

FINANCIAL STATEMENTS

Financial Literacy Education Foundation
Years Ended June 30, 2007 and 2006
With Report of Independent Auditors

Financial Literacy Education Foundation

Financial Statements

Years Ended June 30, 2007 and 2006

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Report of Independent Auditors

Board of Directors
Financial Literacy Education Foundation

We have audited the accompanying statements of financial position of the Financial Literacy Education Foundation (the Foundation) as of June 30, 2007 and 2006, and the related statements of activities, cash flows and functional expenses for the years 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 audits.

We conducted our audits 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 audits 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 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 the Financial Literacy Education Foundation as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 30, 2008

Financial Literacy Education Foundation

Statements of Financial Position

	June 30	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,935	\$ 106,032
Other current assets	506	-
Total current assets	<u>61,441</u>	<u>106,032</u>
Noncurrent assets:		
Furniture and equipment, net of accumulated depreciation of \$2,442 for 2007 and \$1,139 for 2006	2,451	2,278
Total assets	<u>\$ 63,892</u>	<u>\$ 108,310</u>
Liabilities and net assets		
Current liabilities:		
Salaries and benefits payable	\$ 1,942	\$ -
Net assets:		
Unrestricted	8,227	8,408
Temporarily restricted	53,723	99,902
Total net assets	<u>61,950</u>	<u>108,310</u>
Total liabilities and net assets	<u>\$ 63,892</u>	<u>\$ 108,310</u>

See accompanying notes.

Financial Literacy Education Foundation

Statements of Activities

Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue			
Individual donations revenue	\$ -	\$ -	\$ -
Settlement donations revenue	-	-	-
Foundation donations revenue	-	-	-
Corporate donations revenue	-	100,000	100,000
Contributed services	70,425	-	70,425
Interest revenue	3,196	-	3,196
Net assets released from restriction	146,179	(146,179)	-
Total revenue	<u>219,800</u>	<u>(46,179)</u>	<u>173,621</u>
Expenses			
Financial Literacy Education	142,350	-	142,350
Management and administrative	77,631	-	77,631
Total expenses	<u>219,981</u>	<u>-</u>	<u>219,981</u>
Change in net assets	(181)	(46,179)	(46,360)
Net assets at beginning of year	8,408	99,902	108,310
Net assets at end of year	<u>\$ 8,227</u>	<u>\$ 53,723</u>	<u>\$ 61,950</u>

See accompanying notes.

Financial Literacy Education Foundation

Statements of Activities (continued)

Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Total
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
Contributed services	32,165	—	32,165
Interest revenue	234	—	234
Net assets released from restriction	93,598	(93,598)	—
Total revenue	<u>136,157</u>	<u>99,902</u>	<u>236,059</u>
Expenses			
Financial Literacy Education	93,598	—	93,598
Management and administrative	34,151	—	34,151
Total expenses	<u>127,749</u>	<u>—</u>	<u>127,749</u>
Change in net assets	8,408	99,902	108,310
Net assets at beginning of year	—	—	—
Net assets at end of year	<u>\$ 8,408</u>	<u>\$ 99,902</u>	<u>\$ 108,310</u>

See accompanying notes.

Financial Literacy Education Foundation

Statements of Functional Expenses

Year Ended June 30, 2007

	Management and Administrative	Financial Literacy Education	Total
Copying/printing supplies	\$ 37	\$ 37	\$ 74
Computer supplies	—	253	253
Office supplies – other	56	—	56
Teaching supplies	—	3,683	3,683
Travel and meeting expenses	296	—	296
Website maintenance fee	32	130	162
Professional fees	1,125	—	1,125
Bank charges	57	—	57
Depreciation	1,303	—	1,303
Payroll expenses	4,250	138,247	142,497
Miscellaneous expenses	50	—	50
Contributed services	70,425	—	70,425
	<u>\$ 77,631</u>	<u>\$ 142,350</u>	<u>\$ 219,981</u>

See accompanying notes.

Financial Literacy Education Foundation
 Statements of Functional Expenses (continued)

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
Website maintenance fee	9	42	51
Bank charges	73	–	73
Depreciation	1,139	–	1,139
Payroll expenses	–	92,916	92,916
Contributed services	32,165	–	32,165
	<u>\$ 34,151</u>	<u>\$ 93,598</u>	<u>\$ 127,749</u>

See accompanying notes.

Financial Literacy Education Foundation

Statements of Cash Flows

	Year Ended June 30	
	2007	2006
Cash flows from operating activities		
Change in net assets	\$ (46,360)	\$ 108,310
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,303	1,139
Change in other assets	(506)	-
Change in salaries and benefits payable	1,942	-
Net cash (used in) provided by operating activities	(43,621)	109,449
Cash flows from investing activities		
Purchases of furniture and equipment	(1,476)	(3,417)
Net cash used in investing activities	(1,476)	(3,417)
Net (decrease) increase in cash and cash equivalents	(45,097)	106,032
Cash and cash equivalents at beginning of year	106,032	-
Cash and cash equivalents at end of year	\$ 60,935	\$ 106,032

See accompanying notes.

Financial Literacy Education Foundation

Notes to Financial Statements

June 30, 2007

1. Organization

The Financial Literacy Education Foundation (FLF or Foundation) was established in 2004 to address the need for financial education among young people in the District of Columbia. FLF 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.

FLF began offering elective, semester-long, personal financial management courses in two D.C. public high schools for the 2005–2006 academic year. During the 2006-2007 academic year, FLF taught financial education in six D.C. public high schools. FLF intends to expand the scope of its services to include a total of 15 D.C. public schools within two years. As the courses are taught by instructors who have been hired and trained by FLF, 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, FLF plans to expand its course offering to teenagers and young adults through community centers, training programs and other outlets beyond the D.C. school system.

At appropriate points in the future, FLF intends to evaluate whether it should offer its personal financial management course to other age groups, including adults, and whether FLF should expand its activities beyond the District of Columbia.

To carry out its mission, FLF raises funds through private donations and fund-raising events to support its operations and initiatives. FLF 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. In the future, FLF plans to supplement its fund-raising efforts by providing payment for services in line with FLF's mission to provide financial literacy to D.C. youth

FLF's ability to maintain its current level of expenditures and initiatives is contingent upon management's ability to raise cash. If funds are insufficient to meet projected expenditure levels, management will reduce programs and expenses.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting.

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.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Foundation does not expect that the adoption of this standard will have a significant impact on its operating results or financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Foundation does not expect that the adoption of this standard will have a significant impact on its operating results or financial position.

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 statements of activities as net assets released from restriction. Permanently restricted net assets represent

Financial Literacy Education Foundation

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

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 net assets as of June 30, 2007 and 2006.

Contributions

The Foundation recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as unrestricted support, temporarily restricted support, or permanently restricted support based on the donor's intent. Temporarily restricted contributions whose restrictions are satisfied in the year of contribution are reported as unrestricted contributions. Promises to contribute that stipulate conditions to be met before the contribution is made are not accrued until the condition has been met. As of June 30, 2007, the Foundation had not received any material conditional promises to give.

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. Computers and software is depreciated on a straight-line basis over the estimated useful life of three years. Furniture and equipment consisted of the following:

	June 30	
	2007	2006
Computers and software	\$ 4,893	\$ 3,417
Less accumulated depreciation	(2,442)	(1,139)
	<u>\$ 2,451</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 (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 (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

Temporarily restricted net assets were available for the following programs of the Foundation:

	June 30	
	2007	2006
Financial literacy classes	\$ 50,223	\$ 93,091
Instruction and teaching materials	—	3,311
Teaching supplies	3,500	3,500
	<u>\$ 53,723</u>	<u>\$ 99,902</u>

5. Contributed Services

The accompanying financial statements include the value of services provided by external professionals for audit, teaching and other services requiring specialized skills. The value of these services has been determined by management based on estimates of values provided by contributors at then current market rates. These specialized services would need to be purchased if not donated to FLE. For the year ended June 30, 2007, the estimated value of these services was \$70,425, and is included in both contributed services revenue and management and administrative expenses in the accompanying statements of activities. For the year ended June 30, 2006, the estimated value of these services was \$32,165, and is included for comparative purposes in both contributed services revenue and management and administrative expenses on the accompanying statements of activities.