

New Mexico Coalition for Literacy

Financial Statements

Years Ended June 30, 2015 and 2014

New Mexico Coalition for Literacy

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of New Mexico Coalition for Literacy (the Organization) (a nonprofit 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 Organization'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 Organization'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 New Mexico Coalition for Literacy as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of New Mexico Coalition for Literacy as of June 30, 2014, were audited by other auditors whose report dated December 23, 2014, expressed an unmodified opinion on those statements. In their opinion, the financial statements presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
January 18, 2016

New Mexico Coalition for Literacy
Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 3,862	\$ 4,558
Grants receivable	246,586	169,270
Prepaid asset	-	526
Total current assets	250,448	174,354
Rental security deposit	2,517	2,517
Investment in endowment- permanently restricted	21,675	21,446
Property and equipment, net of accumulated depreciation	890	3,219
Total assets	\$ 275,530	\$ 201,536
Liabilities and Net Assets		
Current liabilities		
Accounts and grants payable	\$ 94,488	\$ 48,759
Accrued salaries payable	9,598	7,606
Accrued annual leave payable	6,194	6,467
Unearned revenue	-	8,092
Line of credit	117,083	99,451
Total current liabilities	227,363	170,375
Net assets		
Unrestricted	26,492	9,715
Permanently restricted	21,675	21,446
Total net assets	48,167	31,161
Total liabilities and net assets	\$ 275,530	\$ 201,536

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

**New Mexico Coalition for Literacy
Statements of Activities
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Unrestricted Net Assets		
Revenue and Support		
State of New Mexico Annual Appropriation Adult Literacy Contract	\$ 730,000	\$ 505,000
Contributions	21,972	10,787
Fundraising	1,691	2,626
Interest income	632	550
In-kind revenue	142,287	8,096
Other income	2,040	1,644
Total revenue and support	898,622	528,703
Functional Expenses		
Program services	829,584	487,920
Management and general	44,606	24,617
Fundraising	7,656	6,638
Total functional expenses	881,845	519,175
Change in unrestricted net assets	16,777	9,528
Permanently restricted net assets:		
Endowment income, net	229	2,471
Change in permanently restricted net assets	229	2,471
Change in net assets	17,006	11,999
Net assets, beginning of the year	31,161	19,162
Net assets, end of the year	\$ 48,167	\$ 31,161

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, 2015**

	Program Services	Management and General	Fundraising	Total
Compensation and related expenses				
Salaries	\$ 130,306	\$ 11,583	\$ 2,896	\$ 144,785
Employee benefits and payroll taxes	18,030	1,603	400	20,033
Total compensation and related expenses	148,336	13,186	3,296	164,818
Operating expenses:				
Facility costs	34,558	1,920	1,920	38,398
Telephone and internet	12,350	2,316	772	15,438
Grants and contractual services	457,277	-	-	457,277
Professional expenses	20,115	5,029	-	25,144
Office expenses	4,150	778	259	5,187
General expenses	10,272	1,926	642	12,840
Advertising	6,142	1,152	384	7,677
Postage	649	122	41	811
Travel	2,285	428	143	2,856
Interest	-	2,373	-	2,373
Insurance	3,203	601	200	4,004
Total operating expenses	551,001	16,644	4,361	572,005
Other expenses:				
Depreciation	2,189	547	-	2,736
In-kind expenses	128,058	14,229	-	142,287
Total other expenses	130,247	14,776	-	145,023
Total Functional expenses	<u>\$ 829,584</u>	<u>\$ 44,606</u>	<u>\$ 7,656</u>	<u>\$ 881,846</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, 2014**

	Program services	Management and General	Fundraising	Total
Compensation and related expenses				
Salaries	\$ 102,900	\$ 9,145	\$ 2,285	\$ 114,330
Employe benefits and payroll taxes	13,012	1,157	289	14,458
	<hr/>	<hr/>	<hr/>	<hr/>
Total compensation and related expenses	115,912	10,302	2,574	128,788
Operating expenses:				
Facility costs	32,643	1,814	1,814	36,270
Telephone and internet	5,150	966	322	6,437
Grants and contractual services	287,326	-	-	287,326
Professional expenses	11,080	2,770	-	13,850
Office expenses	3,825	717	239	4,781
General expenses	14,473	2,714	905	18,091
Advertising	494	93	31	617
Fundraising expenses	-	-	321	321
Postage	1,085	203	68	1,356
Travel	3,090	579	193	3,862
Interest	-	2,433	-	2,433
Insurance	2,762	518	173	3,452
Total operating expenses	<hr/> 361,926	<hr/> 12,806	<hr/> 4,064	<hr/> 378,796
Other expenses:				
Depreciation	2,796	699	-	3,495
In-kind expenses	7,286	810	-	8,096
Total other expenses	<hr/> 10,082	<hr/> 1,509	<hr/> -	<hr/> 11,591
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional expenses	<u>\$ 487,920</u>	<u>\$ 24,617</u>	<u>\$ 6,638</u>	<u>\$ 519,175</u>

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, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ 17,006	\$ 11,999
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,736	3,495
Change in assets and liabilities causing increase (decrease) in cash:		
Grants receivable	(77,316)	(99,644)
Prepaid expenses	526	9,647
Accounts payable	45,731	44,867
Accrued payroll liabilities	1,992	2,512
Accrued annual leave	(273)	(1,419)
Unearned revenue	(8,092)	6,513
Net cash used by operating activities	(17,690)	(22,030)
Cash Flows from Investing Activities:		
Endowment income	(229)	(2,531)
Fixed asset disposals	(409)	260
Net cash used by investing activities	(638)	(2,271)
Cash Flows from Financing Activities:		
Advances from line of credit	187,132	312,543
Payments to line of credit	(169,500)	(331,532)
Net cash provided (used) by financing activities	17,632	(18,989)
Net decrease in Cash and Cash Equivalents	(696)	(43,290)
Cash and Cash Equivalents, Beginning of the Year	4,558	47,848
Cash and Cash Equivalents, End of the Year	\$ 3,862	\$ 4,558

Supplemental Disclosures of Cash Flows Information

Cash paid during the year for interest	\$ 2,373	\$ 2,433
Cash paid during the year for taxes	\$ -	\$ -
Noncash in-kind services received	\$ 142,287	\$ 8,096

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

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 1: Organization and Nature of Activities

New Mexico Coalition for Literacy ("NMCL") is a not-for-profit corporation established in 1987 to coordinate, expand, and enhance adult and intergenerational literacy services in New Mexico. NMCL 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.

NMCL is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service.

During fiscal years 2015 and 2014, NMCL received an appropriation from the State of New Mexico to provide Basic Literacy Education through the state of New Mexico.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting: NMCL prepares its financial statements on the accrual basis of accounting and accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation: The financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards (the Codification) FASB ASC 958. Under FASB ASC 958, net assets, revenues, and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the NMCL and changes therein are classified and reported as follows:

Unrestricted Net Assets – Unrestricted net assets represent resources that are not subject to donor-imposed stipulations and over which the Board of Directors has discretionary control. Net assets received and expended within the reporting period are reported in the Statement of Activities as unrestricted support or revenue.

Temporarily restricted net assets represent donations and grants received by NMCL in which the donor has placed a time restriction or purpose restriction upon the donation. When the terms of the restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets – Permanently restricted net assets represent resources that are subject to donor-imposed stipulations. Generally, the donors of these assets permit New Mexico Coalition for Literacy to use all or part of the assets for the benefit of the program services.

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 assumptions which affect certain reported amounts and disclosures. NMCL's estimates include the useful lives of depreciable assets, which determine the amount of depreciation expense recorded in the statement of activities, and estimates made when allocating expenses by function. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash – For purposes of the Statement of Cash Flows, the NMCL considers all short-term investments with an original maturity of three months or less to be cash equivalents.

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 2: Summary of Significant Accounting Policies (Continued)

Receivables – Accounts, grant receivables and promises to give are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. As of June 30, 2015 and 2014, all accounts and grants receivable are deemed to be collectible. Grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted grants and contributions 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 released to unrestricted net assets.

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.

Investment Valuation and Income Recognition: NMCL's investments are stated at fair value in the statement of financial position, with all gains and losses included in the statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion on fair value measurement.

Investments acquired by gift are recorded at their fair value at the date of the gift. NMCL's policy is to liquidate all gifts of investments as soon as possible after the gift.

Investments are made according to the investment policies adopted by the Board of Trustees. These guidelines provide for a balanced diversified portfolio with investments in equities, fixed income and other securities with performance measured against appropriate indices. Outside parties are contracted by NMCL for the purpose of providing investment management.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investment for the year, or since the acquisition date, if acquired during the year.

Property and Equipment – Property and equipment are carried at cost or, if donated, at the estimated market value at the time of donation. The policy of the NMCL is to capitalize assets with a fair market value of \$500 or more. Depreciation is computed by using the straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized as revenue or expense for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The NMCL reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Depreciation expense was \$2,736 and \$3,495 for June 30, 2015 and 2014, respectively.

Grants Payable – Grants to sub-recipients that are authorized and granted, but unpaid at year end, are reported as accounts and grants payable in the Statement of Financial Position. The NMCL had \$0 and \$9,010 of grants authorized and unpaid for the fiscal years ending June 30, 2015 and 2014, respectively. The grants relate to local literacy projects within the State of New Mexico.

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 2: Summary of Significant Accounting Policies (Continued)

Accrued Leave – Employees of the NMCL receive paid vacation depending on length of service, and other factors. The accrual can be reasonably estimated, and accordingly, a liability has been recorded in the accompanying financial statements.

Unearned 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 unearned revenue in the Statement of Financial Position.

Functional Expense Allocation – Functional expenses have been allocated between Program Services, Support Services and Fundraising in the Statement of Activities and Statement of Functional Expenses based upon direct charges and expense allocations, as governed by approved cost reimbursement grants and contract budgets.

Donated Materials, Equipment, and Services – Donated materials and equipment are recorded as contributions at their estimated values at the date of receipt. In-kind services, which are defined as donations of services that would have to be purchased in order for the NMCL to operate if not donated, are recorded as revenue and expenses in the Statement of Activities for the fair market value of the services received. Volunteer services, which are not considered necessary for operations to continue, are not reflected in the financial statements, as no objective basis is available to measure the value of such services.

Restricted and Unrestricted Support and Revenue – All contributions are considered to be available for unrestricted use unless specifically restricted by donor. Amounts received that are restricted or permanently restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction. If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as unrestricted.

Federal Income Taxes – New Mexico Coalition for Literacy is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As of June 30, 2015, the NMCL did not receive any unrelated business income. Accordingly, no liability or provision for federal income taxes is included in the accompanying financial statements. In general, federal income tax returns are subject to a 3 year statute of limitation from the filing date. NMCL files its forms 990-PF in the U.S. federal jurisdiction. NMCL is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

Uncertain Tax Positions: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, an organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of an organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended June 30, 2015.

**New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014**

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses: The costs of providing NMCL's programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk – The NMCL maintains cash balances at financial institutions which cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. The NMCL believes that no significant credit risk exists with respect to cash. At June 30, 2015 and 2014, the NMCL's cash balance with this bank did not exceed the FDIC insured limit of \$250,000. The NMCL has not experienced any losses on these accounts.

Analysis for Impairment – Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such assets at June 30, 2015 or 2014.

Management Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Advertising Costs - Advertising costs are expensed when incurred. Advertising expense was \$7,677 and \$617 for the fiscal years ended June 30, 2015 and 2014, respectively.

Endowments of Not-for-Profit Organizations - Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). NMCL has determined that it is subject to the UPMIFA.

Note 3: Property and Equipment

Major classes of property and equipment and accumulated depreciation are as follows at June 30, 2015 and 2014:

	Estimated Useful Life (Years)	2015	2014
	<u> </u>	<u> </u>	<u> </u>
Furniture and fixtures	5	\$ 18,295	\$ 18,295
Computer equipment	5	27,587	27,587
Office equipment	5	<u>7,007</u>	<u>7,007</u>
Total property and equipment		52,889	52,889
Less accumulated depreciation		<u>(51,999)</u>	<u>(49,670)</u>
Property and equipment, net		<u>\$ 890</u>	<u>\$ 3,219</u>

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 4: Investments and Fair Value Measurements

In 1992, the NMCL transferred assets to the Albuquerque Community Foundation (the 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 NMCL. The NMCL is the sole beneficiary of the endowment agreement. The Fund is to be used for support of the charitable purposes of the NMCL. Net income of the Fund, after investment expenses, is to be paid and distributed to the NMCL annually. The NMCL may, by written notice of NMCL, 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 NMCL and approval of NMCL. If NMCL ceases to be a charitable organization or if NMCL 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 NMCL. If the NMCL 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 NMCL.

Endowment income consists of realized and unrealized gains and losses on these investments, and is reported in the Statement of Activities. Interest and dividends, and the fund's assessments and fees are included in unrestricted income.

Total investment income (loss) consists of the following for the year ended June 30, 2015 and 2014:

Interest and dividends	\$ 370	\$ 336
Realized/unrealized gains	100	2,345
Assessment for community support	(202)	(210)
Investment consulting fees	<u>(39)</u>	<u>-</u>
Net investment income	<u>\$ 229</u>	<u>\$ 2,471</u>

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 4: Investments and Fair Value Measurements (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that NMCL has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while NMCL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Endowment Fund and *Literacy Fund* investments are valued as reported by the Albuquerque Community Foundation.

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 4: Investments and Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, NMCL's assets at fair value as of June 30, 2015 and 2014:

	June 30, 2015			Total
	Level 1	Level 2	Level 3	
Albuquerque Community Foundation				
Endowment Fund	\$ -	\$ 18,210	\$ -	\$ 18,210
Literacy Fund	-	3,465	-	3,465
	<u>\$ -</u>	<u>\$ 21,675</u>	<u>\$ -</u>	<u>\$ 21,675</u>
Total	<u>\$ -</u>	<u>\$ 21,675</u>	<u>\$ -</u>	<u>\$ 21,675</u>
	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Albuquerque Community Foundation				
Endowment Fund	\$ -	\$ 18,017	\$ -	\$ 18,017
Literacy Fund	-	3,429	-	3,429
	<u>\$ -</u>	<u>\$ 21,446</u>	<u>\$ -</u>	<u>\$ 21,446</u>
Total	<u>\$ -</u>	<u>\$ 21,446</u>	<u>\$ -</u>	<u>\$ 21,446</u>

Note 5: Endowment Fund

NMCL's endowment consists of donor-restricted funds and includes a permanent endowment. The permanent endowment consists of the assets transferred to the Albuquerque Community Foundation (the Foundation) in 1992 (as described in Note 4). As required by accounting principles generally accepted in the United States, net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Trustees of NMCL has interpreted the New Mexico Prudent Management of Institutional Funds Act (NMPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NMCL classifies as permanently restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NMCL in a manner consistent with the standard of prudence prescribed by the NMPMIFA.

New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014

Note 5: Endowment Fund (Continued)

In accordance with the NMPMIFA, NMCL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of NMCL and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of NMCL, and
- The investment policies of NMCL.

Changes in the Endowment Net Assets for the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
Endowment net assets, beginning of year	\$ 21,446	\$ 18,975
Investment return:		
Interest and dividends	370	336
Realized/unrealized gains	100	2,345
Assessment for community support	(202)	(210)
Investment consulting fees	(39)	-
Endowment net assets, end of year	\$ 21,675	\$ 21,446

Permanently Restricted Net Assets: The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by NMPMIFA for the years ended June 30, 2015 and 2014 is \$21,675 and \$21,446, respectively.

Spending Policy and How the Investment Objectives Relate to Spending Policy: NMCL has a policy of appropriating, at a minimum, the *distributable amount*, as defined by the Internal Revenue Code applicable to private foundations. In establishing this policy, NMCL considered the long-term expected return on its endowment. Accordingly, over the long term, NMCL expects the current spending policy to allow its endowment to achieve returns in excess of the rate of inflation. This is consistent with NMCL's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

**New Mexico Coalition for Literacy
Notes to Financial Statements
June 30, 2015 and 2014**

Note 5: Endowment Fund (Continued)

Return Objectives and Risk Parameters: NMCL has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that NMCL must hold in perpetuity, or for a donor-specified period, and reinvested investment income. NMCL's policy, as approved by the Board of Directors, states that endowment assets are invested in a manner that is intended to meet or exceed market indexes selected and agreed upon annually by the Board, and documented in NMCL's *Statement of Investment Policy*. The level of overall risk for funds in the Endowment portfolio is consistent with the risk associated with each fund's appropriate benchmark. Over rolling three-to-five year periods, each fund is expected to outperform the appropriate benchmark.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, NMCL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NMCL targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds With Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires NMCL to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in temporarily restricted net assets. There were no such deficiencies as of June 30, 2015 and 2014.

Note 6: Accrued Leave

Leave (PTO) is earned according to Organization policies as described in Note 2. Accrued leave is payable to employees upon termination of employment. For the years ended June 30, 2015 and 2014, the amount accrued is \$6,194 and \$6,467, respectively.

Note 7: Donated Services

NMCL has recorded the estimated value of contributed goods and services received as an in-kind revenue and expense. The following is a summary of the classification of in-kind contributions:

	<u>2015</u>	<u>2014</u>
Public awareness	\$ 137,233	\$ -
Professional services	3,300	4,540
Travel	777	467
Administrative services	<u>977</u>	<u>3,089</u>
Total donated services	<u>\$ 142,287</u>	<u>\$ 8,096</u>

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Note 8: Operating Leases

The NMCL is obligated under two leases. In January, 2000, the NMCL 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. The lease is currently operating on a month-to-month basis. Current monthly lease payment for the building is \$2,543. Rental expense for the office facility was \$35,555 and \$32,720 for the fiscal years ended June 30, 2015 and 2014, respectively. In addition, the NMCL leases a copy machine for \$350 per month that expires in August 2015.

Note 9: Line of Credit

The NMCL has a line of credit, with an annual renewal in June. The current line of credit is due in June 2016. Repayment of the loan is due at maturity. The interest rate is 4.25%, and accrued interest is due monthly. The total line of credit is \$200,000. The balance is \$117,083 and \$99,451 for the fiscal years ended June 30, 2015 and 2014, respectively. The NMCL line of credit balance of \$117,083 as of June 30, 2015 was paid in full on July 29, 2015.

Note 10: Concentrations

The NMCL received 97% of its revenue (exclusive of in-kind) from the New Mexico Department of Cultural Affairs State Library Appropriation for the fiscal years ended June 30, 2015 and 2014. This source also accounted for 100% and 97% of the receivables at June 30, 2015 and 2014, respectively. The NMCL might be considered as a going concern if the funding is not continued.

Note 11: Grants and Contract Provisions

Grants and professional service contracts awarded to the NMCL 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 comply with the established criteria that govern them. In such cases, the NMCL 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 year under audit.

Note 12: Subsequent Events

The Organization has evaluated events subsequent to June 30, 2015 that would possibly require adjustment or disclosure under ASB ASC 855-10-50-1 in these financial statements through January 18, 2016, the date that these financial statements were available to be issued. As of this date, the Organization has received a renewed contract from the State of New Mexico to fund its operations