

Avance – Dallas, Inc.  
Audited Financial Statements  
June 30, 2010

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Table of Contents

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	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position, June 30, 2010	2
Statement of Activities and Changes in Net Assets, For the year ended June 30, 2010	3
Statement of Functional Expenses, For the year ended June 30, 2010	4
Statement of Cash Flows, For the year ended June 30, 2010	5
Notes to Financial Statements	6



Independent Auditor's Report

To the Board of Directors  
Avance – Dallas, Inc.

We have audited the accompanying Statement of Financial Position of Avance – Dallas, Inc., as of June 30, 2010, 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 Avance – Dallas, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 misstatements. An audit includes 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 Avance – Dallas, Inc.'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, 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, Inc. as of June 30, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Albright, Hill & Sumpter, PC  
Certified Public Accountants

*Albright, Hill & Sumpter*

August 12, 2010

Avance - Dallas, Inc.  
Statement of Financial Position  
June 30, 2010

ASSETS

Cash	\$	289,030
Investments		356,763
Grants receivable		70,608
Due from National, net		13,983
Property and equipment, net		3,934
Prepays		<u>15,592</u>
Total assets	\$	<u><u>749,910</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$	<u>56,912</u>
Net assets		
Unrestricted		680,985
Temporarily restricted		<u>12,013</u>
Total net assets		<u><u>692,998</u></u>
Total liabilities and net assets	\$	<u><u>749,910</u></u>

The accompanying notes are an integral part of this statement.

Avance - Dallas, Inc.  
Statement of Activities and Changes in Net Assets  
For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Government, state and local grants	\$ 573,194	\$ -	\$ 573,194
Other contributions and grants	50,908	-	50,908
Corporate support	140,725	-	140,725
Foundation support	606,629	75,000	681,629
United Way funding	487,588	-	487,588
In-kind support	61,670	-	61,670
Special events	800	-	800
Interest	8,889	-	8,889
Total	<u>1,930,403</u>	<u>75,000</u>	<u>2,005,403</u>
Net assets released from restrictions	<u>126,495</u>	<u>(126,495)</u>	<u>-</u>
Total revenues and support	<u>2,056,898</u>	<u>(51,495)</u>	<u>2,005,403</u>
Expenses			
Program services	1,699,481	-	1,699,481
Supporting services	187,333	-	187,333
Fund raising	32,881	-	32,881
Total expenses	<u>1,919,695</u>	<u>-</u>	<u>1,919,695</u>
Change in net assets	137,203	(51,495)	85,708
Net assets, beginning of year	<u>543,782</u>	<u>63,508</u>	<u>607,290</u>
Net assets, end of year	<u>\$ 680,985</u>	<u>\$ 12,013</u>	<u>\$ 692,998</u>

The accompanying notes are an integral part of this statement.

Avance - Dallas, Inc.  
Statement of Functional Expenses  
For the year ended June 30, 2010

	<u>Program</u>	<u>Supporting</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$1,014,356	\$ 93,023	\$ -	\$1,107,379
Employee benefits	138,704	9,515	-	148,219
Payroll taxes	117,902	8,427	-	126,329
Professional fees	121,017	17,666	29,631	168,314
Accounting and legal fees	7,752	10,736	-	18,488
Advertising	257	-	-	257
Supplies	119,615	2,170	-	121,785
Communications	15,604	2,182	562	18,348
Postage and shipping	315	932	1,061	2,308
Occupancy	54,482	26,141	-	80,623
Rental and maintenance of equipment	9,505	731	-	10,236
Printing and publications	1,641	1,306	-	2,947
Travel and transportation	25,217	3,251	-	28,468
Scholarships	904	-	-	904
Client emergency funds	11,550	-	-	11,550
Graduation programs	5,623	-	-	5,623
Conferences and meetings	835	1,595	-	2,430
Staff development	14,407	641	-	15,048
Membership fees	831	615	-	1,446
Insurance	21,604	1,251	-	22,855
Bank fees and interest	-	928	-	928
Miscellaneous	250	1,876	-	2,126
Affiliation fees	15,073	591	-	15,664
Fund raising	-	-	1,627	1,627
Equipment purchases	2,037	-	-	2,037
Depreciation	-	3,756	-	3,756
	<u>\$1,699,481</u>	<u>\$187,333</u>	<u>\$ 32,881</u>	<u>\$1,919,695</u>

The accompanying notes are an integral part of this statement.

Avance - Dallas, Inc.  
Statement of Cash Flows  
For the year ended June 30, 2010

Cash flows from operating activities	
Change in net assets	\$ 85,708
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	3,756
Decrease (increase) in assets:	
Grants receivable	(33,613)
Due from National	8,920
Prepays	(15,592)
Increase in liabilities:	
Accounts payable and accrued expenses	137
Net cash provided by operating activities	<u>49,316</u>
 Cash flows from investing activities	
Redemption of investments	<u>1,922</u>
Net cash provided by investing activities	<u>1,922</u>
 Change in cash	51,238
 Cash, beginning of year	<u>237,792</u>
Cash, end of year	<u><u>\$ 289,030</u></u>

The accompanying notes are an integral part of this statement.

Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2010

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of Avance – Dallas, Inc.'s (the Organization) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature and Purpose of the Organization

Avance – Dallas, Inc. 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. (National), which was established in 1973 as a Texas non-profit corporation. Avance – Dallas, Inc. was established in 1996.

Basis of 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:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

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.

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.

Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2010

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates and assumptions primarily relate to valuation as of the date of the financial statements. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of ninety (90) days or less to be cash equivalents. At June 30, 2010, cash equivalents totaled \$126,000. 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.

Investments

Investments, consisting of certified deposits, are carried at their current market value. At June 30, 2010, investments totaled \$356,763. Investment return consists of interest income which is included in total interest income on the Statement of Activities and Changes in Net Assets.

Grants Receivable

Grants receivable consists of amounts due from federal awarding agencies.

Property and Equipment

Furniture, fixtures and equipment are stated at cost, when purchased, or estimated fair 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.

Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2010

Depreciation and amortization has been calculated as follows:

Equipment	5 years
Vehicle	5 years
Software	3 years

Income Taxes

The Organization is a non-profit organization, as defined in Section 501(c)(3) of the Internal Revenue Service Code (the 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, 2010, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes.

NOTE 2 – PROPERTY AND EQUIPMENT

As of June 30, 2010, property and equipment consisted of the following:

Equipment	\$ 38,325
Less: accumulated depreciation	<u>(34,391)</u>
	<u>\$ 3,934</u>

Depreciation expense for the year ended June 30, 2010 was \$3,756.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2010, temporarily restricted net assets were restricted for the following purposes:

Capacity Building Service Project	<u>\$ 12,013</u>
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NOTE 4 – COMMITMENTS

The Organization leases office equipment under two non-cancelable operating leases ending in 2010 and 2011.

The approximate future minimum lease payments are as follows:

For the year ended June 30, 2011	<u>\$ 8,607</u>
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Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2010

Lease expense associated with these leases for the year ended June 30, 2010 was approximately \$6,226.

NOTE 5 – RETIREMENT PLAN

The Organization has adopted a 403(b) retirement plan, for essentially all employees, which is offered through National. Employees can make contributions, subject to certain limitations, on a pre-tax 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, 2010, the Organization contributed approximately \$3,128.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization receives pass-through funding from Avance, Inc., who receives funding from the Texas Education Agency (TEA). In addition, the Organization pays for certain education operating expenses and is subsequently reimbursed on a quarterly basis for these expenses by the TEA, with National serving as a pass-through fiscal entity. For the year ended June 30, 2010, the Organization received \$8,920 from National. In addition, the Organization pays affiliation fees to National. For 2010, \$15,553 of these costs were incurred. At June 30, 2010, the net amount owed to the Organization by National was \$13,983.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, a statement was issued under U.S. GAAP for fair value measurements. This statement provides a new definition for fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Organization adopted the provisions of this statement as of July 1, 2008. The financial assets recorded at fair value on a recurring basis are primarily related to investments.

This statement established a fair value hierarchy that distinguishes between market participant assumptions, based on market data, obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and Level 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The adoption of this statement to the Organization's financial assets did not have any impact on the financial statements.

Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2010

In accordance with the provisions of U.S. GAAP, the Organization has elected to defer implementation until July 1, 2009 as it relates to non-financial assets and non-financial liabilities that are not permitted or required to be measured at fair value on a recurring basis. Management is evaluating the impact, if any, this statement will have on those non-financial assets and liabilities.

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Market for Identical Assets/Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Cash	\$289,030	\$ 289,030	\$ -	\$ -
Investments	356,763	356,763	-	-
Grants receivable	70,608	-	70,608	-
<b>Total</b>	<b>\$716,401</b>	<b>\$ 645,793</b>	<b>\$ 70,608</b>	<b>\$ -</b>

**NOTE 8 – DONATED SERVICES**

The Organization received 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 HIPPY programs. The Organization also received donated facilities from the Dallas Independent School District. These donated facilities were classrooms that the Organization used for the donated services from individuals teaching ESL and GED classes. For the year ended June 30, 2010, the estimated value of these services totaled approximately \$11,000, which has been recorded in the Statement of Activities and Changes in Net Assets.

In addition, the Organization also receives its office space and warehouse space free of charge under a lease which runs until January 2011. The estimated annual value of this space is approximately \$50,670 and this amount has been recorded in the Statement of Activities and Changes in Net Assets.

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 estimated fair value of these services is not readily determinable and these services do not meet the criteria for recognition as revenues.

Avance – Dallas, Inc.  
Notes to Financial Statements  
June 30, 2010

NOTE 9 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FIN-48

The Organization files an annual information return. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2006.

The Organization has adopted the provisions of FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*. As of June 30, 2010, there were no unrecognized tax benefits.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2010.

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2010 through the issue date of the financial statements, August 12, 2010. Based on this review, no events have occurred requiring disclosure.