

**YOU HAVE THE POWER . . .  
KNOW HOW TO USE IT, INC.**

**Financial Statements**

**December 31, 2006 and 2005**

**(With Independent Auditors' Report Thereon)**



**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
You Have the Power . . . Know How to Use It, Inc.:

We have audited the accompanying statements of financial position of You Have the Power . . . Know How to Use It, Inc. (the "Organization") as of December 31, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization'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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 You Have the Power . . . Know How to Use It, Inc. as of December 31, 2006 and 2005, 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.

*Lattimore Black Morgan + Cain, PC*

Brentwood, Tennessee  
May 31, 2007

# YOU HAVE THE POWER . . . KNOW HOW TO USE IT, INC.

## Statements of Financial Position

December 31, 2006 and 2005

	<u>Assets</u>	
	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 150,707	\$ 124,458
Short-term investments	80,745	77,211
Other accounts receivable	600	600
Prepaid expenses	<u>1,032</u>	<u>1,025</u>
Total current assets	<u>233,084</u>	<u>203,294</u>
Computer equipment	14,443	13,004
Less: Accumulated depreciation	<u>11,580</u>	<u>10,336</u>
	<u>2,863</u>	<u>2,668</u>
	<u>\$ 235,947</u>	<u>\$ 205,962</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accrued expenses and liabilities	\$ -	\$ 9
Total current liabilities	<u>-</u>	<u>9</u>
Net assets:		
Unrestricted	160,947	188,360
Temporarily restricted	<u>75,000</u>	<u>17,593</u>
Total net assets	<u>235,947</u>	<u>205,953</u>
	<u>\$ 235,947</u>	<u>\$ 205,962</u>

See accompanying notes to the financial statements.

# YOU HAVE THE POWER . . . KNOW HOW TO USE IT, INC.

## Statements of Activities

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Changes in unrestricted net assets:		
Public support:		
Contributions	\$ 133,399	\$ 269,658
Grants	<u>18,137</u>	<u>29,219</u>
Total public support	<u>151,536</u>	<u>298,877</u>
Revenue:		
Program revenue	41,314	38,632
Interest income	6,974	2,992
Miscellaneous income	<u>1,893</u>	<u>1,751</u>
Total revenue	<u>50,181</u>	<u>43,375</u>
Total unrestricted public support and revenue	<u>201,717</u>	<u>342,252</u>
Expenses:		
Program services	203,874	231,623
Supporting services	<u>42,849</u>	<u>46,132</u>
Total expenses	246,723	277,755
Net assets released from restrictions	<u>17,593</u>	<u>5,168</u>
Increase (decrease) in unrestricted net assets	<u>(27,413)</u>	<u>69,665</u>
Changes in temporarily restricted net assets:		
Contributions	75,000	17,593
Net assets released from restrictions	<u>(17,593)</u>	<u>(5,168)</u>
Increase in temporarily restricted assets	<u>57,407</u>	<u>12,425</u>
Increase in net assets	29,994	82,090
Net assets at beginning of year	<u>205,953</u>	<u>123,863</u>
Net assets at end of year	<u>\$ 235,947</u>	<u>\$ 205,953</u>

See accompanying notes to the financial statements.

# YOU HAVE THE POWER . . . KNOW HOW TO USE IT, INC.

## Statements of Cash Flows

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase in net assets	\$ <u>29,994</u>	\$ <u>82,090</u>
Adjustments to reconcile changes in net assets to cash flows provided by operating activities:		
Depreciation	1,245	2,601
(Increase) decrease in operating assets:		
Other accounts receivable	-	(600)
Prepaid expenses	(7)	-
Decrease in operating liabilities:		
Accrued expenses and liabilities	<u>(9)</u>	<u>(9)</u>
Total adjustments	<u>1,229</u>	<u>1,992</u>
Net cash provided by operating activities	<u>31,223</u>	<u>84,082</u>
Cash flows from investing activities:		
Purchases of computer equipment	(1,440)	-
Proceeds from sale of short-term investments	77,211	65,227
Purchases of short-term investments	<u>(80,745)</u>	<u>(77,211)</u>
Net cash used by investing activities	<u>(4,974)</u>	<u>(11,984)</u>
Increase in cash and cash equivalents	26,249	72,098
Cash and cash equivalents at beginning of year	<u>124,458</u>	<u>52,360</u>
Cash and cash equivalents at end of year	\$ <u>150,707</u>	\$ <u>124,458</u>

See accompanying notes to the financial statements.



Statement of Functional Expenses

Year ended December 31, 2006

	Program Services	Supporting Services			Grand Total
		Management and General	Fundraising	Total	
Salaries and related expenses	\$ 120,602	\$ 2,792	\$ 23,544	\$ 26,336	\$ 146,938
Insurance	-	1,766	-	1,766	1,766
Depreciation	1,035	23	187	210	1,245
Printing and publications	4,191	90	360	450	4,641
Postage	3,838	85	341	426	4,264
Professional services	4,528	4,933	-	4,933	9,461
Rent	13,864	501	756	1,257	15,121
Supplies	2,964	55	92	147	3,111
Taxes, licenses and fees	-	468	-	468	468
Travel	2,377	-	-	-	2,377
Telephone	3,466	72	72	144	3,610
Miscellaneous	1,735	692	-	692	2,427
Video production	45,274	-	-	-	45,274
Event expense	-	-	6,020	6,020	6,020
Total	\$ 203,874	\$ 11,477	\$ 31,372	\$ 42,849	\$ 246,723

See accompanying notes to the financial statements.

YOU HAVE THE POWER . . . KNOW HOW TO USE IT, INC.

Statement of Functional Expenses

Year ended December 31, 2005

	Program Services	Supporting Services			Grand Total
		Management and General	Fundraising	Total	
Salaries and related expenses	\$ 118,906	\$ 2,713	\$ 22,625	\$ 25,338	\$ 144,244
Insurance	-	1,545	-	1,545	1,545
Depreciation	2,159	52	390	442	2,601
Printing and publications	8,958	268	446	714	9,672
Postage	2,811	156	156	312	3,123
Professional services	17,845	9,722	-	9,722	27,567
Rent	13,416	481	731	1,212	14,628
Supplies	2,614	39	65	104	2,718
Taxes, licenses and fees	-	270	-	270	270
Travel	1,730	-	-	-	1,730
Telephone	3,486	70	70	140	3,626
Miscellaneous	1,556	201	-	201	1,757
Video production	58,142	-	-	-	58,142
Event expense	-	-	6,132	6,132	6,132
Total	\$ 231,623	\$ 15,517	\$ 30,615	\$ 46,132	\$ 277,755

See accompanying notes to the financial statements.



# YOU HAVE THE POWER . . . KNOW HOW TO USE IT, INC.

## Notes to the Financial Statements

December 31, 2006 and 2005

### (1) Nature of operations

The purpose of You Have the Power . . . Know How to Use It, Inc. (the "Organization") is to operate as a direct-support organization to receive, hold, invest, and administer assets and to make expenditures to and for the benefit of public education. The Organization educates the general public about issues related to violent crime and victims' rights, and heightens public awareness about the resources available to them in regard to such issues. The Organization is supported primarily through donor contributions and grants.

### (2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below.

#### (a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

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 specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

#### (b) Cash equivalents

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

#### (c) Pledges receivable

Pledges to make contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges receivable over several years are recognized at their expected discounted cash flow. Pledges receivable are stated at their net realizable value. The carrying amount is reduced by a valuation allowance, when necessary, that reflects management's best estimate of the amounts that will not be collected.

Notes to the Financial Statements

December 31, 2006 and 2005

(d) Computer equipment

Computer equipment is stated at cost. Donated computer equipment is recorded at its estimated market value at the date of the gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method over five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(e) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

(f) Video production

The Organization incurs significant costs to produce videos. These videos are used in forums to educate the general public and are sold at or below cost to organizations that use the videos for educational purposes. The Organization expenses these costs as incurred, as the recoverability of these costs through the sales of videos is uncertain.

(g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

(h) Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(3) Credit risk and other concentrations

The Organization generally maintains cash on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.



Notes to the Financial Statements

December 31, 2006 and 2005

(4) Short-term investments

The Organization routinely invests excess cash on hand in certificates of deposit. These certificates of deposit generally have maturity dates of one year or less. Interest income amounted to \$6,974 in 2006 and \$2,992 in 2005 and was unrestricted.

(5) Net assets

As of December 31, 2006 and 2005, temporarily restricted net assets in the amount of \$75,000 and \$17,593, respectively, were available for the production of various educational videos.

(6) Lease commitments

The Company leases office space and various office equipment under operating leases. Rent expense under these leases amounted to \$15,121 and \$14,628 in 2006 and 2005, respectively.

A summary of future minimum payments under these leases as of December 31, 2006 is as follows:

	<u>Amount</u>
2007	\$ 14,556
2008	14,449
2009	13,221
2010	<u>3,321</u>
	<u>\$ 45,547</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the rent expense for 2006.

(7) Donated services

The Organization records as contributions those services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation.

The accompanying statements of activities include contributed services totaling \$3,128 and \$20,115 in 2006 and 2005, respectively, for bookkeeping, audit services, legal services, and various other services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization has four compensated employees; therefore, it operates principally as a volunteer organization. None of the Board of Directors or Officers are compensated.