

AVANCE - DALLAS

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2006

Avance - Dallas
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**SALMON BEACH
& ASSOCIATES, PLLC**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Avance - Dallas

We have audited the accompanying statement of financial position of Avance - Dallas (a nonprofit organization) as of June 30, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit.

We conducted our audit 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 Avance - Dallas as of June 30, 2006, the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Salmon Beach & Associates, P.L.L.C.

SalmonBeach & Associates
A Professional Limited Liability Company

Dallas, Texas
August 16, 2006

Avance - Dallas
Statement of Financial Position
June 30, 2006

ASSETS

Cash	\$ 281,564
Grants receivable	34,018
Due from National, net	19,736
Property and equipment, net	<u>12,369</u>
 TOTAL ASSETS	 <u><u>\$ 347,687</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 34,858</u>
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Net Assets

Unrestricted	222,914
Temporarily restricted	<u>89,915</u>
Total Net Assets	<u>312,829</u>

 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 347,687</u></u>
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The accompanying notes are an integral part of this financial statement.

Avance - Dallas
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Government, state and local grants	\$ -	\$ 441,024	\$ 441,024
Other contributions and grants	159,993	79,928	239,921
United Way funding	296,311	-	296,311
In-kind support	126,442	-	126,442
Special events	15,929	-	15,929
Interest	9,815	-	9,815
	<u>608,490</u>	<u>520,952</u>	<u>1,129,442</u>
Net assets released from restriction	576,218	(576,218)	-
Total Revenues and Support	<u>1,184,708</u>	<u>(55,266)</u>	<u>1,129,442</u>
Expenses			
Program services	1,046,396	-	1,046,396
Supporting services	169,567	-	169,567
Fundraising	29,169	-	29,169
Total Expenses	<u>1,245,132</u>	<u>-</u>	<u>1,245,132</u>
Decrease in Net Assets	(60,424)	(55,266)	(115,690)
Net Assets, beginning of year	<u>283,338</u>	<u>145,181</u>	<u>428,519</u>
Net Assets, end of year	<u>\$ 222,914</u>	<u>\$ 89,915</u>	<u>\$ 312,829</u>

The accompanying notes are an integral part of this financial statement.

Avance - Dallas
Statement of Functional Expenses
For the Year Ended June 30, 2006

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 592,005	\$ 84,877	\$ 14,108	\$ 690,990
Employee benefits	84,648	11,212	97	95,957
Payroll taxes	76,047	8,552	1,859	86,458
Professional fees	69,275	8,145	-	77,420
Accounting and legal services	4,820	9,111	-	13,931
Advertising	-	250	-	250
Supplies	54,865	3,267	-	58,132
Communications	11,223	1,545	-	12,768
Postage / shipping	61	334	-	395
Occupancy	76,361	20,498	-	96,859
Rental / maintenance of equipment	6,617	1,159	-	7,776
Printing / publications	540	1,093	5,970	7,603
Travel / transportation	14,409	2,891	-	17,300
Scholarships	1,813	-	-	1,813
Client emergency funds	6,999	-	-	6,999
Graduation / programs	5,732	-	-	5,732
Conferences / meetings	-	2,448	-	2,448
Staff development	10,005	1,874	-	11,879
Membership fees	-	405	-	405
Insurance	16,812	5,173	-	21,985
Bank fees and interest	-	1,192	-	1,192
Affiliation fees	14,164	1,500	-	15,664
Depreciation	-	4,041	-	4,041
Miscellaneous	-	-	7,135	7,135
	<u>\$ 1,046,396</u>	<u>\$ 169,567</u>	<u>\$ 29,169</u>	<u>\$ 1,245,132</u>

The accompanying notes are an integral part of this financial statement.

Avance - Dallas
Statement of Cash Flows
For the Year Ended June 30, 2006

Cash Flows From Operating Activities	
Decrease in Net Assets	\$ (115,690)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization expense	4,041
(Increase) decrease in assets	
Grants receivable	56,637
Due from National	(11,236)
Decrease in liabilities	
Accounts payable and accrued expenses	(954)
Net Cash Used by Operating Activities	<u>(67,202)</u>
Cash Flows From Investing Activities	
Proceeds from certificate of deposit	<u>171,000</u>
Net Increase in Cash	103,798
Cash, beginning of year	<u>177,766</u>
Cash, end of year	<u><u>\$ 281,564</u></u>
SUPPLEMENTAL INFORMATION	
Interest paid	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

Avance-Dallas
Notes to Financial Statements
June 30, 2006

NOTE 1: NATURE OF ORGANIZATION

Avance - Dallas (Organization) is a comprehensive, community based parent-child educational program funded by private companies, foundations, state and federal sources whose main purpose is to strengthen Hispanic families. The Organization is a chapter under the umbrella of Avance, Inc., which was established in 1973 as a Texas nonprofit corporation. Avance - Dallas was established in 1996.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the fairness and objectivity embodied in the financial statements.

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

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

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets, if any, (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include the assumption in recording depreciation and the realizable value of receivables. It is at least reasonably possible that the significant estimates used will change within the next year.

Avance-Dallas
Notes to Financial Statements
June 30, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents – The Organization considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. There were no cash equivalents at June 30, 2006. The Organization places cash, cash equivalents and marketable securities, which, at times, may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

Grants Receivable – Grants receivable consist of amounts due from federal awarding agencies.

Property and Equipment – Furniture, fixtures and equipment are stated at cost when purchased or fair market value at the date of donation, less accumulated depreciation and amortization. Major expenditures and those that substantially increase useful lives are capitalized. Maintenance, repairs and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When furniture, fixtures or equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in operations. Depreciation and amortization has been calculated as follows:

Equipment	5 years
Vehicle	5 years
Software	3 years

Income Taxes – The Organization is a nonprofit organization, as defined in Section 501(c)(3) of the Internal Revenue Service Code (Code), that is exempt from federal income taxes under its national affiliate, Avance, Inc.'s corporate exemption pursuant to Section 501(a) of the Code. For the year ended June 30, 2006, the Chapter did not conduct any unrelated business activities that would be subject to federal income taxes.

NOTE 3: PROPERTY AND EQUIPMENT

At June 30, 2006, property and equipment consisted of the following:

Equipment	\$	27,217
Vehicle		24,397
Software		<u>27,086</u>
		78,700
Less accumulated depreciation and amortization		<u>(66,331)</u>
	\$	<u><u>12,369</u></u>

Depreciation and amortization expense for the year ended June 30, 2006 was \$4,041.

Avance-Dallas
Notes to Financial Statements
June 30, 2006

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2006, temporarily restricted net assets were restricted for the following purposes:

Parenting outreach and family literacy project	\$ 11,487
Early childhood	35,000
Adult education	15,661
10 th annual event	19,267
Other	<u>8,500</u>
	<u>\$ 89,915</u>

NOTE 5: COMMITMENTS

Operating Lease Obligation

The Organization leases office equipment under two noncancelable operating leases ending in 2006 and 2008. The future minimum lease payments are approximately as follows:

For the year ending June 30,	
2007	\$ 2,300
2008	1,300
2009	<u>-</u>
	<u>\$ 3,600</u>

Lease expense associated with these leases for the year ended June 30, 2006 was approximately \$5,900.

NOTE 6: DEBT OBLIGATION

Express Credit Line

The Organization has a credit line available of up to 85% of the Organization's total investments held by its broker. Any borrowings are secured by the investments held at the institution. At June 30, 2006, there were no borrowings on this line of credit.

NOTE 7: RELATED PARTY TRANSACTIONS

The Organization receives funding from Avance, Inc. (National), who receives the funding from the Texas Education Agency. For the year ended June 30, 2006, the Organization received approximately \$71,500 from National and was owed \$19,736 at year-end. The Organization pays for certain educational operating expenses and is subsequently reimbursed on a quarterly basis for these expenses by the Texas Education Agency, with National serving as pass-through fiscal entity. The net receivable of \$19,736 is reflected on the Statement of Financial Position.

Avance-Dallas
Notes to Financial Statements
June 30, 2006

NOTE 8: DONATED SERVICES

The Organization receives donated services from individuals teaching ESL and GED classes as well as home instruction through the Dallas Independent School District's Adult Basic Education and HIPPIY programs. For the year ended June 30, 2006, the estimated value of these services totaled approximately \$89,000 which has been recorded in the Statement of Activities.

In addition, the Organization also receives its office space and warehouse space free of charge. The estimated value of this space is approximately \$36,400, and this amount has been recorded in the Statement of Activities.

Numerous individuals have donated significant amounts of their time and perform a variety of tasks that assist the Organization including gift distributions and coordination. No amounts have been reflected in the financial statements, as the fair market value of these services is not readily determinable, and these services do not meet the criteria for recording as revenues.

NOTE 9: RETIREMENT PLAN

The Organization has available, for essentially all employees, a 403(b) retirement plan, which is offered through the National Office. Employees can make contributions, subject to certain limitations, on a pretax basis. Further, the Organization will match 25% of the first 5% of employee pay contributed to the Plan through salary deferral. For the year ended June 30, 2006, the Organization contributed approximately \$3,800.