

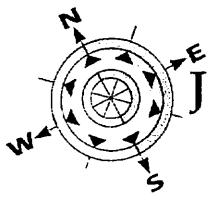
Nashville Adult Literacy Council, Inc.

**Financial Statements
and Independent Auditor's Report**

Year Ended June 30, 2006

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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, 2006, 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, 2006, 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

November 1, 2006

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Nashville Adult Literacy Council, Inc.
Statement of Financial Position
Year Ended June 30, 2006

ASSETS

Current Assets:

Cash- Operating	\$ 6,613
Cash- Money Market	91,389
Total Current Assets	<u>98,002</u>

Property and Equipment

Office Equipment	56,555
Less: Accumulated Depreciation	(45,521)
	<u>11,034</u>

Total Assets	<u><u>\$ 109,036</u></u>
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LIABILITIES

Current Liabilities:

Accrued Payroll Taxes	<u>\$ 1,846</u>	
		\$ 1,846

NET ASSETS

Unrestricted net assets	<u>107,190</u>	
		<u>107,190</u>

Total Liabilities and Net Assets	<u><u>\$ 109,036</u></u>
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Nashville Adult Literacy Council, Inc.
Statement of Activities
For the Year Ended June 30, 2006

Revenues and Other Support

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Foundation Grants	\$ 99,356	\$0	\$ 99,356
Government Grants	41,000	0	41,000
Corporate Contributions	44,402	0	44,402
Churches and Other Contributions	35,364	0	35,364
Fundraising	27,583	0	27,583
Investment Return	3,915	0	3,915

Net Assets Released From Restrictions

Restriction satisfied by equipment acquisition		(5,100)	(5,100)
Restriction satisfied by payment	5,100		5,100

Total Revenues, Gains, and Other Support	256,720	(5,100)	251,620
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Expenses

Program Services

Literacy Program Services	222,512	0	222,512
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Supporting Services

Management and General	15,256	0	15,256
Fundraising	10,022	0	10,022

Total Expenses	247,790	0	247,790
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Changes in Net Assets	8,930	(5,100)	3,830
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Beginning Net Assets	98,260	5,100	103,360
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Ending Net Assets	<u>\$ 107,190</u>	<u>\$ -</u>	<u>\$ 107,190</u>
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Nashville Adult Literacy Council, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2006

	<u>Program Services</u>	<u>Supporting Services</u>		
	Adult Literacy Program	Management and General	Fund- Raising	Total
Book Expense	\$25,037	\$0	\$0	\$25,037
Depreciation	0	2,383	0	2,383
Telephone	0	686	0	686
Copier Expense	0	3,720	0	3,720
Postage	1,853	0	0	1,853
Printing	3,836	0	0	3,836
Insurance	7,309	0	0	7,309
Compensation	154,276	0	0	154,276
Payroll Taxes	12,373	0	0	12,373
Legal and Accounting	0	2,045	0	2,045
Fund-raising				
At-home tea	0	0	481	481
Spelling Bee	0	0	488	488
Literary Event	0	0	9,053	9,053
Dues and Subscriptions	550	0	0	550
Honorarium	1,090	0	0	1,090
Licenses and Fees	0	220	0	220
Website	2,143	0	0	2,143
Conferences and Training	0	6,202	0	6,202
Project Return	7,560	0	0	7,560
Miscellaneous	2,801	0	0	2,801
Office Expense	3,684	0	0	3,684
	<u>\$222,512</u>	<u>\$15,256</u>	<u>\$10,022</u>	<u>\$247,790</u>

Nashville Adult Literacy Council, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 3,830
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	2,383
Payroll Taxes Payable	<u>(246)</u>
Net cash provided by operating activities	5,967

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property and equipment	<u>(5,747)</u>
Net cash used by investing activities	(5,747)

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used by financing activities	<u>0</u>
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Net Increase (Decrease) in Cash	220
Beginning Cash	<u>97,782</u>
Ending Cash Balance	<u><u>\$ 98,002</u></u>

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 29% and 18% of the Organization's support for year ended June 30, 2006 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 \$91,389.

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 \$2,383.

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. Restrictions on temporarily restricted net assets from the period ended June 30, 2005 in the amount of \$5,100 were satisfied with the purchase of computer equipment.

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, 2006, fund-raising campaigns generated revenues of \$27,583. Expenses were \$10,022 or 36% 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.