

FINANCIAL LITERACY EDUCATION FOUNDATION

Financial Statements

Year ended June 30, 2006 with Report of Independent Auditors

Financial Literacy Education Foundation

Financial Statements

Year ended June 30, 2006

Contents

Report of Independent Auditors..... 1

Audited Financial Statements

Statement of Financial Position2

Statement of Activities.....3

Statement of Functional Expenses4

Statement of Cash Flows5

Notes to Financial Statements.....6

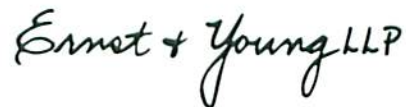
Report of Independent Auditors

Board of Directors
Financial Literacy Education Foundation

We have audited the accompanying statement of financial position of the Financial Literacy Education Foundation (the Foundation) as of June 30, 2006, and *the related* statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audit included 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 Foundation'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, and evaluating the overall financial statement presentation. We believe that our audit provides 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 the Financial Literacy Education Foundation as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



January 16, 2007

Financial Literacy Education Foundation

Statement of Financial Position

June 30, 2006

Assets

Current assets:

Cash and cash equivalents	\$ 106,032
Total current assets	<u>106,032</u>

Noncurrent assets:

Furniture and equipment	<u>2,278</u>
Total assets	<u>\$ 108,310</u>

Net assets:

Unrestricted	\$ 8,408
Temporarily restricted	<u>99,902</u>
Total net assets	<u>\$ 108,310</u>

See accompanying notes.

Financial Literacy Education Foundation

Statement of Activities

Year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Individual donations revenue	\$ 10,160	\$ -	\$ 10,160
Settlement donations revenue	-	90,000	90,000
Foundation donations revenue	-	100,000	100,000
Corporate donations revenue	-	3,500	3,500
Interest revenue	234	-	234
Net assets released from restriction	93,598	(93,598)	-
Total revenue	<u>103,992</u>	<u>99,902</u>	<u>203,894</u>
Expenses			
Financial Literacy Education	93,598	-	93,598
Management and Administrative	1,986	-	1,986
Total expenses	<u>95,584</u>	<u>-</u>	<u>95,584</u>
Change in net assets	8,408	99,902	108,310
Net assets, beginning of year	-	-	-
Net assets, end of year	<u>\$ 8,408</u>	<u>\$ 99,902</u>	<u>\$ 108,310</u>

See accompanying notes.

Financial Literacy Education Foundation

Statement of Functional Expenses

Year ended June 30, 2006

	Management and Administrative	Financial Literacy Education	Total
Office furniture	\$ 120	\$ -	\$ 120
Copying/printing supplies	50	50	100
Computer software	400	-	400
Filing supplies	67	-	67
Computer supplies	-	158	158
Office supplies—other	128	-	128
Teaching supplies	-	370	370
Field trip expenses	-	62	62
Web site maintenance fee	9	42	51
Bank charges	73	-	73
Depreciation	1,139	-	1,139
Payroll expenses	-	92,916	92,916
	<u>\$ 1,986</u>	<u>\$ 93,598</u>	<u>\$ 95,584</u>

See accompanying notes.

Financial Literacy Education Foundation

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities	
Change in net assets	\$ 108,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	<u>1,139</u>
Net cash provided by operating activities	<u>109,449</u>
 Cash flows from investing activities	
Purchases of furniture and equipment	<u>3,417</u>
Net cash used in investing activities	<u>3,417</u>
 Net increase in cash and cash equivalents	106,032
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 106,032</u>

See accompanying notes.

Financial Literacy Education Foundation

Notes to Financial Statements

June 30, 2006

1. Organization

The Financial Literacy Education Foundation (the Foundation) was established in 2004 to address the need for financial education among young people in the District of Columbia. The Foundation has developed a semester-long financial literacy curriculum that teaches students fundamental skills such as budgeting, smart use of credit, debt management, analyzing investment vehicles, establishing and maintaining bank accounts, and understanding the steps necessary for homeownership.

The Foundation began offering elective, semester-long, personal financial management courses in two D.C. public high schools for the 2005-2006 academic year. The Foundation intends to expand the scope of the program to include a total of 15 D.C. public schools within three years. As the courses are taught by instructors who have been hired and trained by the Foundation, the implementation of the financial literacy education curriculum will not place a strain on the limited resources of the District of Columbia Public School (DCPS) system. In addition, as funding permits, the Foundation will provide financial support to community-based organizations administering financial literacy programs.

At appropriate points in the future, the Foundation intends to evaluate whether it should expand the scope of its efforts. In particular, the Foundation will evaluate whether it should offer its Personal Financial Management course to other age groups, including adults, and whether the Foundation should expand its activities beyond the District of Columbia.

The majority of the Foundation's funding will be obtained through donations and fund-raising events. The Foundation also hopes to access funds that corporate entities have earmarked for community education and financial literacy efforts and funds set aside for such purposes following government and private litigation settlements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Financial Statements of the Foundation are prepared on the accrual basis of accounting.

The Foundation commenced active operation from July 2005 and the opening balances for all accounts as of July 1, 2005 were nil.

Financial Literacy Education Foundation

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of Financial Statements in conformity with accounting principles generally accepted in the United States 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.

Net Assets

The Foundation classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets are contributions with temporary, donor-imposed time, or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their restricted purposes, at which time they are reported in the statement of activities as net assets released from restriction. Permanently restricted net assets represent endowments to be held in perpetuity. Investment income from both temporarily and permanently restricted net assets is recorded as unrestricted income unless otherwise restricted by the donor. There are no permanently restricted assets as of June 30, 2006.

Cash and Cash Equivalents

Cash equivalents are defined as short-term investments that have a maturity less than 90 days.

Furniture and Equipment

Furniture and equipment are recorded at cost. Computer equipment is depreciated on a straight-line basis over the estimated useful life of three years. As of June 30, 2006, furniture and equipment consisted of the following:

Computers and software	<u>\$ 3,417</u>
	3,417
Less: accumulated depreciation	<u>(1,139)</u>
	<u>\$ 2,278</u>

Financial Literacy Education Foundation

Notes to Financial Statements (continued)

3. Tax Status

The Foundation has received a determination letter from the Internal Revenue Service (the IRS) stating that it qualifies for exemption from federal income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code (the IRC). In addition, the IRS has determined that the Foundation is not a private foundation under Section 509(a) of the IRC.

4. Temporarily Restricted Net Assets

At June 30, 2006, temporarily restricted net assets were available for the following programs of the Foundation:

Financial literacy classes	\$ 93,091
Instruction and teaching materials	3,311
Teaching supplies	3,500
	<hr/>
	\$ 99,902
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