

*“My favorite reason to read is that when I open a book and start reading, the book comes alive with the authors’ ideas and words that challenge my thoughts. I am amazed at the way the author’s words come alive with action. Reading has opened up a new world of knowledge and comprehension. I learn how to read better by using books on tape. But I also read them sometimes by following along with the words. I have read many books on learning disabilities and psychology. I have read books like *War of the Worlds* and *The Time Machine* by Herbert George Wells, *The Adventures of Huckleberry Finn* by Mark Twain, and many other classics. So far over the past 10 years I have read many books and articles that I would never have attempted before. But look at me now. I look forward to reading everything that I am interested in and I finish reading the entire story. I feel that reading has built up my self-worth.”*

- Harry I. Seda
Retired Maintenance Engineer
LVA Student, LVA Middletown, New York

2000 REASONS AMERICA SHOULD READ

From May 1, 2000 to September 30, 2000, LVA invited visitors to <http://www.2000reasons.org> to submit their favorite reason to read. Support from title sponsor Tic Tac® enabled LVA to conduct an online lottery with cash prizes. People of all ages, from all walks of life, submitted their favorite reason to read at the site. A list of submitted reasons can be found at www.literacyvolunteers.org.

Many celebrities also joined us and submitted their reasons to read: James Earl Jones (actor and Bell-Atlantic spokesperson), David Copperfield (magician), Joseph S. Bonsall (author and member of the Oak Ridge Boys), Wally Amos (author and founder of Famous Amos Cookies), and Garfield (animated cat) are just some of the people who visited the *2000 Reasons* website during the five-month campaign. In addition, literacy notables such as Andrew Hartman, executive director of the National Institute for Literacy, and Assistant Secretary of Vocational and Adult Education Patricia W. McNeil and Division of Adult Education and Literacy Director Ronald S. Pugsley of the U.S. Department of Education submitted reasons. The list of celebrity reasons can also be found at the LVA website.

The *2000 Reasons America Should Read* website also provided information about LVA and literacy, providing links to descriptions of LVA programs and instructions on how to get involved as a volunteer, donor, or corporate sponsor.

The online lottery concluded with a prize drawing at the closing lunch of LVA National Conference 2000: Show Me the Future! in Kansas City, Missouri, on October 7, 2000. Three lucky winners were awarded cash prizes, provided by support from Tic Tac®.

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Our Board of Directors, State Board Presidents, National Student Advisory Board . .	inside back cover

“To read, write, and speak English proficiently, to compute and solve problems, and to use technology are essential in order to become a lifelong learner and to be effective in the family, in the workplace, and in the community.”

- Marsha L. Tait
President

MESSAGE FROM THE CHAIR AND PRESIDENT

If there are at least 2000 *Reasons America Should Read*, then there are also at least 2,000 reasons to be optimistic about the future of Literacy Volunteers of America, Inc. as we enter this great time of change in the 21st Century.

In February of this year, literacy practitioners, students, financial and political supporters, and leaders from around the country gathered in Washington to develop an action plan for adult literacy and basic skills education in this century. The results of the National Literacy Summit 2000 were announced on International Literacy Day in September 2000. The report emphasizes three key priorities for the field: increased resources, improved access to services, and quality assurance. LVA has been an active participant in these events and has made an organizational commitment to continuous quality improvement of the services that it provides through LVA Accreditation.

LVA is the only national adult education and literacy institution to require its members to undergo a rigorous program certification process. As is reflected in the article about the East Texas Literacy Council, the first LVA program to become Accredited, we are obsessed with quality! LVA Accreditation is the cornerstone of that commitment.

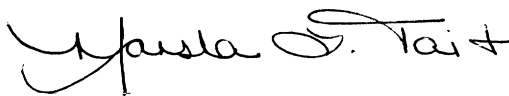
LVA's F. 2000 financials reflect a slight decrease in gross revenues of approximately 6% from 1999. However, total public support increased slightly and overall sales of materials increased by 14%. We spent 91% of our expenses on program initiatives that provide our members with the goods and services that they need in order to provide the best possible instruction to adult learners across the country.

LVA student Harry Seda's Reason To Read on the inside front cover of this report eloquently describes his achievement of personal fulfillment through literacy. We in the adult education and literacy system exist for the sole purpose of providing students like Harry with the opportunity to achieve their human potential. At LVA, we strive to ensure that the opportunity is the best possible experience for the adult learner.

Sincerely,



Vikki Jo Stewart,
Chair, Board of Directors



Marsha L. Tait
President



Vikki Jo Stewart
Chair



Marsha L. Tait
President

OUR CONTRIBUTORS

\$100,000+

Ferrero, USA, Inc.
GTE Foundation (now Verizon)
Yellow Pages Publishers Association

\$50,000+

Philip Morris Companies Inc.

\$10,000+

American Express Foundation
Anonymous
Contributors through the Combined
Federal Campaign
DK Family Learning
Hasbro Games Group
James P. Hassett
Independent Telecommunications
Pioneer Association
Landmark Communication Foundation
Lucent Technologies Foundation
The McGraw-Hill Companies, Inc.
Pacific Bell Directory
Nora Roberts
Schieffelin & Somerset
Values.com, LLC

\$5,000+

Bell Atlantic Yellow Pages Company
Ben & Jerry's Ice Cream
Brill's Media Ventures, LP
CNY Community Foundation
Witherill Fund
Fannie Mae Foundation
Fox Point Limited
GED Testing Service of the
American Council on Education
Thomas Harken
Lillian Vernon Corporation
LiteracyPro Systems, Inc.
Sugahara Foundation

\$1,000+

James L. Abbott
Accountants on call
AGA Creative LLC
Art & Science Group, Inc.
Asia Pacific Offset, Inc.
Reverend and Mrs. Fred Blankenship
Kathryn G. Bluestone
Robert G. Boling
The Joseph S. and Mary Ann Bonsall
Foundation

Bryant & Stratton
Business Marketing Association
Cahners Business Information
Citicorp Diners Club, Inc.
Michael J. Coleman
Discovery Communications, Inc.
Dollar General Corporation
Eastern Lobby Shops
Houghton Mifflin Co.
Patricia B. Johnston
Suryaram Joshi
L. & J.G. Stickley, Inc.
Rick Lawton
James L. Less
William Lewis
Elizabeth Manigan
The Catherine J. McGinnis
Family Foundation
McKinsey & Company, Inc.
Thomas W. Moldauer
Princeton University Class of 1980
Rx Remedy, Inc.
Samberg Family Charitable Foundation
Sandpiper Fund
Ronald L. Sargent
Priscilla W. Terwilliger
Trilogy Software, Inc.
Universal Training System Co.

\$500+

Elizabeth Barrentine
Boy Scouts of America
Sandra Buechler
Donna Capoverde
Richard R. Crowell
Employees of Elle Magazine
Daniel J. Fritschen
Elbridge T. Gerry
Heart of New Hampshire Telephone
Pioneer Club
Robert B. Heckkoff
Dennis Heindel
Institute of Children's Literature
Bruce Levin
Amy Logan
Estate of Susan B. Luckey
Beverly Puerckhauer
Patricia P. Rajala

\$250+

Aid Association for Lutherans
Julian M. Babad

Susan Beckerman
Scott R. Behling
Books on Tape, Inc.
Colin Browning
Donald Chiappetta
Peter M. Collins
Corn Products International
Andrew D. Cvitanov
Jeanette P. Duke
Elizabeth L. Eby
Kevin J. Freer
David S. Friedman
Nancy C. Gordon
Nathan Hagen
Gladys and Roland Harriman Foundation
Indiana Gas Company, Inc.
Shelley M. Johnson
James A. Laurent
Karen J. Loew
Long Ridge Writer's Group
The Mardell Family Charitable
Foundation
MassMutual The Blue Chip Company
Alexandra J. Matthews
Realwork
Barbara M. Reifsteck
Gail Rice
Bill Scaletty Associates
Marion Schild
Robert M. Sternberger
Sullivan, Reis, Sanchy & Logan, LLC
United Technologies Corporation
U.S. West Foundation
C. Bruce Wichmann
Clara L. Yee
J. Warren Young

*“Not being able to read
is like being blind. I want
to see, and help others to
be able to see.”*

- Marvis Standfield
Teacher

LVA ACCREDITATION PROFILE

East Texas Literacy Council, Longview, TX

Five years ago, LVA began a strategic planning process with the *pro bono* guidance of Bain & Company, a management consulting firm. The recommendations from this comprehensive self-assessment survey formed the foundation for LVA Accreditation. Its goal is continuous improvement of the LVA network so that adult learners have the best, most effective services that meet the highest national standards in the field of adult literacy. In March 2000, the East Texas Literacy Council (ETLC), Longview, Texas, became the first LVA affiliate to earn LVA Accreditation.

A program will be accredited as a member of LVA if it complies with all of LVA's eighteen Qualifying Standards and any ten of the fourteen Scored Standards. *Qualifying Standards* are those critical standards to which an affiliate must comply. *Scored Standards* are those functional standards to which an affiliate should comply.

Freda Peppard, program manager for ETLC, prepared for Accreditation by first reviewing the standards and assigning them to the most appropriate staff person. Then, using a three-step process, each staff person looked for standards the affiliate already had in place, and then identified standards that required new policies and approvals by ETLC's Board of Directors and took action to meet those standards.

"Then we put it all together in notebook format, and signed a cover sheet for each standard that listed which indicators were covered," Peppard said. "We prepared for more than 10 scored standards and since one scored standard didn't pass, we still had enough."

One benefit of the Accreditation process, Peppard said, "was that it made us examine our program from top to bottom and it made us put in writing and institutionalize some things we had always done, but never had in writing and that never had been approved by the Board."

After earning Accreditation, the affiliate used the opportunity to celebrate and get its name back out in front of the community. A postcard announcing Accreditation was sent to the county commissioners, the city council, schools, volunteers, donors, and students. "It let our community know we were doing good work and being good stewards," Peppard said.

ETLC is confident that its Accredited status will augment its resource development plan. The celebration and announcement generated new donors, and previously active donors generously boosted their giving. In addition, ETLC has taken an aggressive approach to writing grants to national foundations, where they hope the Accredited status will earn them a second look.

"It was a good experience for staff and volunteers to be sure we were on the course we thought we were on, that we were student-centered, and that we had policies and procedures in place so that our program would continue its good work when there were staff and volunteer changes," Peppard said.

Even after earning Accredited status, ETLC continues to work to meet new standards. Each three-year cycle of Accreditation builds on the previous cycle, so that current best practices become minimum standards in a dynamic process of continuous improvement.

"We did go back to be sure we were following through on everything we said we were doing and also have begun working on meeting those scored standards we didn't meet and those we chose not to meet. We will have to address those issues in the next cycle and we don't want to shelve it. We want the document we created for Accreditation to stay a living, breathing part of our program," Peppard said.

"I read, I learn, I change."
- Kathy Norden
Literacy Coordinator

STUDENT INVOLVEMENT PROFILE

LVA Santa Clara County, Milpitas, CA

LVA's belief in student-centered education goes hand-in-hand with student involvement. The experience of our affiliates shows that involving students in all aspects of the literacy program leads to increased personal growth as well as program effectiveness. In addition, when students gain the confidence to participate on a local level, participation on a national level soon follows.



George Arevalo works on his presentation skills.

A case in point is LVA Santa Clara County, whose students made the 2000 *Reasons America Should Read* national literacy awareness campaign an activity project at their spring conference. Many of the students who participated are also student leaders involved in the affiliate's first Literacy Leadership Institute, which began in March.

The Institute consists of twelve adult students, two adult learner facilitators, and literacy consultant Marlene Martin, who is also a facilitator. Participants meet once a month for workshops on leadership models and defining leadership; equipped for the future; self-esteem in leadership; how to create a good presentation and how to organize projects; communications networking and advocacy; government and community responsibilities; teamwork; and fundraising. "We were looking for a couple of things – working with the idea of getting more learner persistence and creating leaders out of learners. This came together as an avenue to train them for leadership roles," Martin said. "I love to see the blossoming of people."

Carol Valderrama, Martin's student and one of the adult learner facilitators, graduated high school unable to read. She joined the reading program 3-1/2 years ago and is now up to a fourth grade reading level. "With reading skills I've been achieving more than my family thought I could. Nothing stops me. I've been stepping out more, taking more challenges," she said. Eventually she plans to attend college to become a teacher's aide.

Another member of the Learner Leadership Institute, George Arevalo, was already an active spokesperson when the Institute began. He attended new tutor and student orientations, speaking about the program and what students and tutors could expect and what would be expected of them. The Institute taught him new techniques on how to prepare for meetings, how to present himself, and how to be a leader.

"Before, I would have been shy, but last year I read in front of 200 people," Arevalo said. He has also appeared several times on a local television station, speaking out about literacy and encouraging other potential adult students to seek help. On Sept. 8, he traveled to the San Francisco Public Library to speak for International Literacy Day, where National Public Radio was on hand to cover the event. He will be a facilitator for the next Institute and is creating a learner manual for new students.

LVA Santa Clara County's Institute develops leaders like Valderrama and Arevalo, who in turn play a vital role in the development of richer student involvement programming. Programs like this help to fulfill LVA's goal that students will have increasing responsibilities and influence in the decision-making and day-to-day operations of LVA at every level - local, state, and national.



Carols Valderrama leads a Literacy Leadership Institute workshop on becoming a student advocate in the community.

"Reading opens the doors of better opportunities."

- Jennifer Lumidao

LVA Student, LVA Santa Clara County

Independent Auditors' Report

To the Board of Directors of Literacy Volunteers of America, Inc.

We have audited the accompanying statements of financial position of LITERACY VOLUNTEERS OF AMERICA, INC., as of June 30, 2000 and 1999, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2000. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 of LITERACY VOLUNTEERS OF AMERICA, INC., as of June 30, 2000 and 1999, and the changes in its net assets and its cash flows for the year ended June 30, 2000, in conformity with generally accepted accounting principles.

Dermody, Burke and Brown
Certified Public Accountants, P.C.

Syracuse, NY
August 17, 2000

LITERACY VOLUNTEERS OF AMERICA, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2000 and 1999

ASSETS

	2000	1999
CASH AND INVESTMENTS		
Cash	\$ 92,798	\$ 180,466
Investments	204,175	140,812
Investments Held in Trust	314,639	288,516
Total Cash and Investments	611,612	609,794
RECEIVABLES		
Pledges Receivable	15,000	232,250
Grant Receivable	0	1,340
Note Receivable	6,750	9,500
Sales - Net of Allowance for Doubtful Accounts of \$12,000 and \$15,000 in 2000 and 1999	81,500	69,568
Member Organizations - Net of Allowance for Doubtful Accounts of \$3,000 and \$5,000 in 2000 and 1999	7,901	3,218
Total Receivables	111,151	315,876
INVENTORIES	73,792	109,110
PREPAID EXPENSES	40,550	34,424
FURNITURE AND EQUIPMENT		
At Cost, Net of Accumulated Depreciation	21,297	36,459
TOTAL ASSETS	\$ 858,402	\$1,105,663

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 118,620	\$ 173,670
Short-Term Line of Credit Payable	131,226	20,109
Accrued Expenses	49,850	46,461
Deferred Support	41,028	2,300
Deferred Rent	17,180	17,180
Total Liabilities	357,904	259,720

NET ASSETS

Unrestricted Net Assets		
Reserves Designated by the Governing Board for:		
General Operations	124,500	124,500
Special Projects - Memorial Fund	20,546	15,393
Furniture and Equipment	21,297	36,459
Undesignated Net Assets	(286,728)	(129,740)
Total Unrestricted Net Assets	(120,385)	46,612
Temporarily Restricted Net Assets	209,500	418,074
Permanently Restricted Net Assets:		
Endowment for Student Tutor Awards	2,335	2,335
Endowment for Kraft Affiliate Awards	3,000	3,000
General Endowment	91,409	87,406
Funds Held in Trust	314,639	288,516
Total Permanently Restricted Net Assets	411,383	381,257
Total Net Assets	500,498	845,943

TOTAL LIABILITIES AND NET ASSETS	\$ 858,402	\$1,105,663
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See notes to financial statements.

LITERACY VOLUNTEERS OF AMERICA, INC.
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2000 with Comparative Totals for June 30, 1999

	Operations	Furniture and Equipment	Total
REVENUE			
Public Support:			
Contributions and Grants Received Directly	\$ 635,696	\$ 0	\$ 635,696
Contributions Received Indirectly	99,636	0	99,636
Donations In-kind	296,282	0	296,282
Bequests	603	0	603
Donor Designations to Affiliates	(13,000)	0	(13,000)
Total Public Support	1,019,217	0	1,019,217
Other Revenue:			
Dues from Affiliates	75,666	0	75,666
Government Grants	0	0	0
Annual Conference	131,140	0	131,140
Sale of Publications	775,399	0	775,399
Shipping Revenue	76,030	0	76,030
Training Corps Fees	14,265	0	14,265
Trust Earnings	6,107	0	6,107
Investment Earnings	5,927	0	5,927
Unrealized Gains/Losses	33,069	0	33,069
Miscellaneous Revenue	2,970	0	2,970
Total Other Revenue	1,120,573	0	1,120,573
Net Assets Released from Restrictions	265,962	0	265,962
Total Revenue	2,405,752	0	2,405,752
EXPENSES			
Program Services:			
Field Services	1,268,761	9,058	1,277,819
Publishing and Marketing	802,148	4,782	806,930
Annual Conference	267,711	0	267,711
Total Program Services	2,338,620	13,840	2,352,460
Support Services:			
Management and General	75,477	468	75,945
Fund Raising	143,490	854	144,344
Total Supports Services	218,967	1,322	220,289
Total Expenses	2,557,587	15,162	2,572,749
Change in Net Assets	(151,835)	(15,162)	(166,997)
Net Assets at Beginning of Year	10,153	36,459	46,612
NET ASSETS AT END OF YEAR	\$ (141,682)	\$21,297	\$ (120,385)

LITERACY VOLUNTEERS OF AMERICA, INC.
STATEMENT OF FUNCTIONAL ACTIVITIES
 Year Ended June 30, 2000 with Comparative Totals for June 30, 1999

	Field Services	Publishing/ Marketing	Program Services Annual Conference	Total
Salaries	\$ 424,978	\$ 112,300	\$ 26,520	\$ 563,798
Employee Benefits	31,700	9,190	1,992	42,882
Payroll Taxes	46,781	12,142	2,810	61,733
Total Salaries and Related Expenses	503,459	133,632	31,322	668,413
Professional Fees and Contract Services	126,760	27,284	61,216	215,260
Supplies	20,429	17,569	8,916	46,914
Telephone	40,054	7,824	6,580	54,458
Postage and Shipping	31,770	59,954	6,152	97,876
Occupancy	43,687	23,065	0	66,752
Equipment Maintenance and Rental	23,955	6,957	16,822	47,734
Conferences, Meetings, and Travel	195,863	5,788	123,109	324,760
Printing, Publication, and Development of Materials	27,799	408,267	11,943	448,009
In-Kind Expense	176,999	93,447	0	270,446
Material and Services to Affiliates	8,432	1,196	0	9,628
Grants to Affiliates	58,870	0	0	58,870
Membership Fees Shared with State Offices	10,795	0	0	10,795
Commissions to State Offices	0	10,637	0	10,637
Awards	339	44	1,651	2,034
Bad Debts	0	6,484	0	6,484
Insurance	0	0	0	0
Student Stipends	(450)	0	0	(450)
Depreciation and Amortization	9,058	4,782	0	13,840
TOTALS	\$ 1,277,819	\$ 806,930	\$ 267,711	\$ 2,352,460

LITERACY VOLUNTEERS OF AMERICA, INC.
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (345,445)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	15,162
Unrealized Gain on Investments	(61,785)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	204,725
Inventories	35,318
Prepaid Expenses	(6,131)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(55,046)
Accrued Expenses	3,389
Deferred Support	38,728
<u>Net Cash Used in Operating Activities</u>	<u>(171,085)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net Investment Activity	(27,700)
<u>Net Cash Used in Investing Activities</u>	<u>(27,700)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Short-Term Line of Credit	111,117
<u>Net Cash Provided by Financing Activities</u>	<u>111,117</u>

<u>Net Decrease in Cash</u>	<u>(87,668)</u>
Cash at Beginning of Year	180,466
<u>Cash at End of Year</u>	<u>\$ 92,798</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000 and 1999

NOTE 1 - NATURE OF OPERATIONS

LITERACY VOLUNTEERS OF AMERICA, INC., is a not-for-profit corporation organized to promote and foster increased literacy throughout the United States of America, through teaching of and aid to those who function at the lowest level of literacy skill or who have limited proficiency in English, and to train, encourage, aid, and work with individuals and other groups or organizations that provide adults and their families with the opportunity to increase their literacy skills.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 1999, from which the summarized information was derived.

The accompanying financial statements have been prepared on the accrual basis of accounting. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained in accordance with

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

the principles of net assets. This is the procedure in which resources for various purposes are classified for accounting and reporting purposes into groups that are in accordance with activities of objectives specified.

A summary of the net asset classifications is as follows:

Unrestricted Net Assets

Board Designated Reserve - consists of an operating reserve that has been designated as nonexpendable, except at the express direction of the Board of Directors.

Undesignated - consists of contributions, sales revenue, program revenue, and investment income that are available for general use.

Temporarily Restricted Net Assets - consists of contributions and pledges received subject to donor imposed restrictions as to their use.

Temporarily restricted net assets are available for the following purposes:

Promising Practices Research	\$ 26,500
Family Literacy and Technology Development	165,819
Other Literacy Development Projects	6,188
Student Stipends	2,789
Technical Assistance to Specific Geographic Regions	6,151
Technology Initiative	2,053
Total	\$ 209,500

Permanently Restricted Net Assets

Endowment for Student Tutor Awards - consists of donor restricted contributions for recognition awards given to tutors. The income from these contributions would be expended for these awards.

Endowment for Kraft Affiliate Awards - consists of a donor restricted contribution for the recognition of agency based affiliates. The income from this contribution can be used to purchase plaques for this award.

General Endowment - consists of donor restricted contributions to assure support services to Literacy Volunteers of America, Inc.'s national network of community adult literacy and English for Speakers of Other Languages programs.

Funds Held in Trust - The Organization is the beneficiary of a charitable trust, held by a third party. Increases or decreases in the permanently restricted net asset are recorded as permanently restricted gains or losses. The investments held by the Trust are carried on the statement of financial position at market value with unrealized gains or losses recorded in the statement of activities.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Investments

At June 30, 2000 and 1999, the Organization held investments in stock, which is subject to market value changes associated with publicly held investments. In addition, the Organization held investments in a bond fund during the year ended June 30, 1999, which consisted of government and agency obligations backed by the federal government and corporate bonds. Investments are carried at market value at June 30, 2000 and 1999.

Inventories

Inventories, consisting mainly of books, audio tapes, and video cassettes, are carried at reproduction costs on a first-in, first-out basis. Research and development costs are charged to operations in the period expended.

Deferred Support

Deferred support represents advances received for conferences for which the related expenditure will be incurred in a future year.

Affiliates

The financial statements herein generally do not include activity of independent state or local affiliated organizations which administer literacy programs throughout the United States.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expenses

Expenses are distributed to functions on a direct basis, where possible. Indirect expenses, depreciation, and amortization are distributed in the ratio of functional expenses to total expenses before depreciation and amortization.

Donated Materials and Services

During fiscal year 2000, the Organization received donated advertising and other media design work from the Yellow Pages Publishers Association totaling \$12,446,250, which is not recorded in the accompanying financial statements. Other donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. During fiscal year 2000 and 1999, the Organization received donated legal, professional consulting, and various other services and goods in the amount of \$296,282 and \$282,920, respectively. These amounts have been included in donations in-kind and in-kind expense on the statement of activities.

Trust Earnings

A trust provides investment revenue to the Organization as long as the Organization remains in existence and functioning.

The trust funds are neither in the possession nor under the control of the Organization, but are held and administered by an outside fiscal agent.

Furniture and Equipment

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. Property and equipment are recorded at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is recorded on the straight-line method over the estimated economic useful life of the respective asset.

When equipment and furniture are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities.

Expenditures for repairs and maintenance not considered to substantially lengthen property life are charged to expense as incurred. Depreciation charged to expense in 2000 and 1999 was \$15,162 and \$9,243, respectively.

The components of the furniture and equipment fund at June 30 were as follows:

	2000	1999
Furniture and Equipment	\$ 145,105	\$ 145,105
Less: Accumulated Depreciation	123,808	108,646
<u>Total</u>	<u>\$ 21,297</u>	<u>\$ 36,459</u>

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization uses the indirect method of reporting net cash flows from operating activities, and considers all short-term investments with an original maturity of three months or less to be cash equivalents. At June 30, 2000 and 1999, there were no cash equivalents.

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.

NOTE 3 - LINE-OF-CREDIT

The Organization has entered into a line-of-credit agreement with a financial institution which provides for maximum borrowings of up to \$100,000, with interest at prime plus 1.75%, at June 30, 2000 and 1999. The line-of-credit agreement expires September 2000. Collateral consists of accounts receivable. The prime interest rate at June 30, 2000 and 1999 was 9.5% and 9.75%, respectively. The outstanding balance at June 30, 2000 and 1999 was \$80,109 and \$20,109, respectively.

At June 30, 2000, the Organization borrowed \$51,117 against their investment account. There are no stated repayment terms.

NOTE 4 - PENSION PLAN

The Organization sponsors a defined contribution annuity retirement plan under Section 403(b) of the Internal Revenue Code for its eligible employees. Contributions to the Plan for the current and prior fiscal years amounted to \$22,208 and \$17,313, respectively. It is the policy of the Organization to fund pension costs as accrued.

NOTE 5 - LEASES

Effective December 1, 1996, the Organization rents office space in a building in Syracuse, New York. The lease is for a period of 66 months, expiring May 31, 2002. The first three (3) months along with the 13th, 25th, and 37th month are free and have been spread over the term of the lease resulting in deferred rent of \$17,180 at June 30, 2000 and 1999. The monthly rental expense is \$6,517 at June 30, 2000 and 1999.

The minimum future rental payments under this lease are as follows:

2001	\$ 78,200
2002	32,585
<hr/>	
Total	<u>\$ 110,785</u>

NOTE 6 - FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash with various financial institutions and thus all cash held in excess of the \$100,000 insurable limit is subject to the solvency of that particular financial institution. There were no uninsured cash balances at June 30, 2000 and 1999. The Organization has invested money in stocks which is uninsured and subject to market risk.

NATIONAL ADVISORY BOARD



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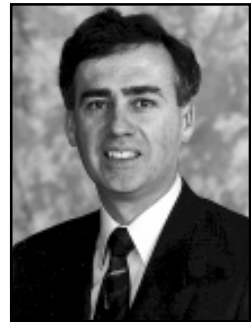
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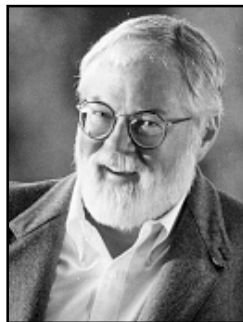
Tom Curley



Jim Davis/Garfield



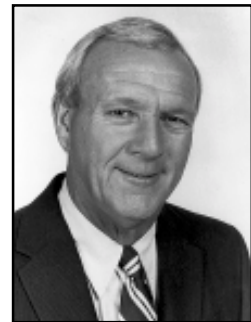
Hugh Downs



Robert Fulghum



Tom Harken



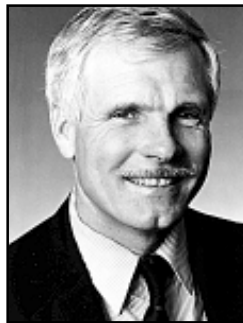
Arnold Palmer



Senator Paul Simon



Alex Trebek



R.E. (Ted) Turner

*"My reason
for reading is
for entertain-
ment and
inspiration."*

-Wally Amos
National
Spokesperson



"I read to survive and function in this world. I find myself running into walls that require reading. I can't always participate in normal activities that other people take for granted. I'm motivated to read by things that most other people take for granted."

- Sam Santiago
Student Leader/Adult Learner

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“On each page of a book I found new words to enrich my vocabulary, and most of all, it prepared me to some day do what I couldn’t with my children - fluently read aloud to my grandchildren.”

- Mirta Pedrazzoli

Chair of LVA’s National Student Advisory Board