

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2015

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NASHVILLE ADULT LITERACY COUNCIL, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2015

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## BROWN & MAGUIRE CPAS, PLLC

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2715 Bransford Avenue  
Nashville, TN 37204

(615) 242-0067 [telephone]  
(866) 347-3899 [fax]

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Nashville Adult Literacy, Inc.  
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Adult Literacy, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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*Brown & Maguire CPAs, PLLC*

Brown & Maguire CPAs, PLLC  
Nashville, Tennessee  
November 5, 2015

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2015

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ASSETS

**Current Assets:**

Cash – operating	\$ 34,824
Cash – savings	156,661
Unconditional promises to give	222,300
Deposit	<u>1,200</u>
Total current assets	<u>414,985</u>

**Office Equipment and Software:**

Office equipment and software	82,390
Less: accumulated depreciation	<u>(78,706)</u>
Total office equipment and software, net	<u>3,684</u>

Total assets	<u>\$ 418,669</u>
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LIABILITIES AND NET ASSETS

**Current Liabilities:**

Accounts payable	\$ 7,177
Accrued payroll	<u>13,035</u>
Total current liabilities	<u>20,212</u>

**Net Assets:**

Unrestricted	176,157
Temporarily restricted	<u>222,300</u>
Total net assets	<u>398,457</u>

Total liabilities and net assets	<u>\$ 418,669</u>
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The accompanying notes are an integral part of these financial statements.

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>			
United Way contributions.....	\$ 9,106	\$ 222,300	\$ 231,406
Corporate and foundation contributions..	225,728	-	225,728
Special events, net of direct costs of \$2,801.....	36,079	-	36,079
Citizenship grant.....	96,513	-	96,513
Metro grant.....	77,700	-	77,700
Church and individual contributions .....	18,462	-	18,462
Interest income .....	131	-	131
Net assets released from restrictions.....	222,300	(222,300)	-
Total support and revenue .....	<u>686,019</u>	<u>-</u>	<u>686,019</u>
<b>Expenses</b>			
Literacy program services .....	592,709	-	592,709
Management and general.....	23,191	-	23,191
Fundraising .....	7,852	-	7,852
Total expenses .....	<u>623,752</u>	<u>-</u>	<u>623,752</u>
Change in net assets .....	62,267	-	62,267
Net assets at beginning of year .....	113,890	222,300	336,190
Net assets at end of year.....	<u>\$ 176,157</u>	<u>\$ 222,300</u>	<u>\$ 398,457</u>

The accompanying notes are an integral part of these financial statements.

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Program Services</b>	<b>Supporting Services</b>		
	<b>Adult Literacy</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Books	\$ 29,683	\$ -	\$ -	\$ 29,683
Banquet	5,496	-	-	5,496
Depreciation	-	903	-	903
Marketing	10,765	-	-	10,765
Telephone	-	1,518	-	1,518
Citizenship	19,907	-	-	19,907
Copier	3,724	-	-	3,724
Postage	780	-	-	780
Technology	10,657	-	-	10,657
Insurance	-	5,135	-	5,135
Compensation	466,435	3,100	7,100	476,635
Benefits	14,809	752	752	16,313
Professional fees	-	2,300	-	2,300
Dues and subscriptions	1,000	-	-	1,000
Licenses and fees	-	282	-	282
Website	76	-	-	76
Conferences and training	-	4,430	-	4,430
El Civics	915	-	-	915
Project Return	256	-	-	256
Travel	-	3,381	-	3,381
Occupancy	17,719	-	-	17,719
Bank fees	-	269	-	269
Contract labor	-	1,121	-	1,121
Internet	2,665	-	-	2,665
Learner and volunteer recognition	1,422	-	-	1,422
Miscellaneous	5	-	-	5
Office supplies	6,395	-	-	6,395
 Total expenses	 <u>\$ 592,709</u>	 <u>\$ 23,191</u>	 <u>\$ 7,852</u>	 <u>\$ 623,752</u>

The accompanying notes are an integral part of these financial statements.

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Cash flows from operating activities:**

Increase in net assets	\$ 62,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	903
Decrease in accounts payable and accrued expenses	<u>15,029</u>
Net cash provided by operating activities	<u>78,199</u>

**Cash flows from investing activities:**

Purchase of computer equipment	<u>(2,197)</u>
Net cash used in investing activities	<u>(2,197)</u>

**Cash flows from financing activities:**

Net cash provided by (used in) financing activities	<u>-</u>
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Net increase in cash and cash equivalents	76,002
Cash and cash equivalents, at beginning of the period	<u>115,483</u>
Cash and cash equivalents, at end of the period	<u>\$ 191,485</u>

Cash paid for interest	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>

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The accompanying notes are an integral part of these financial statements.

NASHVILLE ADULT LITERACY COUNCIL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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**1. Description of the Organization and Summary of Significant Accounting Policies**

The Nashville Adult Literacy Council, Inc. (the "Organization") teaches adults to read, as well as adult immigrants to read, write, speak, and understand English in the Nashville, Tennessee area. The Organization uses volunteer tutors to give individual instruction. The Organization also operates small groups and classes to teach specialized needs in the community. The Organization is supported primarily through donor contributions (both individual and corporate), grants, and the United Way.

*Basis of Presentation*

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

*Contributions and Support*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Approximately 60.92% of the Organization's support for year ended June 30, 2015 came from three donors.

*Property and Depreciation*

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets ranging from three to five years for software and computers.

*Donated Materials and Services*

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.



NASHVILLE ADULT LITERACY COUNCIL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in tutoring, fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

*Income Taxes*

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Additionally, as of June 30, 2015, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

*Program and Supporting Services*

The following program and supporting services were included in the accompanying financial statements.

**Program Services**—Includes activities carried out to fulfill the Organization's mission to teach U.S.-born adults to read and English skills to adult immigrants.

**Management and General**—Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

**Fundraising**—Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

*Allocation of Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

*Advertising Costs*

Advertising costs are expensed as incurred.

*Use of Estimates*

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The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date

NASHVILLE ADULT LITERACY COUNCIL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**2. Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets for the year ended June 30, 2015 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
United Way.....	\$ 222,300	\$ 222,300	\$ (222,300)	\$ 222,300
	<u>\$ 222,300</u>	<u>\$ 222,300</u>	<u>\$ (222,300)</u>	<u>\$ 222,300</u>

**3. Operating Lease Commitments**

The Organization leases certain office space under non-cancelable operating lease. Future minimum lease commitments under this lease agreement are as follows:

2016.....	\$ 2,400
2017.....	-
2018.....	-
2019.....	-
2020.....	-
Thereafter .....	-
	<u>\$ 2,400</u>

**4. Subsequent Events**

The Organization has evaluated all events or transactions that occurred after June 30, 2015, through November 5, 2015, the date these financial statements were issued. During this period the Organization did not have any material recognizable events that required recognition in the disclosures to the June 30, 2015 financial statements.

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