

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2009

NASHVILLE ADULT LITERACY COUNCIL, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2009

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CONTENTS

	<u>Page</u>
Independent auditors' report .....	3
Financial statements:	
Statement of financial position.....	4
Statement of activities .....	5
Statement of functional expenses.....	6
Statement of cash flows.....	7
Notes to financial statements.....	8-10



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### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Nashville Adult Literacy Council, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nashville Adult Literacy Council, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Brown & Maguire CPAs, PLLC*

Brown & Maguire CPAs, PLLC  
September 28, 2009

NASHVILLE ADULT LITERACY COUNCIL, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2009

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ASSETS

**Current Assets:**

Cash – operating	\$ 2,295
Cash – money market	215,014
Unconditional promises to give	136,085
Prepaid expense	1,200
Deposit	<u>1,200</u>
Total current assets	<u>355,794</u>

**Office Equipment and Software:**

Office equipment and software	75,893
Less: accumulated depreciation	<u>(61,635)</u>
Total office equipment and software, net	<u>14,258</u>

Total assets	<u><u>\$ 370,052</u></u>
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LIABILITIES AND NET ASSETS

**Current Liabilities:**

Accounts payable	\$ <u>1,434</u>
Total current liabilities	<u>1,434</u>

**Net Assets:**

Unrestricted	232,533
Temporarily restricted	<u>136,085</u>
Total net assets	<u>368,618</u>

Total liabilities and net assets	<u><u>\$ 370,052</u></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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
United Way contributions .....	\$ 4,478	\$ 136,085	\$ 140,563
Corporate and foundation contributions..	202,562	-	202,562
Special events, net of direct costs of \$2,873 .....	28,416	-	28,416
Government grants .....	36,900	-	36,900
Church and individual contributions .....	3,582	-	3,582
Interest income .....	1,292	-	1,292
Net assets released from restrictions .....	136,951	(136,951)	-
Total support and revenue.....	<u>414,181</u>	<u>(866)</u>	<u>413,315</u>
<b>Expenses</b>			
Literacy program services .....	326,460	-	326,460
Management and general .....	15,551	-	15,551
Total expenses.....	<u>342,011</u>	<u>-</u>	<u>342,011</u>
Change in net assets.....	72,170	(866)	71,304
Net assets at beginning of year.....	160,363	136,951	297,314
Net assets at end of year .....	<u>\$ 232,533</u>	<u>\$ 136,085</u>	<u>\$ 368,618</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, 2009

	<b>Program Services</b>	<b>Supporting Services</b>	
	<b>Adult Literacy</b>	<b>Management and General</b>	<b>Total</b>
Book	\$ 36,857	\$ -	\$ 36,857
Banquet	3,430	-	3,430
Depreciation	-	8,133	8,133
Marketing	10,459	-	10,459
Telephone	-	739	739
Copier	3,980	-	3,980
Postage	1,719	-	1,719
Technology maintenance	19,222	-	19,222
Insurance	8,834	-	8,834
Compensation	223,180	-	223,180
Professional fees	-	2,300	2,300
Dues and subscriptions	844	-	844
Honorarium	589	-	589
Licenses and fees	-	270	270
Website	180	-	180
Conferences and training	-	2,331	2,331
Project Return	1,503	-	1,503
Occupancy	6,760	-	6,760
Bank fees	10	-	10
Contract labor	699	-	699
Internet	797	-	797
Learner and volunteer recognition	740	-	740
Printing	844	-	844
Travel	31	-	31
Miscellaneous	-	1,778	1,778
Office	5,782	-	5,782
Total expenses	<u>\$ 326,460</u>	<u>\$ 15,551</u>	<u>\$ 342,011</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, 2009

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**Cash flows from operating activities:**

Increase in net assets	\$ 71,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,133
Decrease in unconditional promises to give	866
Increase in other current assets	(2,400)
Increase in accounts payable	<u>823</u>
Net cash provided by operating activities	<u>78,726</u>

**Cash flows from investing activities:**

Purchases of software and equipment	<u>(3,554)</u>
Net cash used in investing activities	<u>(3,554)</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	75,172
Cash and cash equivalents, at beginning of the period	<u>142,137</u>
Cash and cash equivalents, at end of the period	<u>\$ 217,309</u>

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

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, 2009

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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 34% of the Organization's support for year ended June 30, 2009 came from allocations from the United Way.

*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, 2009

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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.

*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*

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

NASHVILLE ADULT LITERACY COUNCIL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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**2. Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets for the year ended June 30, 2009 were as follows:

	<b>Beginning of Year</b>	<b>Restricted Contributions</b>	<b>Released from Restriction</b>	<b>End of Year</b>
United Way .....	\$ 136,951	\$ 136,085	\$ (136,951)	\$ 136,085
	<u>\$ 136,951</u>	<u>\$ 136,085</u>	<u>\$ (136,951)</u>	<u>\$ 136,085</u>

**3. Operating Lease Commitments**

The Organization leases certain office space and office equipment under non-cancelable operating leases. Future minimum lease commitments under these lease agreements are as follows:

2010 .....	\$ 15,600
2011 .....	3,600
2012 .....	1,200
2013 .....	-
2014 .....	-
Thereafter.....	-
	<u>\$ 20,400</u>