

# ***NET LITERACY***

***Financial Statements***

***Years Ended December 31, 2010 and 2009***

# NET LITERACY

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of  
NET LITERACY

We have reviewed the accompanying statements of financial position – modified cash basis of

**NET LITERACY**

(a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities – modified cash basis for the years then ended. A review consists principally of inquiries of Organization 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.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

As described in Note 1, the financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

*London Witte Group, LLC*

March 24, 2011

**NET LITERACY**  
**STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS**  
**December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
Computer Inventory	\$ 54,750	\$ 0
Cash - Unrestricted	<u>216,471</u>	<u>115,431</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 271,221</u></b>	<b><u>\$ 115,431</u></b>
<b><u>NET ASSETS</u></b>		
Unrestricted net assets	<u>\$ 271,221</u>	<u>\$ 115,431</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 271,221</u></b>	<b><u>\$ 115,431</u></b>

The accompanying notes are an integral part of these statements.

# NET LITERACY

## STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS

**For the Years Ended December 31, 2010 and 2009**

	Amount		Percent	
	2010	2009	2010	2009
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 102,043	\$ 16,440	38.37	15.95
Grants	162,902	86,500	61.26	83.95
Interest income	973	100	0.37	0.10
<b>TOTAL SUPPORT AND REVENUE</b>	<b>265,918</b>	<b>103,040</b>	<b>100.00</b>	<b>100.00</b>
<b>EXPENSES</b>				
Advertising expense	0	380	0.00	0.37
Banking fees, fines, penalties, and judgements	319	180	0.12	0.17
Conferences, conventions and meetings	3,115	3,417	1.17	3.32
Education expense	896	0	0.34	0.00
Equipment purchases	42,657	6,926	16.04	6.72
Equipment rental and maintenance	11,039	10,934	4.15	10.61
Grants and awards	5,631	0	2.12	0.00
Insurance - non-employee	1,999	1,985	0.75	1.93
Membership dues - organization	100	80	0.04	0.08
Occupancy expenses	12,406	5,570	4.67	5.41
Other expenses	0	36	0.00	0.03
Postage, shipping and delivery	324	241	0.12	0.23
Printing and copying	0	75	0.00	0.07
Professional fees	1,850	1,850	0.70	1.80
Staff recognition	1,223	0	0.46	0.00
Supplies	9,078	9,290	3.41	9.02
Telephone and telecommunications	717	400	0.27	0.39
Temporary help - contract	17,332	20,528	6.52	19.92
Travel	1,442	2,318	0.54	2.25
<b>TOTAL EXPENSES</b>	<b>110,128</b>	<b>64,210</b>	<b>41.42</b>	<b>62.32</b>
<b>CHANGE IN NET ASSETS</b>	<b>155,790</b>	<b>38,830</b>	<b>58.58</b>	<b>37.68</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>115,431</b>	<b>76,601</b>		
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 271,221</b>	<b>\$ 115,431</b>		

The accompanying notes are an integral part of these statements.

**NET LITERACY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2010 and 2009**

**1) Summary of significant accounting policies**

The significant accounting policies followed by Net Literacy, the “Organization”, are summarized below.

Nature of operations – The Organization was established in 2004. The Organization is a nonprofit organization engaged principally to empower youth to increase computer availability and internet literacy focusing on underserved youth, families and senior citizens.

Method of accounting - The Organization prepares its financial statements on a modified cash basis. Under this method of accounting, revenue is not recorded on the books until received in cash and expenses incurred are not recorded until the time of payment. In addition, donated computers are recorded into inventory and recorded as revenue when received; and deducted from inventory and recorded as expense when the Organization disburses the computers.

Financial statement 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.

Computer inventory – The Organization records the donation of computers as computer inventory, until such time that the computers are refurbished and contributed to those in need. Computer inventory is valued at the lower of cost or market.

Cash - The Organization considers cash in bank accounts and certificates of deposit with original maturities of six months or less to be cash. At times, such investments may be in excess of the FDIC insurance limit.

Property and equipment - Property and equipment have been expensed upon purchase. The value of the equipment has not been recorded as a capital asset.

Advertising - Advertising costs are expensed when paid. Total advertising expenses paid were \$0 and \$380 for the years ended December 31, 2010 and 2009, respectively.

Subsequent events - Subsequent events have been evaluated through March 24, 2011, which is the date the financial statements were available to be issued.

**NET LITERACY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2010 and 2009**

**2) Provision for income tax**

The Organization operates as a nonprofit organization as provided for in Section 501(c)(3) of the Internal Revenue Code, and therefore is exempt from income taxes. As of January 1, 2009, the Organization has adopted generally accepted accounting principles relating to uncertainty of income taxes. The Organization's three prior tax filings (2009, 2008 and 2007) are considered open tax years, for both Federal and State filings. No penalties or interest are included in these financial statements.

**3) Concentration of credit risk**

The Organization is predominately funded by grants received from various corporations and public support from foundations and individuals. The Organization provides computers and Internet literacy to the underserved youth, families and senior citizens.

Allocations from State Farm Youth Advisory Board represented approximately 37% of total revenues in 2010. Allocations received from Clowes Grant Fund represented approximately 4% and 10% of total revenues in 2010 and 2009, respectively. Allocations received from Verizon represented approximately 19% of total revenues in 2009. Allocations received from Bright House represented approximately 19% of total revenues in 2009. Donations received from Don and Susie Kent represented \$836 and \$328 for 2010 and 2009, respectively.