

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.

(A NONPROFIT ORGANIZATION)

MADISON, GEORGIA

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT)

Years Ended

December 31, 2010 and 2009

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
MADISON, GEORGIA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2 - 3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 15
SUPPLEMENTARY INFORMATION	
SCHEDULE I - COMMUNITY ACTION TEAM ACCOUNT BALANCES	16 - 17
SCHEDULE II - SCHEDULE OF EXPENDITURES OF STATE AWARDS EXPENDED	18



PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
PO DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

INDEPENDENT AUDITORS' REPORT

June 22, 2011

To the Board of Directors
FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
MADISON, GEORGIA

We have audited the accompanying statements of financial position of FERST FOUNDATION FOR CHILDHOOD LITERACY, INC. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 FERST FOUNDATION FOR CHILDHOOD LITERACY, INC. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of FERST FOUNDATION FOR CHILDHOOD LITERACY, INC. taken as a whole. The accompanying Schedule of Community Action Team Account Balances and Schedule of Expenditures of State Awards Expended are presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bates, Carter & Co., LLP

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 433,820	\$ 483,988
Restricted cash - Georgia Rural Libraries Initiative	24,808	48,677
Cash - Community Action Teams	79,686	83,940
Grants receivable	276,815	100,000
Investments	-	25,000
Receivables	10,060	71,423
Other current assets	18,076	611
Total current assets	<u>843,265</u>	<u>813,639</u>
Property and equipment		
Property and equipment	75,511	30,110
Accumulated depreciation	<u>(25,758)</u>	<u>(18,089)</u>
Total property and equipment	<u>49,753</u>	<u>12,021</u>
Total assets	<u>\$ 893,018</u>	<u>\$ 825,660</u>

The accompanying notes are an integral part of these financial statements.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 8,631	\$ 2,561
Accrued salaries	9,000	4,750
Accrued payroll taxes	10,430	4,057
Grants payable	24,808	48,677
Other accrued liabilities	306	-
Total current liabilities	<u>53,175</u>	<u>60,045</u>
Net Assets		
Unrestricted		
Undesignated	5,517	71,268
Fixed assets	49,753	12,021
Operating reserve fund	80,000	-
Other board designated funds	69,955	100,000
Total Unrestricted net assets	<u>205,225</u>	<u>183,289</u>
Temporarily restricted	<u>634,618</u>	<u>582,326</u>
Total net assets	<u>839,843</u>	<u>765,615</u>
Total liabilities and net assets	<u>\$ 893,018</u>	<u>\$ 825,660</u>

The accompanying notes are an integral part of these financial statements.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support, revenue, and reclassifications						
Contributions	\$ 119,707	\$ 1,343,032	\$ 1,462,739	\$ 190,565	\$ 1,397,966	\$ 1,588,531
Government grants	527,795	-	527,795	-	-	-
Community action team seminar revenue	2,955	-	2,955	2,583	-	2,583
Inkind services contributed	39,954	-	39,954	20,300	-	20,300
Investment income	144	-	144	432	-	432
Special events						
Income	-	58,679	58,679	-	65,160	65,160
Less expenses	-	(5,847)	(5,847)	-	(7,714)	(7,714)
Net assets released from restriction	1,343,572	(1,343,572)	-	1,487,117	(1,487,117)	-
Total public support, revenues, and reclassifications	2,034,127	52,292	2,086,419	1,700,997	(31,705)	1,669,292
Expenses						
Program expenses	1,796,917	-	1,796,917	1,404,023	-	1,404,023
Administrative expenses	162,321	-	162,321	159,097	-	159,097
Fundraising expenses	52,953	-	52,953	35,065	-	35,065
Total expenses	2,012,191	-	2,012,191	1,598,185	-	1,598,185
Increase (decrease) in Net Assets	21,936	52,292	74,228	102,812	(31,705)	71,107
Net Assets, beginning of year	183,289	582,326	765,615	80,477	614,031	694,508
Net Assets, end of year	\$ 205,225	\$ 634,618	\$ 839,843	\$ 183,289	\$ 582,326	\$ 765,615

The accompanying notes are an integral part of these financial statements.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2010 and 2009

	<u>2010</u>				<u>2009</u>			
	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Compensation & benefits								
Salaries and wages	\$ 97,730	\$ 65,471	\$ 34,206	\$ 197,407	\$ 83,683	\$ 45,949	\$ 21,575	\$ 151,207
Other employee benefits	12,115	8,221	3,820	24,156	10,592	4,602	4,900	20,094
Payroll taxes	8,415	5,521	2,818	16,754	7,236	3,978	1,911	13,125
Total compensation & benefits	<u>118,260</u>	<u>79,213</u>	<u>40,844</u>	<u>238,317</u>	<u>101,511</u>	<u>54,529</u>	<u>28,386</u>	<u>184,426</u>
Imagination Library								
Books	986,051	-	-	986,051	782,181	-	-	782,181
Shipping and postage	565,947	-	-	565,947	463,562	-	-	463,562
Registration expenses	3,543	-	-	3,543	4,436	-	-	4,436
Total Imagination Library	<u>1,555,541</u>	<u>-</u>	<u>-</u>	<u>1,555,541</u>	<u>1,250,179</u>	<u>-</u>	<u>-</u>	<u>1,250,179</u>
Other expenses								
Advertising and marketing	-	-	2,858	2,858	3,459	4,716	1,337	9,512
Community action team support	38,301	201	2,951	41,453	7,589	785	303	8,677
Conferences, conventions & meetings	2,512	591	3	3,106	4,099	1,859	383	6,341
Consultants	4,050	5,344	450	9,844	-	389	-	389
Depreciation expense	8,652	673	288	9,613	3,553	276	118	3,947
Dues and subscriptions	-	1,470	594	2,064	412	863	181	1,456
Evaluation study	-	31,400	-	31,400	-	62,799	-	62,799
Facilities costs	18,536	2,865	619	22,020	15,408	2,107	513	18,028
Information technology	27,697	2,855	943	31,495	3,143	2,480	-	5,623
Insurance	-	-	-	-	-	565	-	565
Legal and professional fees	-	17,400	-	17,400	-	19,646	-	19,646
Miscellaneous	-	-	535	535	-	-	-	-
Office expenses	1,638	3,189	772	5,599	245	2,191	210	2,646
Strategic plan	-	9,500	-	9,500	-	-	-	-
Supplies	3,068	2,443	128	5,639	433	2,131	77	2,641
Telecommunications	10,450	1,656	960	13,066	6,018	850	1,139	8,007
Travel	8,212	2,845	1,008	12,065	7,974	2,911	1,461	12,346
Volunteer recognition	-	676	-	676	-	-	957	957
Total other expenses	<u>123,116</u>	<u>83,108</u>	<u>12,109</u>	<u>218,333</u>	<u>52,333</u>	<u>104,568</u>	<u>6,679</u>	<u>163,580</u>
Total functional expenses	<u>\$ 1,796,917</u>	<u>\$ 162,321</u>	<u>\$ 52,953</u>	<u>\$ 2,012,191</u>	<u>\$ 1,404,023</u>	<u>\$ 159,097</u>	<u>\$ 35,065</u>	<u>\$ 1,598,185</u>

The accompanying notes are an integral part of these financial statements.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 74,228	\$ 71,107
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	9,613	3,947
Non-cash contributions of fixed assets	(38,809)	(1,000)
Non-cash contributions of investments	(930)	-
(Gain) loss on sale of investments	90	220
Net unrealized (gain) loss on investments	-	(75)
(Increase) decrease in restricted cash	23,869	36,901
(Increase) decrease in cash - Community Action Teams	4,254	(22,497)
(Increase) decrease in:		
Grants receivable	(176,815)	(100,000)
Receivables	61,364	(34,275)
Other current assets	(17,465)	(611)
Increase (decrease) in:		
Accounts payable	6,068	(7,361)
Accrued salaries	4,250	4,750
Accrued payroll taxes	6,373	1,392
Grants payable	(23,869)	(36,901)
Other accrued liabilities	308	-
Total adjustments	<u>(141,699)</u>	<u>(155,510)</u>
Net cash provided by (used in) operating activities	<u>(67,471)</u>	<u>(84,403)</u>
Cash flows from investing activities		
Payments for the purchase of property and equipment	(8,537)	(1,500)
Proceeds on sale of investments	25,840	25,895
Net cash provided by (used in) investing activities	<u>17,303</u>	<u>24,395</u>
Net increase (decrease) in cash and cash equivalents	(50,168)	(60,008)
Cash and cash equivalents, beginning of year	<u>483,988</u>	<u>543,996</u>
Cash and cash equivalents, end of year	<u>\$ 433,820</u>	<u>\$ 483,988</u>

The accompanying notes are an integral part of these financial statements.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant policies of FERST FOUNDATION FOR CHILDHOOD LITERACY, INC. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of these financial statements.

NATURE OF ACTIVITIES

The Organization is a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. The Organization was founded to promote literacy and education in the state of Georgia through the establishment and implementation of programs to:

- Distribute age appropriate books (Imagination Library) at no charge to preschool age children, day care centers and pre-kindergarten programs.
- Sponsor reading skills development and promotional events at libraries, schools and community centers.
- Promote local community participation in childhood literacy programs.

The book distribution program is free to participating families and is made possible through fundraising efforts, spearheaded by local Community Action Teams (CATs). A CAT acts as each community's (generally a county) local champion and is ultimately responsible for raising funds needed for each child from that county who participates in the program. Funding is provided through private donations, corporate sponsorships and grants. For the years ended December 31, 2010 and 2009, 624,042 and 476,721 books were sent to 81,694 and 42,800 children, respectively.

In 2010, the organization received an \$1,443,668 grant from the Georgia Department of Human Services to provide books from the imagination library to children, birth through five years of age, who are in the Georgia's foster care systems and/or children receiving Child Care and Parent Service (CAPS). The period of this grant is from September 1, 2010 through August 31, 2011 with an option to be renewed four times. In 2011, the organization was notified the grant would not be renewed due to state budget constraints.

The Organization has partnered with the Community Foundation of Greater Atlanta to administer the Georgia Rural Libraries Initiative which provides multi-year grants to rural communities to enhance the availability of early childhood learning resources in rural communities primarily through existing public libraries.

The Organization is governed by a volunteer board of directors.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

FINANCIAL STATEMENT PRESENTATION

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less. Restricted cash and cash equivalents are limited in use to payment of expenses related to the Georgia Regional Libraries Initiative.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Other investments without a readily determinable fair value are stated at cost.

RECEIVABLES

The Organization extends short term credit to local Community Action Teams who have signed a memorandum of understanding with the Organization to provide the financial resources to pay for the books provided to children in their community. These receivables are written off when they are determined to be uncollectable. Generally accepted accounting principles require that the allowance method be used to recognize bad debt; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

PROPERTY AND EQUIPMENT

Property and equipment with a cost greater than \$1,000 are recorded at cost or at estimated fair value at the date of the gift. Minor additions and renewals are recorded as expenses in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using straight-line methods. Estimated useful lives are as follows:

Furniture and Equipment	5-10 years
Computer Hardware & Software	3-5 years
Leasehold improvements	15 years

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

The Organization recognizes, as contribution revenue, funds raised by local Community Action Teams specifically for the Organization that have not been sent to the Organization at year end and records the corresponding asset as "Cash - Community Action Teams" on the Statement of Financial Position.

DONATED EQUIPMENT AND SERVICES

Donated furniture and equipment is recorded at estimated fair value at date of receipt. Such donations are reported as unrestricted revenue unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization receives the free use of office space for its two offices. Contributions and expenses related to the donated office space amounting to \$15,545 and \$12,000 for the years ended December 31, 2010 and 2009 have been reflected in the accompanying statement of activities.

The value of non-cash contributions included in contributions on the financial statements are as follows for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Books	\$ -	\$ 7,460
Computer equipment & software	38,809	-
Office furniture	-	1,000
Stock	930	-
	<u>39,739</u>	<u>8,460</u>
Total non-cash contributions	<u>\$ 39,739</u>	<u>\$ 8,460</u>

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

The value of donated services included in the financial statements and the corresponding expenses are as follows for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Advertising and marketing services	\$ -	\$ 7,500
Legal services	-	800
Rent	15,454	12,000
Technology upgrades - labor	15,000	-
Strategic plan consultants	9,500	-
	<u>39,954</u>	<u>20,300</u>
Total donated services and equipment	<u>\$ 39,954</u>	<u>\$ 20,300</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments without compensation. During the years ended December 31, 2010 and 2009, over 50,000 hours of services were contributed by volunteers. The financial statements do not reflect the value of those contributed services because, although clearly substantial, no reliable basis exist for determining an appropriate amount.

INCOME TAXES

The Organization is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2007, 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after they were filed.

ADVERTISING COSTS

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

USE OF 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.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

COMPENSATED ABSENCES

It is the Organization's policy to permit employees to accumulate earned but unused paid days off benefits. No liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All paid days off are accrued when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of the organization's programs and supporting services have been reported on a functional basis, requiring the allocation of certain costs based on estimates made by management.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 2 - CONCENTRATION OF CREDIT RISK

At December 31, 2010 and 2009, the carrying amount of the Organization's cash deposits were \$458,628 and \$532,665, respectively. The bank balances were \$500,525 and \$624,371, respectively. Of the bank balance at December 31, 2010 and 2009, \$122,872 and \$222,742 was secured or covered by federal depository insurance, \$377,653 and \$401,629 was covered by the Securities Investor Protection Corporation and supplemental private insurance or fully collateralized.

NOTE 3 - GRANTS RECEIVABLE

For the year ending December 31, 2010, Grants receivable consisted of funds due from the State of Georgia Department of Human Services for books shipped during the months of November and December 2010. These funds were received in January 2011. For the year ending, December 31, 2009, Grants receivable consisted of a \$100,000 grant awarded in December 2009 and received in January 2010.

NOTE 4 - INVESTMENTS

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all level 1 measurements). Other investments consisting of auction rate preferred securities are carried at historical cost. From time to time the Organization receives donated equity stocks. It is the Organization's policy to sell these equities as soon as practical.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

The Organization's investments as of December 31, 2010 and 2009 consisted of equity stocks and other securities as follows:

	2010	2009
Investments carried at fair value		
Common stock with readily determinable fair values	\$ -	\$ 1,040
Investments carried at cost		
Auction rate preferred securities	-	25,000
Total investments	\$ -	\$ 26,040

The carrying amount of the auction rate preferred debt securities was determined using historical cost. At December 31, 2007 the organization held \$225,000 of auction rate preferred securities which were classified as cash or cash equivalents. In February 2008, these securities were reclassified to other securities due to a change in liquidity of the securities. Subsequently in 2008, \$175,000 of the securities were redeemed at par value. In the years ending December 31, 2010 and 2009, the remaining \$50,000 in securities were redeemed at par value; \$25,000 each year. These issues are rated AAA by either Moody's or Standard & Poors.

The following schedule summarizes the investment return in the statement of activities:

	2010	2009
Interest and dividend income	\$ 239	\$ 577
Realized gains (losses)	(95)	(220)
Unrealized gains (losses)	-	75
Total investment income	\$ 144	\$ 432

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment owned is summarized as follows:

	2010	2009
Equipment	\$ 64,261	\$ 18,860
Furniture and fixtures	4,750	4,750
Leasehold improvements	6,500	6,500
	75,511	30,110
Less: accumulated depreciation	(25,758)	(18,089)
	\$ 49,753	\$ 12,021

The depreciation expense was \$9,613 and \$3,947 for the years ended December 31, 2010 and 2009 respectively.

NOTE 6 - BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consist of the following as of December 31:

	2010	2009
Seed funds	\$ 36,955	\$ 100,000
Operating reserve fund	80,000	-
Contingency fund	33,000	-
Total	\$ 149,955	\$ 100,000

The Board of Directors designated the proceeds of a \$100,000 grant awarded in December 2009 to be used as "seed funds" for initiating new communities, providing matching funds for challenged communities and incentive funds for increased registrations. In 2010, the Board of Directors designated 3 months of operating expenses be placed in a Operating Reserve Fund. Additionally, the Board of Directors designated remaining funds from the current year to be placed in a Contingency Fund to be used for unbudgeted requirements during future years.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Imagination library	\$ 523,402	\$ 417,935
Local community action team funds	79,686	83,940
Evaluation study grant	30,802	62,201
Other temporarily restricted net assets	728	-
Technology fund	-	18,250
Total	<u>\$ 634,618</u>	<u>\$ 582,326</u>

The amounts allocated to the Imagination library are restricted for the specific purpose of future support of the Imagination Library program in the respective county that raised the funds. Local Community Action Team (CAT) funds are funds raised by CATs for which the Organization does not serve as fiscal agent specifically for the Organization for Imagination Library Program, to cover the future cost of the program in that county. The Technology fund is restricted to be used for an upgrade of technology equipment at headquarters. The Evaluation study grant is to fund a study by the Evaluation Center at the University of West Georgia to conduct an evaluation of the Ferst Foundation program in Georgia .

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes were as follows for the years ended December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Imagination Library	\$ 1,290,138	\$ 1,422,568
Technology Fund	18,250	1,750
Other temporarily restricted net assets	3,784	-
Evaluation study grant	31,400	62,799
Total	<u>\$ 1,343,572</u>	<u>\$ 1,487,117</u>

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 - GEORGIA RURAL LIBRARIES INITIATIVE

The Organization serves as the fiscal agent for the Georgia Rural Libraries Initiative (GRLI) which provides seven year grants to rural communities to enhance the availability of early childhood learning resources primarily through existing public libraries. The grant was awarded to one new county each year through 2008 based on need and community commitment. As of December 31, 2010, grants had been awarded to public libraries in five counties. In accordance with the grant program, the Organization is allowed to retain \$1,000 per year, per library to cover the costs of administering the program. A summary of receipts and distributions for the GRLI program follows:

	<u>2010</u>	<u>2009</u>
GRLI restricted cash beginning of year	\$ 48,677	\$ 85,578
Receipts from Greater Atlanta Community Foundation	60,000	80,000
Less: Distributions to public libraries	(78,869)	(111,901)
Administrative Fee	<u>(5,000)</u>	<u>(5,000)</u>
GRLI restricted cash end of year	<u>\$ 24,808</u>	<u>\$ 48,677</u>

NOTE 10 - CONCENTRATION OF SUPPLIERS

The "Dolly Parton's Imagination Library" is the sole provider of the books provided in the Imagination Library program and Printing Finishers, Inc. (located in Tommy Nobis Center) is the primary provider of mailing services for the shipping of the Imagination Library books .

NOTE 11 - SUBSEQUENT EVENTS

In 2011, the organization was notified the grant from the Georgia Department of Human Services will not be renewed when the initial term of the grant expires on August 31, 2011 due to state budget constraints.

Management has evaluated subsequent events through June 22, 2011, the date the financial statements were available to be issued.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
SCHEDULE I - SCHEDULE OF COMMUNITY ACTION TEAM ACCOUNT BALANCES
December 31, 2010

The following is a summary of the funds held by the organization on behalf of local Community Action Teams.

<u>Team</u>	<u>Balance</u>
Antioch AME Church	\$ 164
Atlanta Apartment Associations	\$ 81
Barrow County	\$ 65
Brooks County	\$ 2,902
Butts County	\$ 6,436
Calhoun County	\$ 2,163
Camden County	\$ 22,279
Candler County	\$ 205
Catoosa County	\$ 18,695
Chatham County	\$ 2,334
Cherokee County	\$ 2,745
Cobb	\$ 180
Colquitt County	\$ 2,146
Dean Rusk Center (Head Start)	\$ 4,949
Dodge County	\$ 3,240
Drew Elementary School	\$ 965
Effingham County	\$ 358
Emanuel County	\$ 45
Evans County	\$ 17,933
Fannin County	\$ 1,671
Franklin County	\$ 6,984
Fulton County	\$ 4,842
Georgia Pines	\$ 533
Gilmer County	\$ 3,483
Glynn County	\$ 5,190
Grady County	\$ 3,483
Greene County	\$ 80,805
Gwinnett County	\$ 2,264
Hall County	\$ 3,311
Hancock County	\$ 4,630
Haralson County	\$ 6,532
Harris County	\$ 6,121
Houston County	\$ 5,630
Jefferson County	\$ 7,441
Jones County	\$ 1,331

See accountants' report.

FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
SCHEDULE I - SCHEDULE OF COMMUNITY ACTION TEAM ACCOUNT BALANCES
(CONTINUED)
December 31, 2010

<u>Team</u>	<u>Balance</u>
Junior League of Atlanta	\$ 844
Laurens County	\$ 1,224
McDuffie County	\$ 36,083
McIntosh County	\$ 14,964
Midtown Atlanta Rotary - Premier Academy	\$ 5,290
Mitchell County	\$ 2,128
Monroe County	\$ 10,666
Newton County	\$ 3,488
Oglethorpe County	\$ 1,418
Peachtree City	\$ 270
Pickens County	\$ 7,639
Putnam County	\$ 27,585
Rabun County	\$ 14,455
Richmond County	\$ 29,201
Rockdale County	\$ 2,939
Rotary Club of Sandy Springs	\$ 1,040
Screven County	\$ 3,011
Seminole County	\$ 3,923
Sheltering Arms/Eastlake	\$ 3,874
Sumter County	\$ 16,532
Talbot County	\$ 1,507
Telfair County	\$ 2,546
Towns County	\$ 267
Union County	\$ 1,260
Walton Communities	\$ 9,174
Warren County	\$ 12,165
Washington County	\$ 18,477
Wayne County	\$ 162
Wilkes County	\$ 57
Wilkinson County	\$ 7,899

See accountants' report.

**FERST FOUNDATION FOR CHILDHOOD LITERACY, INC.
 SCHEDULE II - SCHEDULE OF STATE AWARDS EXPENDED
 December 31, 2010**

<u>STATE GRANTOR PROGRAM TITLE</u>	<u>GRANT/ CONTRACT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>STATE EXPENDITURES</u>	<u>DUE FROM STATE</u>
GEORGIA DEPARTMENT OF HUMAN SERVICES - Division of Family and Children Services	42700-040-0000006592	\$ 1,585,668	\$ 527,795	\$ 276,815
	42700-040-0000005296	27,731	-	-
		<u>\$ 1,613,399</u>	<u>\$ 527,795</u>	<u>\$ 276,815</u>

NOTES TO STATE CONTRACTUAL ASSISTANCE SCHEDULE

1. This schedule is prepared on the modified accrual basis of accounting.