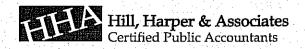
Financial Statements — Modified Cash Basis

December 31, 2006

(With Accountants Review Report Thereon)



Accountants Review Report

Terry A. Hill Ernest R. Harper The Board of Directors
Nashville Area Association for the
Education of Young Children
Nashville, TN

761 Old Hickory Boulevard Suite 206 Brentwood, TN 37027 TEL: 615/377-3485 FAX: 615/377-3488

We have reviewed the accompanying statement of assets, liabilities, and net assets — modified cash basis of Nashville Area Association for the Education of Young Children as of December 31, 2006, and the related statement of revenues, expenses and changes in net assets — modified cash basis for the six month period from July 1, 2006 to December 31, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Nashville Area Association for the Education of Young People.

A review consists principally of inquires of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in note 1.

Hill, Hager & Associates

June 21, 2007

Statement of Assets, Liabilities and Net Assets – Modified Cash Basis December 31, 2006

Assets

Assets: Cash	\$ 127,062
Total assets	\$ 127,062
Liabilities and Net Assets	
Liabilities:	
Payroll taxes payable	\$ 163
Total liabilities	163
Net assets:	
Unrestricted net assets	76,899
Temporarily restricted net assets	50,000
Total net assets	126,899
Total liabilities and net assets	\$ 127,062

See accompanying notes and accountants report.

Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis

For the Period from July 1, 2006 to December 31, 2006

		Temporarily			
	Ī	Inrestricted	Restricted	<u>Total</u>	
Revenues					
HCA grant	\$		66,666	66,666	
Dues		2,542	_	2,542	
ECE income		17,746	-	17,746	
Interest		248	_	248	
Advertising		80	-	80	
Miscellaneous	_	1,177		1,177	
Total revenues		21,793	66,666	88,459	
Net assets released from					
restrictions	_	16,666	(16,666)		
		38,459	50,000_	88,459	
Expenses					
Salaries and benefits		6,727	_	6,727	
Accounting fees		400	_	400	
Board training		506	_	506	
Copier		236	_	236	
ECE expense		3,751	_	3,751	
Insurance		1,581	—	1,581	
Internet		304	_	304	
Legal		340	_	340	
Marketing		732	_	732	
Membership meetings		28	_	28	
Postage		454	_	454	
Printing		1,845	—	1,845	
Newsletter		782		782	
Office supplies		1,132		1,132	
Rent		1,590	_	1,590	
Contract labor		20,280	_	20,280	
Telephone		949	_	949	
Web page		169	-	169	
Grants to other agencies		8,500		8,500	
Total expenses	_	50,306		50,306	
Increase (decrease) in net assets		(11,847)	50,000	38,153	
Net assets at beginning of year	_	88,746		88,746	
Net assets at end of year \$		76,899	50,000_	126,899	

See accompanying notes and accountants review report

Notes to the Financial Statements December 31, 2006

(1) Summary of Significant Accounting Policies

The Nashville Area Association for the Education of Young Children provides training, printed materials and coordinates workshops for daycare providers and counselors. The Associations's policy is to prepare its financial statements on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

Income Taxes

The Organization is nonprofit and tax – exempt under section 501(c)3 of the Internal Revenue Code of 1986.

Contributed Services

Contributed services, if applicable, are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No contributed services are reflected in these financial statements.

Compensated Absences

Employees of the Association are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the cost of compensated absences when actually paid to employees.

(2) <u>Leases</u>

The Association leases office space on a month to month basis at \$325 monthly. Total rent expense under this lease amounted to \$1,590 for the period from July 1, 2006 to December 31, 2006.

Notes to the Financial Statements, continued

(2)	Temporarily Restricted Net Assets		
	Temporarily restricted net assets are available as follows:		
	Grant to perform speech and language assessments on children	\$	50,000
	Net assets were released from donor restrictions by satisfying the restricted purposes by expending funds restricted purpose.	_	_
	Grant to perform speech and language assessments on children	\$	16,666