

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

**Financial Statements  
June 30, 2022 and 2021**

**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, 2022, and 2021, 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, 2022, and 2021, 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  
December 29, 2022

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

**Assets**

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 473,590	\$ 402,887
Prepaid expenses	<u>15,000</u>	<u>10,650</u>
Total current assets	488,590	413,537
Property and equipment, net	6,446	18,004
Security deposit	<u>4,215</u>	<u>4,215</u>
Total assets	<u>\$ 499,251</u>	<u>\$ 435,756</u>

**Liabilities and Net Assets**

Current liabilities		
Accounts payable	\$ -	\$ 2,030
Accrued expenses	10,488	5,607
Deferred rent, current	<u>2,318</u>	<u>4,051</u>
Total current liabilities	12,806	11,688
Deferred rent, long term	<u>-</u>	<u>2,318</u>
Total non-current liabilities	-	2,318
Total liabilities	<u>12,806</u>	<u>14,006</u>
Net assets		
Without donor restrictions	486,445	411,750
With donor restrictions	<u>-</u>	<u>10,000</u>
Total net assets	<u>486,445</u>	<u>421,750</u>
Total liabilities and net assets	<u>\$ 499,251</u>	<u>\$ 435,756</u>

See Accompanying Notes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Support and revenue			
Contributions	\$ 85,364	\$ -	\$ 85,364
Public grants	90,500	-	90,500
Government grants	1,957,058	-	1,957,058
Special event - contributions	34,450	-	34,450
Less: cost of direct benefit to donors	<u>(11,610)</u>	<u>-</u>	<u>(11,610)</u>
Net special event income	22,840	-	22,840
Subtotal	<u>2,155,762</u>	<u>-</u>	<u>2,155,762</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total support and revenue	<u>2,165,762</u>	<u>(10,000)</u>	<u>2,155,762</u>
Expenses			
Program services			
Capacity building	1,462,924	-	1,462,924
Public engagement	<u>370,123</u>	<u>-</u>	<u>370,123</u>
Total program services	<u>1,833,047</u>	<u>-</u>	<u>1,833,047</u>
Supporting services			
Management and general	244,248	-	244,248
Fundraising	<u>13,772</u>	<u>-</u>	<u>13,772</u>
Total supporting services	<u>258,020</u>	<u>-</u>	<u>258,020</u>
Total expenses	<u>2,091,067</u>	<u>-</u>	<u>2,091,067</u>
Change in net assets	74,695	(10,000)	64,695
Net assets at the beginning of year	<u>411,750</u>	<u>10,000</u>	<u>421,750</u>
Net assets at the end of year	<u><u>\$ 486,445</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 486,445</u></u>

See Accompanying Notes

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

	<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	\$ 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	395,904	-	395,904
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	10,599	-	10,599
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 Notes

**Montgomery Coalition for Adult English Literacy, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

	Program Services			Supporting Services				Total Expenses
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Cost of Goods Sold	Total	
Program and support activities	\$ 1,293,850	\$ 136,043	\$ 1,429,893	\$ -	\$ 500	\$ -	\$ 500	\$ 1,430,393
Personnel	159,608	174,117	333,725	198,293	11,624	-	209,917	543,642
Rent	-	45,525	45,525	-	-	-	-	45,525
Professional fees	-	1,479	1,479	29,920	-	-	29,920	31,399
Operations	9,466	5,881	15,347	4,477	-	-	4,477	19,824
Travel and meetings	-	7,078	7,078	-	1,648	-	1,648	8,726
Cost of direct benefit to donors	-	-	-	-	-	11,610	11,610	11,610
Depreciation	-	-	-	11,558	-	-	11,558	11,558
Total expenses	<u>\$ 1,462,924</u>	<u>\$ 370,123</u>	<u>\$ 1,833,047</u>	<u>\$ 244,248</u>	<u>\$ 13,772</u>	<u>\$ 11,610</u>	<u>\$ 269,630</u>	<u>\$ 2,102,677</u>
Less expenses with support and revenue								
Cost of direct benefit to donors	-	-	-	-	-	(11,610)	(11,610)	(11,610)
Total expenses on statement of activities	<u>\$ 1,462,924</u>	<u>\$ 370,123</u>	<u>\$ 1,833,047</u>	<u>\$ 244,248</u>	<u>\$ 13,772</u>	<u>\$ -</u>	<u>\$ 258,020</u>	<u>\$ 2,091,067</u>
Percent of total expenses	<u>69.96%</u>	<u>17.70%</u>	<u>87.66%</u>	<u>11.68%</u>	<u>0.66%</u>	<u>0.00%</u>	<u>12.34%</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, 2021**

	Program Services			Supporting Services				Total Expenses
	Capacity Building	Public Engagement	Total	Management and General	Fundraising	Cost of Goods Sold	Total	
Program and support activities	\$ 1,280,332	\$ 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.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 64,695	\$ 50,982
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,558	11,559
Deferred rent liability	(4,051)	(2,847)
PPP loan forgiveness	-	(71,752)
Changes in assets and liabilities:		
Increase in prepaid expenses	(4,350)	(10,650)
(Decrease) increase in accounts payable	(2,030)	1,030
Increase (decrease) in accrued expenses	<u>4,881</u>	<u>(3,623)</u>
Net cash provided by (used In) operating activities	<u>70,703</u>	<u>(25,301)</u>
Net increase (decrease) in cash and cash equivalents	70,703	(25,301)
Cash and cash equivalents at beginning of year	<u>402,887</u>	<u>428,188</u>
Cash and cash equivalents at end of year	<u><u>\$ 473,590</u></u>	<u><u>\$ 402,887</u></u>

See Accompanying Notes

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

Note 1: Organization

Mission

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

Vision

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

MCAEL (6 FTE 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

For ESOL Programs:

- Capacity Building Grants for community programs
- Convenings to create strategies to address current and/or hot topics
- Workshops and training on program administration
- Technical Assistance
- Networking Meetings
- Resource Library
- Regular newsletters and updates
- Online Tools
- Job/Volunteer Postings

For Instructors:

- Professional Development
- 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 almost 60 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

MCAEL directly supports almost 60 adult literacy programs in Montgomery County, providing coordination and collaboration to build the capacity and quality of those programs. The leveraging power of the coalition supports a system that serves over 11,000 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 2022 MCAEL served 413 instructor and provider staff (unique individuals), respectively, 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 2022 and 2021, \$1,285,000 and \$1,285,000, respectively, of Montgomery County grants. The funding supported 20 organizations and 28 programs and 22 organizations and 30 programs, respectively. The coalition serves about 11,000 adults 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.

*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, 2022, and 2021 was \$2,318 and \$ 6,369 respectively.

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

Note 2: Summary of Significant Accounting Policies (continued)

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, 2022, MCAEL had 39 volunteers donate 951 hours of time. The time is valued at \$29.95 per hour (see [www.independentsector.org/volunteer\\_time](http://www.independentsector.org/volunteer_time)). In total, \$28,069 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, 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.

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 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.

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

Note 2: Summary of Significant Accounting Policies (continued)

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, 2022, 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.

Subsequent Events

For the year ended June 30, 2022, MCAEL has evaluated subsequent events for potential recognition and disclosure through December 29, 2022, 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, 2022 MCAEL cash balance exceeded insured limits by \$244,657. At June 30, 2021, MCAEL cash balance exceeded insured limits by \$168,942.

MCAEL receives a substantial portion of its revenue from a local government. During fiscal years 2022 and 2021, MCAEL received, approximately 90% and 92%, respectively, of its support and revenue from the Montgomery County Government.

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

Note 4: Availability and Liquidity

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ <u>473,590</u>	\$ <u>402,887</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>473,590</u></u>	\$ <u><u>402,887</u></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

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% (7.50% on June 30, 2022). 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 2022 or 2021.

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 used 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.



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

Note 7: Operating Leases

MCAEL leases a copier and an office space through June 30, 2023, and December 31, 2022, respectively.

Office rent expense for the years ended June 30, 2022, and 2021 was \$45,525 and \$44,178, respectively.

Future minimum lease payments under these operating leases total \$27,719 for the year ending June 30, 2022.

Subsequent to year end, the Organization extended its current office lease through March 2026, with an initial base monthly rent of \$4,215, rising to \$4,538 per month for the last year of the extended lease. The first three months of rent will be abated. In addition, the landlord has offered a tenant improvement allowance of \$32,715 as part of the extended lease.

Note 8: Contributed Nonfinancial Assets

MCAEL received the following contributions of nonfinancial assets for its special event for the year ended June 30, 2022:

Occupancy	\$	2,340
Advertising		<u>1,925</u>
Total contributed nonfinancial assets	\$	<u><u>4,265</u></u>

All donated nonfinancial assets were utilized during the Organization's special event. There were no nonfinancial assets donated for the year ended June 30, 2021.

Note 9: Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 64,969	\$ 64,969
Less: Accumulated depreciation	<u>(58,523)</u>	<u>(46,965)</u>
Property and equipment, net	\$ <u>6,446</u>	\$ <u>18,004</u>

Depreciation expense for the years ended June 30, 2022, and 2021 was \$11,558 and \$11,559 respectively.

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

Note 10: 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 \$13,865 and \$13,244 for the years ended June 30, 2022, and 2021, respectively.

Note 11: Related Party Transactions

For the years ending June 30, 2022, and 2021, one board member served as provider representative 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 2022, MCAEL provided grant funding of \$210,169 to one organization represented on the Board of Directors. During fiscal year 2021, MCAEL provided grant funding of \$241,539 to two organizations represented on the Board of Directors.

Note 12: Donor Restricted Net Assets

There were no donor restricted net assets as of June 30, 2022. Donor restricted net assets as of June 30, 2021, totaled \$10,000.

Note 13: Risks and Uncertainties

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen, which could impact the Organization's operations, vendors and client base. MCAEL has responded in part by adapting to a work from home environment by hosting online fundraising events and classes in appropriate situations. The impact of COVID-19 is evolving, and its future effects on the Organization are uncertain.

Note 14: 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 15: 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.