

NEW MEXICO COALITION FOR LITERACY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

For the Years Ended June 30, 2010 and 2009

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Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors and Management
New Mexico Coalition for Literacy
Santa Fe, New Mexico

We have audited the accompanying statements of financial position of the New Mexico Coalition for Literacy, a not-for-profit corporation, as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 New Mexico Coalition for Literacy as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kubiak & Melton, LLC

Kubiak & Melton, LLC
December 31, 2010

NEW MEXICO COALITION FOR LITERACY
STATEMENTS OF FINANCIAL POSITION
June 30,

	2010	2009
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 129,639	\$ 147,277
Grants Receivable	175,220	213,916
Prepaid Expenses	-	994
Total Current Assets	304,859	362,187
Noncurrent Assets		
Rental Security Deposit	2,190	2,190
Investments in Endowment - Temporarily Restricted	11,892	10,715
Property and Equipment, Net	11,518	2,535
Total Assets	\$ 330,459	\$ 377,627
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts and Grants Payable	\$ 81,632	\$ 82,512
Accrued Salaries Payable	4,967	4,995
Accrued Annual Leave Payable	7,083	8,678
Accrued Payroll Taxes	10	2,997
Deferred Revenue	42,131	-
Line of Credit	183,168	260,200
Total Liabilities	318,991	359,382
NET ASSETS		
Unrestricted	(423)	7,530
Temporarily Restricted	11,891	10,715
Total Net Assets	11,468	18,245
 Total Liabilities and Net Assets	\$ 330,459	\$ 377,627

The accompanying notes are an integral part of these financial statements

NEW MEXICO COALITION FOR LITERACY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30,

	2010	2009
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
State of New Mexico Annual Appropriation		
Adult Literacy Contract	\$ 717,250	\$ 717,250
Other Grants and Contracts	11,202	3,750
Contributions	3,344	15,384
Interest Income	539	1,521
In-kind Revenue	66,480	1,567
Other	2,095	4,188
Total Revenues and Other Support	800,910	743,660
 Expenses		
Program Services	\$ 650,381	\$ 624,467
Management and General	133,101	125,576
Fundraising	25,381	32,436
Total Expenses	808,863	782,479
 Change in Net Assets	(7,953)	(38,819)
 Net Assets, Beginning of Year	7,530	46,349
 Net Assets, End of Year	\$ (423)	\$ 7,530
 TEMPORARILY RESTRICTED NET ASSETS		
Changes in Temporarily Restricted Net Assets		
Endowment Contributions	\$ 400	\$ 1,000
Endowment Income, Net	776	(3,109)
Total Changes in Temporarily Restricted Net Assets	1,176	(2,109)
 Temporarily Restricted Net Assets, Beginning of Year	10,715	12,824
 Temporarily Restricted Net Assets, End of Year	\$ 11,891	\$ 10,715

The accompanying notes are an integral part of these financial statements

**NEW MEXICO COALITION FOR LITERACY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (6,777)	\$ (40,928)
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Provided by Operating Activities:		
Depreciation	2,017	1,398
Changes in Assets and Liabilities		
Prepaid Expenses	994	-
Grants Receivable	38,696	(213,916)
Accounts and Grants Payable	(880)	(5,588)
Accrued Salaries Payable	(28)	38
Accrued Annual Leave Payable	(1,596)	117
Accrued and Withheld Payroll Taxes	(2,987)	229
Deferred Revenue	42,131	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	71,570	(258,650)
CASH FLOWS FROM INVESTING ACTIVITIES		
Endowment Contributions	(400)	(1,000)
Endowment income, Net	(776)	3,109
In-Kind Capital Asset Donations	(11,000)	-
NET CASH (PROVIDED) USED BY INVESTING ACTIVITIES	(12,176)	2,109
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on Line-of-Credit	42,968	380,400
Payments on Line-of-Credit	(120,000)	(120,200)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(77,032)	260,200
NET INCREASE (DECREASE) IN CASH	(17,638)	3,659
CASH AT BEGINNING OF YEAR	147,277	143,618
CASH AT END OF YEAR	\$ 129,639	\$ 147,277
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid for Interest	\$ 10,637	\$ 640
Non-Cash Revenue and Expense		
In-kind Revenue	\$ 66,480	\$ 1,567
In-kind Expense	(55,480)	(1,567)
In-kind Capital Assets Donated	\$ 11,000	\$ -

The accompanying notes are an integral part of these financial statements

**NEW MEXICO COALITION FOR LITERACY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel				
Salaries	\$ 43,621	\$ 52,429	\$ 8,808	\$ 104,858
Employee Benefits and Payroll Tax	<u>4,145</u>	<u>4,982</u>	<u>837</u>	<u>9,964</u>
Total Personnel	<u>47,766</u>	<u>57,411</u>	<u>9,645</u>	<u>114,822</u>
 Operating Expenses				
Facility Costs	13,470	16,190	2,720	32,380
Telephone and Internet	3,459	4,157	698	8,314
Grants and Contractual Services	521,691	-	-	521,691
Professional Fees	20,378	416	-	20,794
Office Expenses	2,846	3,421	575	6,842
General	14,602	17,551	2,949	35,102
Fundraising	569	569	1,139	2,277
Postage	1,254	1,507	253	3,014
Travel	333	400	67	800
Insurance	1,801	2,165	364	4,330
Research	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Operating Expenses	<u>581,403</u>	<u>46,376</u>	<u>8,765</u>	<u>636,544</u>
 Other Expenses				
Depreciation	101	1,916	-	2,017
In-kind Expense	<u>21,111</u>	<u>27,398</u>	<u>6,971</u>	<u>55,480</u>
Total Other Expenses	<u>21,212</u>	<u>29,314</u>	<u>6,971</u>	<u>57,497</u>
 Total Expenses	<u>\$ 650,381</u>	<u>\$ 133,101</u>	<u>\$ 25,381</u>	<u>\$ 808,863</u>

The accompanying notes are an integral part of these financial statements

**NEW MEXICO COALITION FOR LITERACY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel				
Salaries	\$ 52,067	\$ 70,361	\$ 18,294	\$ 140,722
Employee Benefits and Payroll Tax	<u>6,156</u>	<u>8,320</u>	<u>2,163</u>	<u>16,639</u>
Total Personnel	<u>58,223</u>	<u>78,681</u>	<u>20,457</u>	<u>157,361</u>
Operating Expenses				
Facility Costs	11,663	15,760	4,098	31,521
Telephone and Internet	3,075	4,156	1,080	8,311
Grants and Contractual Services	523,406	-	-	523,406
Professional Fees	5,492	112	-	5,604
Office	2,367	3,199	832	6,398
General	12,665	17,114	4,450	34,229
Postage	1,646	2,226	579	4,451
Travel	1,443	1,949	507	3,899
Insurance	1,234	1,667	433	3,334
Research	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Operating Expenses	<u>563,991</u>	<u>46,183</u>	<u>11,979</u>	<u>622,153</u>
Other Expenses				
Depreciation	1,328	70	-	1,398
In-kind Expense	<u>925</u>	<u>642</u>	<u>-</u>	<u>1,567</u>
Total Other Expenses	<u>2,253</u>	<u>712</u>	<u>-</u>	<u>2,965</u>
Total Expenses	<u>\$ 624,467</u>	<u>\$ 125,576</u>	<u>\$ 32,436</u>	<u>\$ 782,479</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO COALITION FOR LITERACY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The New Mexico Coalition for Literacy (Coalition) is a not-for-profit corporation established in 1987 to coordinate, expand, and enhance adult and intergenerational literacy services in New Mexico. Coalition projects include operating a statewide toll free referral, recruitment, and information hotline; administration of the State of New Mexico's appropriation relating to the Adult Literacy Program; development and operation of the New Mexico Literacy Resources Center; and operation of a Literacy Training and Technical Assistance Program.

Basis of Accounting

The financial statements of the Coalition are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Coalition's financial statements are presented according to Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958. Under FASB ASC No. 958, the Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted assets were held during the year; accordingly, these financial statements do not reflect any activity related to this class of net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Coalition considers all demand and savings accounts to cash and cash equivalents.

Concentrations of Risk

The Coalition maintains cash and cash equivalents with one financial institution. At times, these amounts may exceed the limits of FDIC insured limits. The Coalition believes that no significant credit risk exists with respect to cash. At June 30, 2010, the Coalition's cash balance with this bank did not exceed the FDIC insured limit of \$250,000. The Coalition has not experienced any losses on these accounts.

Property and Equipment, Net

Property and equipment is recorded at cost or fair market value, if donated. The policy of the Coalition is to capitalize assets with a fair market value of \$500 or more. Depreciation, which is the systematic and rational allocation of the cost of an asset over its useful life, is provided for using the straight line method. Property and equipment are presented net of accumulated depreciation.

NEW MEXICO COALITION FOR LITERACY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Coalition has acquired most of their furniture and equipment with state and private grant money. The title of these assets remains with the grantor. However, the Coalition can continue to use the assets as long as the funding relationship remains in effect.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Coalition reports this support as unrestricted. When a restriction expires, (when a stipulated time restriction ends or the purpose for the restriction is fulfilled), temporarily restricted net assets are reported in the Statement of Activities and Changes in Net Assets as unrestricted net assets.

Donated Services

A large number of people have contributed significant amounts of time to the activities of the Coalition without receiving compensation in return. The financial statements do reflect the value of those contributed services because, although clearly substantial, no reliable basis exists for determining an appropriate amount. GAAP requires that professional service hours (attorneys, accountants, doctors...etc.) be recorded in the financial statements. However, volunteer hours for unspecified or general services are not.

Net Assets

Net assets are composed of the following:

Unrestricted Net Assets – net assets that are no subject to restrictions.

Temporarily Restricted Net Assets – net assets that are subject to restrictions imposed by donors, grantors, or contractual provisions that may or will be met by the occurrence of specific events or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. There were no unconditional promises to give at year-end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

**NEW MEXICO COALITION FOR LITERACY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assumptions that affect the reported amounts of 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.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, expenses by function have been allocated among program and supporting services classifications on the basis of estimates made by management.

Income Taxes

The Coalition is a not-for-profit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code. As such, its activities generally will not result in any income tax liability. In addition, the Coalition qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not private foundation under Section 509(a)(2).

Deferred Revenue

Grant awards received for specific purposes are recognized as support to the extent of related expenses incurred in compliance with the specific restrictions. The unexpended funds are reported as deferred revenue in the Statement of Financial Position.

Grants Payable

Grants to subrecipients that are authorized and granted, but unpaid at year end, are reported as accounts and grants payable in the Statement of Financial Position. The Coalition had \$73,723 and \$62,792 of grants authorized and unpaid at June 30, 2010 and 2009, respectively. The grants related to local literacy projects within the State of New Mexico. All grants payable are expected to be paid within the next fiscal year.

NOTE B – LINE OF CREDIT

The Coalition extended the open end line-of-credit for \$300,000 in June, 2010, with a maturity date of June, 2011. Repayment of the loan is due at maturity. The interest rate is variable at 1% above the Wall Street Journal prime rate, and accrued interest is due monthly. The balance outstanding at June 30, 2009 was \$260,200.

**NEW MEXICO COALITION FOR LITERACY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE B – LINE OF CREDIT (continued)

For the year ended June 30, 2010, the Coalition's account activity is summarized as follows:

Balance at June 30, 2009	\$ 260,200
Advances	42,968
Repayments	<u>(120,000)</u>
Balance at June 30, 2010	<u>\$ 183,168</u>

The interest expense for the years ended June 30, 2010 and 2009 were \$10,637 and \$640 respectively.

NOTE C – INVESTMENTS IN ENDOWMENT

In 1992, the Coalition transferred assets to the Albuquerque Community Foundation (Foundation) in order to establish the New Mexico Coalition for Literacy Fund (Fund). The Foundation manages the funds under an endowment agreement in accordance with the articles of incorporation and bylaws of the Foundation. The Coalition is the sole beneficiary of the endowment agreement.

The Fund is to be used for support of the charitable purposes of the Coalition. Net income of the Fund, after investment expenses, is to be paid and distributed to the Coalition annually. The Coalition may, by written notice to the Foundation, elect to add all or part of the new income back to the principal of the fund. Distributions of principal from the Fund may be made upon written recommendation of the Coalition and approval of the Foundation.

If the Foundation ceases to be a charitable organization or if the Foundation proposes to dissolve, the assets of the Fund shall, after payment or making provision for payment of any liabilities properly chargeable to the fund, be distributed to the Coalition. If the Coalition is not then a qualified charitable organization, the assets of the Fund shall be distributed in such manner and to such organization or organizations in the New Mexico community as satisfies the requirements of a qualified charitable organization and serves purposes similar to those of the Coalition.

Endowment income consists of interest, dividends, and realized and unrealized gains and losses, and is reported net of related investment expenses in the Statement of Activities and Changes in Net Assets. The amount of expenses netted with income was \$133 and \$118 for the years ended June 30, 2010 and 2009, respectively.

A total of \$400 was contributed to be invested in the endowment during fiscal 2010.

**NEW MEXICO COALITION FOR LITERACY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	June 30, 2009	Additions	Deletions	June 30, 2010
Computer Equipment	\$ 44,113	\$ -	\$ -	\$ 44,113
Furniture and Fixtures	4,385	10,000		14,385
Office Equipment	<u>14,818</u>	<u>1,000</u>	-	<u>15,818</u>
	63,316	11,000	-	74,316
Accumulated Depreciation	<u>(60,781)</u>	<u>(2,017)</u>	-	<u>(62,798)</u>
Property and Equipment, Net	<u>\$ 2,535</u>	<u>\$ 8,983</u>	<u>\$ -</u>	<u>\$ 11,518</u>

NOTE E – OPERATING LEASES

The Coalition is obligated under four operating leases. In January, 2000, the Coalition entered into a five year lease on a new office facility located in Santa Fe, New Mexico. The lease was renewed in May, 2005 and again in May, 2010, for five years. Current monthly lease payments for the building are \$2,372. Rental expense for the office facility was \$28,464 and \$28,041 for the years ended June 30, 2010 and 2009. In addition, the Coalition leases a color printer, a copier, and a postage machine.

The future minimum lease payments of the operating leases are as follows:

Year Ending June 30	<u>Amount</u>
2011	\$ 8,933
2012	8,467
2013	6,984
2014	6,716
2015	<u>6,716</u>
Total	<u>\$ 37,816</u>

NOTE F – CONTINGENCIES

Grants and Contract Provisions

Grants and professional service contracts awarded to the Coalition are subject to the funding agencies' criteria, contract terms, and regulations under which expenditures may be charged. These costs are subject to audit under such terms, regulations, and criteria. Such audits may determine that certain costs incurred against the grants or professional service contracts do not

**NEW MEXICO COALITION FOR LITERACY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE F – CONTINGENCIES (continued)

comply with the established criteria that govern them. In such cases, the Coalition could be held responsible for repayments to the funding agency for the questioned costs or be subject to the reductions of future funding in the amount of the questioned costs. Management does not anticipate any material questioned costs for the grants and professional service contracts administered in the years under audit.

Economic Dependency

The Coalition received 98% and 96% of its revenue from a New Mexico Department of Cultural Affairs State Library Appropriation for the years ended June 30, 2010 and 2009, respectively. The Coalition might not be able to continue as a going concern if the funding is not continued.

Risk Management

The Coalition is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Coalition has obtained commercial insurance coverage to protect itself against such losses.

NOTE G – SUBSEQUENT EVENTS

As shown on the Statements of Financial Position, the balance in the Line of Credit account was \$183,168 at June 30, 2010. Since that time, the Coalition has been able to pay off that liability entirely.