximum amount allowed by the IRS, including catch-up contributions. MCAEL made non-elective contributions up to two percent of compensation for each participant who earns more than \$5,000 during the year.

On January 1, 2024, MCAEL instituted a new Safe-Harbor Retirement Plan for essentially all employees who are age 21 or older and have completed 3 months of service. Participants can defer compensation up to the maximum amount allowed by the IRS, including catch-up contributions. In addition to the safe harbor contributions, MCAEL may make non-elective contributions.

Employer contributions through these two plans totaled \$18,690 and \$11,170 for the years ended June 30, 2024, and 2023, respectively.

Note 9: Donor Restricted Net Assets

Donor restricted net assets as of June 30, 2024, and 2023, totaled \$21,000 and \$36,000, respectively, designated for future periods.

Note 10: Concentrations

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each financial institution. On June 30, 2024, MCAEL's cash balance exceeded insured limits by \$130,660. On June 30, 2023, MCAEL's cash balance exceeded insured limits by \$197,757.

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Note 10: Concentrations (continued)

MCAEL receives a substantial portion of its revenue from the Montgomery County, Maryland, government. During fiscal years 2024 and 2023, MCAEL received approximately 93% and 92%, respectively, of its support and revenue from this local government.

Note 11: Availability and Liquidity

The following represents MCAEL's financial assets as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 386,024	\$ 432,998
Grants Receivable	250	250
Pledges Receivable	<u>6,000</u>	<u>24,500</u>
Subtotal	392,274	457,748
Less amounts not available to be used within 1 year: Crimsonbridge Foundation Award	<u>-</u>	<u>(15,000)</u>
Financial assets available to meet general expenditures over the next 12 months	\$ <u>392,274</u>	\$ <u>442,748</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. MCAEL is also working towards holding an additional 180 days of funding in Medium Term Reserves and striving to increase its long-term reserves.