



MCAEL

**Adult English Learning
for a Stronger Community**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025



Independent Auditor's Report

Board of Directors
Montgomery Coalition for Adult English Literacy
Rockville, Maryland

Opinion

We have audited the accompanying financial statements of Montgomery Coalition for Adult English Literacy (MCAEL), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year 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 MCAEL as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 MCAEL and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 MCAEL'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, including omissions, 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 MCAEL'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 MCAEL'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.

Report on Summarized Comparative Information

MCAEL's 2024 financial statements were previously audited by other auditors, who expressed an unmodified audit opinion on those audited financial statements in their report dated April 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bethesda, Maryland
November 21, 2025

Certified Public Accountants

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Montgomery Coalition for Adult English Literacy

Statement of Financial Position

June 30, 2025

With Comparative Totals As Of June 30, 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and Cash Equivalents	\$ 460,614	\$ 386,024
Contributions and Grants Receivable - Net	18,300	6,250
Prepaid Expenses and Deposits	12,041	9,431
Property and Equipment - Net	13,245	17,692
Right of Use (ROU) Asset	37,814	86,250
Total Assets	\$ 542,014	\$ 505,647
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 52,421	\$ 25,471
Lease Liability	42,041	95,025
Total Liabilities	94,462	120,496
Net Assets		
Without Donor Restrictions	437,377	364,151
With Donor Restrictions	10,175	21,000
Total Net Assets	447,552	385,151
Total Liabilities and Net Assets	\$ 542,014	\$ 505,647

See Accompanying Notes to Financial Statements

Montgomery Coalition for Adult English Literacy

**Statement of Activities
For The Year Ended June 30, 2025
With Comparative Totals For The Year Ended June 30, 2024**

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contributions and Grants	\$ 69,966	\$ 10,175	\$ 80,141	\$ 96,595
Government Grants	2,512,032	-	2,512,032	2,281,050
Special Event Revenue	36,846	-	36,846	51,427
Other Revenue	12,702	-	12,702	18,535
Interest Income	1,444	-	1,444	197
Net Assets Released from Restrictions	21,000	(21,000)	-	-
Total Support and Revenues	2,653,990	(10,825)	2,643,165	2,447,804
Expenses				
Program Services				
Capacity Building	1,643,092	-	1,643,092	1,560,250
Public Engagement	480,473	-	480,473	552,919
Total Program Expense	2,123,565	-	2,123,565	2,113,169
Supporting Services				
General and Administrative	377,844	-	377,844	346,933
Fundraising	79,355	-	79,355	41,242
Total Supporting Service Expense	457,199	-	457,199	388,175
Total Expenses	2,580,764	-	2,580,764	2,501,344
Change in Net Assets	73,226	(10,825)	62,401	(53,540)
Net Assets, Beginning of Year	364,151	21,000	385,151	438,691
Net Assets, End of Year	\$ 437,377	\$ 10,175	\$ 447,552	\$ 385,151

See Accompanying Notes to Financial Statements

Montgomery Coalition for Adult English Literacy

**Statement of Functional Expenses
For The Year Ended June 30, 2025
With Comparative Totals For The Year Ended June 30, 2024**

	2025				2024	
	Capacity Building	Public Engagement	General and Administrative	Fundraising	Total	Total
Personnel	\$ 109,861	\$ 425,711	\$ 188,889	\$ 65,042	\$ 789,503	\$ 806,121
Professional Fees	27,625	5,970	128,229	-	161,824	92,394
Advertising and Marketing	-	9,721	5,941	-	15,662	10,685
Office Expenses	17,888	10,558	21,505	863	50,814	70,645
Dues and Subscriptions	419	1,394	9,562	200	11,575	7,134
Information Technology	11,699	-	-	-	11,699	12,948
Occupancy	6,662	25,814	11,548	3,944	47,968	49,026
Travel	-	40	1,195	10	1,245	1,178
Meetings and Conferences	154	1,265	1,670	9,296	12,385	12,235
Insurance	-	-	3,858	-	3,858	2,043
Grants	1,468,784	-	-	-	1,468,784	1,431,899
Other Expenses	-	-	1,000	-	1,000	-
Depreciation and Amortization	-	-	4,447	-	4,447	5,036
Total	\$ 1,643,092	\$ 480,473	\$ 377,844	\$ 79,355	\$ 2,580,764	\$ 2,501,344

See Accompanying Notes to Financial Statements

Montgomery Coalition for Adult English Literacy

**Statement of Cash Flows
For The Year Ended June 30, 2025
With Comparative Totals For The Year Ended June 30, 2024**

	2025	2024
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 62,401	\$ (53,540)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	4,447	4,536
Loss on Disposal of Assets	-	500
Amortization of Right of Use (ROU) Asset	48,436	46,304
<u>(Increase) Decrease in Assets</u>		
Contributions and Grants Receivable - Net	(12,050)	18,500
Prepaid Expenses and Deposits	(2,610)	9,421
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	26,950	(2,043)
Lease Liability	(52,984)	(49,577)
Net Cash Provided by (Used in) Operating Activities	74,590	(25,899)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	-	(21,075)
Net Cash Provided by (Used in) Investing Activities	-	(21,075)
Increase (Decrease) in Cash and Cash Equivalents	74,590	(46,974)
Cash and Cash Equivalents, Beginning of Year	386,024	432,998
Cash and Cash Equivalents, End of Year	\$ 460,614	\$ 386,024

See Accompanying Notes to Financial Statements

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

1. ORGANIZATION

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.

MCAEL believes 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 approximately 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. MCAEL’s 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 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.

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.

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

1. ORGANIZATION (CONTINUED)

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 MCAEL is 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.

MCAEL's 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.

In fiscal year 2025, MCAEL served 508 instructors and program staff through professional development workshops and meetings (total meeting attendance, includes duplicates).

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

With funding from Montgomery County, MCAEL awarded \$1,465,853 in grant funding in fiscal year 2025. The funding supported 24 organizations for 29 during the year ended June 30, 2025. The coalition serves about 16,000 adults annually.

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of MCAEL have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires 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 MCAEL. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of MCAEL or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated 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.

MCAEL has elected the simultaneous release policy available for donor restricted contributions that were initially conditional contributions, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

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

Contributions and Grants Receivable

Contributions and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. Uncollectible contributions and grants receivable are charged off when management determines the receivable will not be collected. There was no allowance for doubtful accounts at June 30, 2025. Contributions and grants receivable are expected to be collected within one year.

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Right of Use Asset and Lease Liability

The right of use asset and lease liability are recognized at the commencement date of the operating lease agreement based on the present value of lease payments over the lease term using MCAEL's estimated incremental borrowing rate or implicit rate, when readily determinable. The lease liability will be reduced as lease payments are made throughout the life of the lease. The right of use asset will be reduced as lease expense is recognized on a straight-line basis throughout the life of the lease. The total lease expense will be equal to the total lease component payments made for the lease. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the statement of financial position.

Revenue Recognition

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 statement 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.

MCAEL uses in-kind contributions to support its programs. MCAEL recognizes contributed services to the extent the services received create or enhance nonfinancial assets or require specialized skills that would be purchased if not provided by donation.

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.

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel costs	Time and Effort
Rent	Square Footage
Professional Fees	Time and Effort
Travel and Meetings	Time and Effort
Depreciation	Square Footage

Income Taxes and Uncertain Tax Positions

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. As of June 30, 2025, the three prior tax years are subject to federal and other jurisdictions' tax authority examinations.

For the year ended June 30, 2025, MCAEL has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications have had no effect on previously reported net assets or changes in net asset amounts.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MCAEL's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 21, 2025, the date which the financial statements were available to be issued.

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject MCAEL to significant concentrations of credit risk consist of cash and cash equivalents. MCAEL maintains cash deposit and transaction accounts, with financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). MCAEL has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2025 was as follows:

Furniture and Equipment	\$ 87,205
Less Accumulated Depreciation and Amortization	<u>(73,960)</u>
Property and Equipment - Net	<u>\$ 13,245</u>

Depreciation and amortization for the year ended June 30, 2025 was \$4,447.

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% (11.00% on June 30, 2025). The line is secured by certain assets of MCAEL. There was no outstanding balance or interest expense incurred related to the line of credit during 2025.

6. NET ASSETS

Net assets with donor restrictions as of June 30, 2025 were as follows:

	Beginning of Year	Contributions	Releases	End of Year
Time Restricted	\$ 21,000	\$ 10,175	\$ (21,000)	\$ 10,175

Net assets without donor restrictions were not designated as of June 30, 2025.

7. NONCASH DONATIONS

For the year ended June 30, 2025, MCAEL had 43 volunteers donate 1,576 hours of time. The time is valued at \$34.79 per hour based on a study by the Independent Sector. In total, \$54,829 of in-kind support was leveraged. These services were not reflected in the accompanying statement of activities as they do not meet the necessary criteria for recognition under US GAAP.

MCAEL received the following contributions of nonfinancial assets for its special event for the year ended June 30, 2025:

Professional Fees - Public Engagement - (Program Services)	\$ 5,865
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Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

8. RETIREMENT PLAN

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 totaled \$20,205 for the year ended June 30, 2025.

9. OPERATING LEASE

MCAEL leases office space and a copier under operating lease agreements that expire at various times through March 2026. Lease expense for the year ended June 30, 2025, consisted of operating lease costs of \$47,968

Future minimum payments under the leases are as follows:

2026	\$ 42,776
Less Present Value Adjustment	<u>(735)</u>
	<u>\$ 42,041</u>

The weighted average remaining lease term for MCAEL's operating leases as of June 30, 2025, and 2023, was 8 months.

The weighted average discount rate MCAEL used to determine the right-of-use asset for operating leases in place as of June 30, 2025, was 4.18% per annum.

10. CONCENTRATIONS

MCAEL receives a substantial portion of its revenue from the Montgomery County, Maryland, government. During fiscal year 2025, MCAEL received approximately 95% of its support and revenue from this local government. The loss or reduction of these concentrated funding sources could have a significant adverse effect on MCAEL's ability to carry out its activities in future years.

Montgomery Coalition for Adult English Literacy

Notes to Financial Statements June 30, 2025

11. AVAILABILITY AND LIQUIDITY

The following represents MCAEL's financial assets at June 30, 2025:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 460,614
Contributions and Grants Receivable - Net	<u>18,300</u>
Total Financial Assets	<u>478,914</u>
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	(10,175)
Board Designated Funds	<u>-</u>
	<u>(10,175)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 468,739</u>

As part of MCAEL's liquidity management plan, MCAEL as 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.