

NASHVILLE ADULT LITERACY COUNCIL, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2011

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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) (the "Organization") as of June 30, 2011, 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 Organization as of June 30, 2011, 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 23, 2011

NASHVILLE ADULT LITERACY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011

ASSETS

Current Assets:

| | |
|--------------------------------|----------------|
| Cash – operating | \$ 94,646 |
| Cash – savings | 231,165 |
| Unconditional promises to give | 134,179 |
| Deposit | <u>1,200</u> |
| Total current assets | <u>461,190</u> |

Office Equipment and Software:

| | |
|--|-----------------|
| Office equipment and software | 77,551 |
| Less: accumulated depreciation | <u>(72,958)</u> |
| Total office equipment and software, net | <u>4,593</u> |

| | |
|--------------|--------------------------|
| Total assets | <u><u>\$ 465,783</u></u> |
|--------------|--------------------------|

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|---------------------------|---------------|
| Accounts payable | \$ 1,367 |
| Accrued payroll | <u>17,643</u> |
| Total current liabilities | <u>19,010</u> |

Net Assets:

| | |
|------------------------|----------------|
| Unrestricted | 312,594 |
| Temporarily restricted | <u>134,179</u> |
| Total net assets | <u>446,773</u> |

| | |
|----------------------------------|--------------------------|
| Total liabilities and net assets | <u><u>\$ 465,783</u></u> |
|----------------------------------|--------------------------|

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, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Support and revenue | | | |
| United Way contributions | \$ 10,325 | \$ 134,179 | \$ 144,504 |
| Corporate and foundation contributions.. | 207,832 | - | 207,832 |
| Special events, net of direct costs of \$1,671 | 29,254 | - | 29,254 |
| Citizenship grant | 74,900 | - | 74,900 |
| Church and individual contributions | 11,791 | - | 11,791 |
| Interest income | 906 | - | 906 |
| Net assets released from restrictions | 136,085 | (136,085) | - |
| Total support and revenue..... | <u>471,093</u> | <u>(1,906)</u> | <u>469,187</u> |
| Expenses | | | |
| Literacy program services | 463,017 | - | 463,017 |
| Management and general | 17,102 | - | 17,102 |
| Total expenses..... | <u>480,119</u> | <u>-</u> | <u>480,119</u> |
| Change in net assets..... | (9,026) | (1,906) | (10,932) |
| Net assets at beginning of year..... | 321,620 | 136,085 | 457,705 |
| Net assets at end of year | <u>\$ 312,594</u> | <u>\$ 134,179</u> | <u>\$ 446,773</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, 2011

| | Program Services | Supporting Services | |
|--------------------------------------|-----------------------------|-----------------------------------|-------------------|
| | Adult Literacy | Management and General | Total |
| Books | \$ 32,575 | \$ - | \$ 32,575 |
| Banquet | 3,662 | - | 3,662 |
| Depreciation | - | 4,337 | 4,337 |
| Marketing | 9,418 | - | 9,418 |
| Telephone | - | 921 | 921 |
| Citizenship | 5,293 | - | 5,293 |
| Copier | 4,425 | 100 | 4,525 |
| Postage | 1,059 | 50 | 1,109 |
| Technology maintenance | 10,218 | - | 10,218 |
| Insurance | 5,669 | 3,677 | 9,346 |
| Compensation | 353,767 | 1,600 | 355,367 |
| Benefits | 9,022 | 123 | 9,145 |
| Professional fees | - | 2,300 | 2,300 |
| Dues and subscriptions | 999 | - | 999 |
| Licenses and fees | - | 290 | 290 |
| Website | 159 | - | 159 |
| Conferences and training | - | 1,647 | 1,647 |
| Project Return | 949 | - | 949 |
| Occupancy | 18,690 | - | 18,690 |
| Bank fees | 11 | 23 | 34 |
| Contract labor | - | 1,461 | 1,461 |
| Internet | 1,077 | - | 1,077 |
| Learner and volunteer recognition | 602 | - | 602 |
| GED graduation | 765 | - | 765 |
| Miscellaneous | - | 573 | 573 |
| Office | 4,657 | - | 4,657 |
| Total expenses | <u>\$ 463,017</u> | <u>\$ 17,102</u> | <u>\$ 480,119</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, 2011

Cash flows from operating activities:

| | |
|---|---------------|
| Decrease in net assets | \$ (10,932) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 4,337 |
| Decrease in unconditional promises to give | 1,906 |
| Increase in accounts payable and accrued expenses | <u>17,547</u> |
| Net cash provided by operating activities | <u>12,858</u> |

Cash flows from investing activities:

| | |
|---|----------|
| Net cash provided by (used in) investing activities | <u>-</u> |
|---|----------|

Cash flows from financing activities:

| | |
|---|----------|
| Net cash provided by (used in) financing activities | <u>-</u> |
|---|----------|

| | |
|---|-------------------|
| Net increase in cash and cash equivalents | 12,858 |
| Cash and cash equivalents, at beginning of the period | <u>312,953</u> |
| Cash and cash equivalents, at end of the period | <u>\$ 325,811</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, 2011

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 31% of the Organization’s support for year ended June 30, 2011 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, 2011

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, 2011, 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

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, 2011

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, 2011 were as follows:

| | Beginning of Year | Restricted Contributions | Released from Restriction | End of Year |
|------------------|----------------------|-----------------------------|---------------------------------|-------------------|
| United Way | \$ 136,085 | \$ 134,179 | \$ (136,085) | \$ 134,179 |
| | <u>\$ 136,085</u> | <u>\$ 134,179</u> | <u>\$ (136,085)</u> | <u>\$ 134,179</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:

| | |
|-----------------|-----------------|
| 2012 | \$ 3,600 |
| 2013 | - |
| 2014 | - |
| 2015 | - |
| 2016 | - |
| Thereafter..... | - |
| | <u>\$ 3,600</u> |

4. Subsequent Events

The Organization has evaluated all events or transactions that occurred after June 30, 2011, through September 23, 2011, 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, 2011 financial statements.