

NET LITERACY

Financial Statements

Years Ended December 31, 2011 and 2010

NET LITERACY

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of

NET LITERACY

We have reviewed the accompanying balance sheets of Net Literacy as of December 31, 2011 and 2010, 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, 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.

Our 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.

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

April 6, 2012

NET LITERACY
STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Unrestricted	\$ 171,977	\$ 216,471
Computer Inventory	<u>112,700</u>	<u>54,750</u>
TOTAL ASSETS	\$ <u>284,677</u>	\$ <u>271,221</u>
<u>NET ASSETS</u>		
Unrestricted net assets	<u>\$ 284,677</u>	<u>\$ 271,221</u>
TOTAL NET ASSETS	\$ <u>284,677</u>	\$ <u>271,221</u>

See accompanying notes and independent accountants' review report.

NET LITERACY

STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS

For the Years Ended December 31, 2011 and 2010

	Amount		Percent	
	2011	2010	2011	2010
SUPPORT AND REVENUE				
Contributions	\$ 64,217	\$ 102,043	42.6	38.4
Grants	86,000	162,902	57.0	61.3
Interest income	595	973	0.4	0.3
TOTAL SUPPORT AND REVENUE	150,812	265,918	100.0	100.0
EXPENSES				
Banking fees, fines, penalties, and judgements	360	319	0.2	0.1
Conferences, conventions and meetings	1,255	3,115	0.8	1.2
Education expense	401	896	0.3	0.3
Equipment purchases	20,537	42,657	13.6	16.0
Equipment rental and maintenance	18,161	11,039	12.0	4.2
Grants and awards	5,341	5,631	3.5	2.1
Insurance - non-employee	2,022	1,999	1.3	0.8
Membership dues - organization	0	100	0.0	0.0
Occupancy expenses	14,143	12,406	9.4	4.7
Postage, shipping and delivery	329	324	0.2	0.1
Professional fees	1,950	1,850	1.3	0.7
Staff recognition	473	1,223	0.3	0.5
Supplies	9,681	9,078	6.4	3.4
Telephone and telecommunications	10	717	0.0	0.3
Temporary help - contract	60,806	17,332	40.3	6.5
Travel	1,887	1,442	1.3	0.5
TOTAL EXPENSES	137,356	110,128	90.9	41.4
CHANGE IN NET ASSETS	13,456	155,790	9.1	58.6
NET ASSETS AT BEGINNING OF YEAR	271,221	115,431		
NET ASSETS AT END OF YEAR	\$ 284,677	\$ 271,221		

See accompanying notes and independent accountants' review report.

NET LITERACY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

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, a basis of accounting other than generally accepted accounting principles. 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 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 for the years ended December 31, 2011 and 2010.

Subsequent events - Subsequent events have been evaluated through April 6, 2012, which is the date the financial statements were available to be issued.

NET LITERACY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

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 (2010, 2009 and 2008) 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.

In 2011, allocations from Lilly Endowment represented approximately 8% of total revenues. Allocations received from the Indiana Department of Education represented approximately 20% of revenues. Allocations received from Techpoint Foundation represented approximately 8% of total revenues. Allocations received from Bright House represented approximately 6% of total revenues. Allocations received from the Hoover Family Foundation represented approximately 7% of total revenues. Donations received from Don and Susie Kent totaled \$2,000.

In 2010, allocations from State Farm Youth Advisory Board represented approximately 37% of total revenues and allocations received from Clowes Grant Fund represented approximately 4% of total revenues. Donations received from Don and Susie Kent totaled \$836.