Nashville Adult Literacy Council, Inc.

Financial Statements
and Independent Auditor's Report

Year Ended June 30, 2005

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Jeffery N. Solomon
Certified Public Accountant

Independent Auditor's Report

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

I have audited the accompanying statement of financial position of Nashville Adult Literacy Council, Inc. (a nonprofit organization) as of June 30, 2005, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Adult Literacy Council, Inc. as of June 30, 2005, 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.

Jeffery N. Solomon, CPA
October 25, 2005

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Nashville Adult Literacy Council, Inc.
Statement of Financial Position
Year Ended June 30, 2005

ASSETS

Current Assets:		
Cash- Operating		$ 36,307
Cash- Money Market		61,474
Total Current Assets		97,781
Property and Equipment		
Office Equipment		50,808
Less: Accumulated Depreciation		(43,138)
		7,670
Total Assets		$ 105,451

LIABILITIES

Current Liabilities:		
Accrued Payroll Taxes	$ 2,091	
		$ 2,091

NET ASSETS

Unrestricted net assets	98,260	
Temporarily restricted net assets	5,100	
		103,360
Total Liabilities and Net Assets		$ 105,451

Nashville Adult Literacy Council, Inc.
Statement of Activities
For the Year Ended June 30, 2005

Unrestricted Net Assets	
Unrestricted Revenues and Gains	
Foundation Grants	$ 79,174
Government Grants	38,600
Corporate Contributions	19,667
Churches and Other Contributions	24,642
Fundraising	20,984
Investment Return	1,037
Total Revenues, Gains, and Other Support	184,104
Expenses	
Program Services	
Literacy Program Services	145,764
Supporting Services	
Management and General	7,610
Fundraising	5,906
Total Expenses	159,280
Changes in Net Assets	24,824
Beginning Net Assets	78,536
Ending Net Assets	$ 103,360

Nashville Adult Literacy Council, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2005

	Program Services	Supporting Services		
	Adult Literacy Program	Management and General	Fund-Raising	Total
Book Expense	$15,615	$0	$0	$15,615
Depreciation	0	1,808	0	1,808
Telephone	0	294	0	294
Copier Expense	0	3,453	0	3,453
Postage	1,695	0	0	1,695
Printing	527	0	0	527
Insurance	5,527	0	0	5,527
Compensation	103,016	0	0	103,016
Payroll Taxes	8,244	0	0	8,244
Legal and Accounting	0	1,835	0	1,835
Fund-raising				
At-home tea	0	0	685	685
Spelling Bee	0	0	383	383
Literary Event	0	0	4,838	4,838
Dues and Subscriptions	770	0	0	770
Honorarium	180	0	0	180
Licenses and Fees	0	220	0	220
Website	108	0	0	108
Project Return	4,914	0	0	4,914
Miscellaneous	1,814	0	0	1,814
Office Expense	3,354	0	0	3,354
	$145,764	$7,610	$5,906	$159,280

Nashville Adult Literacy Council, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 24,824
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	1,808
Payroll Taxes Payable	(64)
Net cash provided by operating activities	26,568
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property and equipment	(1,779)
Net cash used by investing activities	(1,779)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net cash used by financing activities	0
Net Increase (Decrease) in Cash	24,789
Beginning Cash	72,992
Ending Cash Balance	97,781

Nashville Adult Literacy Council, Inc.
Notes to Financial Statements

Note A- Summary of Significant Accounting Policies

Nature of Activities

Nashville Adult Literacy Council, Inc. (the organization) teaches adults to read and teaches adult immigrants to read, write, speak, and understand English in the Nashville, TN 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, grants, and the United Way. Approximately 36% and 8% of the Organization's support for year ended June 30, 2005 came from allocations from the United Way and corporations respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash. The organization maintains a money market account with a balance of $61,474.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

All acquisitions of property and equipment in excess of $500 are capitalized. Property and equipment are carried at cost and depreciation is computed using the straight-line method. Depreciation expense for the period was $1,808.

Income Taxes

The organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundation.

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the organization 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. Temporarily restricted net assets in the amount of $5,100 are available for the purchase of computers and periphery equipment in the subsequent period.

Nashville Adult Literacy Council, Inc.
Notes to Financial Statements

Contributions
Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor imposed restrictions.

Note B- Expense Allocation
Functional Expenses
The costs of providing the organization's primary program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program, supporting, and fund-raising services benefited. Management uses the direct cost allocation method to allocate cost among the functional areas.

Note C- Fund-raising
Fund-Raising
For the year ended June 30, 2005, fund-raising campaigns generated revenues of $20,984. Expenses were $5,906 or 28% of the total fund-raising contribution revenue.

Note D- Donated Services
Volunteer Services
The tutors' volunteer services do not meet the criteria for recognition in the financial statements and has not been recorded. The services do not create or enhance a nonfinancial asset and do not require specialized skills.