

ADVANCEMENT PLUS, INC.
DECEMBER 31, 2002 AND 2001

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Advancement Plus, Inc.

We have audited the accompanying statements of financial position of Advancement Plus, Inc. (a nonprofit organization), as of December 31, 2002 and 2001, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organizations' 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 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 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 Advancement Plus, Inc. as of December 31, 2002 and 2001, and changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Braver and Company, P.C.

September 25, 2003

ADVANCEMENT PLUS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2002 AND 2001

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 208,222	\$ 523,014
Total current assets	208,222	523,014
Property and equipment, at cost, less accumulated depreciation of \$31,194	31,227	20,355
Total assets	\$ 239,449	\$ 543,369
Liabilities and net assets		
Current liabilities:		
Accounts payable to related parties	\$ -	\$ 10,652
Accrued expenses	6,481	13,438
Total current liabilities	6,481	24,090
Unrestricted net assets	232,968	519,279
Total liabilities and net assets	\$ 239,449	\$ 543,369

The accompanying notes are an integral part of these financial statements

ADVANCEMENT PLUS, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Revenue and support:		
Contributions	108,720	39,637
Investment income	\$ 20,658	\$ 40,564
Other	4,484	-
Unrealized gain on investment	3,503	8,090
	137,365	88,291
 Expenses:		
Programs	397,000	323,375
Fundraising	6,448	-
Administrative	20,228	15,867
	423,676	339,242
 Change in net assets	(286,311)	(250,951)
 Unrestricted net assets, beginning of year	519,279	770,230
 Unrestricted net assets, end of year	\$ 232,968	\$ 519,279

The accompanying notes are an integral part of these financial statements

ADVANCEMENT PLUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2002

	PROGRAMS							Total 2002	
	HUB Database	Computer Center	Seminars	Goals	Grocery Program	sub-total Programs	Fundraising		Administrative
Salary, wages and fringe benefits	\$16,748	\$200,981	\$66,994	\$33,498	\$ -	\$318,221	\$ -	\$16,748	\$334,969
Office expenses	2,129	25,546	8,515	4,258		40,448		2,129	42,577
Database expense	12,619					12,619			12,619
Depreciation	8,142				1,001	9,143			9,143
Grocery expenses					6,679	6,679			6,679
Fundraising						0	6,448		6,448
Professional fees	313	3,750	1,250	624		5,937		313	6,250
Equipment	3,953					3,953			3,953
Taxes						0		1,038	1,038
Total	\$43,904	\$230,277	\$76,759	\$38,380	\$ 7,680	\$397,000	\$ 6,448	\$20,228	\$423,676

The accompanying notes are an integral part of these financial statements

ADVANCEMENT PLUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2001

	PROGRAMS							Total 2001	
	HUB Database	Computer Center	Seminars	Goals	Grocery Program	sub-total Programs	Fundraising		Administrative
Salary, wages and fringe benefits	\$12,212	\$146,545	\$48,848	\$24,425	\$ -	\$232,030	\$ -	\$12,212	\$244,242
Office expenses	2,186	26,232	8,744	4,372		41,534		2,186	43,720
Database expense	22,983					22,983			22,983
Depreciation	13,570					13,570			13,570
Grocery expenses						0			0
Fundraising						0			0
Professional fees	374	4,482	1,494	746		7,096		374	7,470
Equipment	6,162					6,162			6,162
Taxes						0		1,095	1,095
Total	\$57,487	\$177,259	\$59,086	\$29,543	\$ -	\$323,375	\$ -	\$15,867	\$339,242

The accompanying notes are an integral part of these financial statements

ADVANCEMENT PLUS, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Cash flows from operating activities		
Change in net assets	\$ (286,311)	\$ (250,951)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,143	13,570
Increase (decrease) in:		
Accounts payable	(10,652)	(34)
Accrued expenses	(6,957)	7,930
Net cash used in operating activities	\$ (294,777)	\$ (229,485)
Cash flows from investing activities		
Purchases of property and equipment	(20,015)	-
Net cash used in investing activities	(20,015)	-
Decrease in cash	(314,792)	(229,485)
Cash balance, beginning of year	523,014	752,499
Cash balance, end of year	\$ 208,222	\$ 523,014

The accompanying notes are an integral part of these financial statements

ADVANCEMENT PLUS, INC.
NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES: Advancement Plus, Inc. is a nonprofit organization. The organization's purpose is to develop and implement educational, training and work programs for undereducated and underemployed heads of household.

BASIS OF ACCOUNTING: The financial statements of Advancement Plus, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CASH AND CASH EQUIVALENTS: For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CONCENTRATION OF CONTRIBUTIONS: The Organization, since its inception, has received substantially all of its contribution support from a limited number of contributors.

TAX STATUS: The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c) (3) of the Code. The Code imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations.

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 the reported revenues and expenses. Actual results could differ from those estimates.

PROPERTY AND EQUIPMENT: All acquisitions of property and equipment in excess of \$5000 and all expenditures for repairs, maintenance, renewals, and betterment's that materially prolong useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is recorded using the Modified Accelerated Cost Recovery System.

CONTRIBUTIONS: A contribution is an unconditional transfer of cash or other assets to Advancement Plus, Inc. or a settlement or cancellation of its liabilities in a voluntary, nonreciprocal transfer by another entity acting other than as an owner. Contributions received are recognized as revenues or gains in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. Contributions received are measured at their fair values and are reported as unrestricted, temporarily restricted or permanently restricted support based upon the existence or absence of donor-imposed restrictions. All contributions received by Advancement Plus, Inc. in 2002 were unrestricted. There were no pledges outstanding at December 31, 2002.

ADVANCEMENT PLUS, INC.
NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2002:

Computer network	\$ 42,406
Motor vehicle	<u>20,015</u>
	62,421
Less: accumulated depreciation	<u>(31,194)</u>
	<u>\$ 31,227</u>

3. FUND-RAISING EXPENSE:

Total fund-raising expense for the year ended December 31, 2002 and December 31, 2001 was \$6,448 and \$0.

4. EXPENSE ALLOCATION:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

5. DONATED SERVICES AND FACILITY:

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Included in contributions and expenses are rent and utility expense of \$7,000 and accounting fees of \$1,620 for the year ended December 31, 2002.

6. DEFINED CONTRIBUTION PLAN:

The organization has a defined contribution plan (the Plan) covering all employees with at least three months of service who agree to make contributions to the Plan. The organization matches participants' contributions to the Plan up to 7.5% of the individual participant's compensation. Total expense for the year ended December 31, 2002 and 2001 was \$49,980 and \$33,695 respectively.