Year Up, Inc.

Financial Statements
December 31, 2006 and 2005

Year Up, Inc.
Index
December 31, 2006 and 2005

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors of
Year Up, Inc.

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of Year Up, Inc. (the "School") at December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2005 financial statements, and in our report dated June 13, 2006, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

June 7, 2007

Year Up, Inc.
Statements of Financial Position
December 31, 2006
(with Summarized Comparative Information for the Year Ended December 31, 2005)

	2006	2005
Assets		
Cash and cash equivalents	$ 5,065,872	$ 1,856,414
Short-term investments	400,000	900,000
Prepaid expenses and other assets	158,513	54,382
Contributions receivable, net (Note 2)	5,637,517	3,189,771
Other receivables (net of allowance for doubtful accounts of $85,000 and $111,000 at December 31, 2006 and 2005, respectively)	438,875	732,742
Fixed assets, net	742,618	288,944
Total assets	$ 12,443,395	$ 7,022,253
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 761,204	$ 598,340
Total liabilities	761,204	598,340
Net assets		
Unrestricted	5,303,774	2,896,691
Temporarily restricted	6,378,417	3,527,222
Total net assets	11,682,191	6,423,913
Total liabilities and net assets	$ 12,443,395	$ 7,022,253

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

Year Up, Inc.
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2006
(with Summarized Comparative Information for the Year Ended December 31, 2005)

	2006			2005
	Unrestricted	Temporarily Restricted	Total	
Revenue				
Contributions (Note 2)	$ 8,348,732	$ 5,168,779	$ 13,517,511	$ 5,921,413
Contributed fixed assets, services and space	586,293		586,293	206,939
Interest income	98,799		98,799	27,439
Net assets released from restrictions	2,317,584	(2,317,584)	-	-
Total revenue and releases	11,351,408	2,851,195	14,202,603	6,155,791
Operating expenses				
Student stipends	2,177,425		2,177,425	1,425,999
Salary and wages	3,624,601		3,624,601	2,398,802
Training and other	1,851,346		1,851,346	1,014,480
Professional fees	479,320		479,320	444,192
Rent expense	587,113		587,113	218,948
Depreciation	224,520		224,520	123,361
Total operating expenses	8,944,325		8,944,325	5,625,782
Change in net assets	2,407,083	2,851,195	5,258,278	530,009
Net assets, beginning of year	2,896,691	3,527,222	6,423,913	5,893,904
Net assets, end of year	$ 5,303,774	$ 6,378,417	$ 11,682,191	$ 6,423,913

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

Year Up, Inc.
Statements of Cash Flows
Year Ended December 31, 2006
(with Summarized Comparative Information for the Year Ended December 31, 2005)

	2006	2005
Cash flows from operating activities		
Change in net assets	$ 5,258,278	$ 530,009
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	224,520	123,361
Provision for bad debt	38,963	60,100
Contributed fixed assets	(421,811)	(24,009)
Change in contributions receivable	(2,447,746)	1,499,580
Change in other receivable	254,904	(408,910)
Change in prepaid expenses and other assets	(104,131)	(25,841)
Change in accounts payable and accrued expenses	162,864	177,371
Net cash provided by operating activities	2,965,841	1,931,661
Cash flows from investing activities		
Purchase of property and equipment	(256,383)	(153,349)
Proceeds from sale of investments	900,000	-
Purchases of investments	(400,000)	(900,000)
Net cash provided by investing activities	243,617	(1,053,349)
Increase in cash and cash equivalents	3,209,458	878,312
Cash at beginning of year	1,856,414	978,102
Cash at end of year	$ 5,065,872	$ 1,856,414

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

1. Summary of Significant Accounting Policies

Nature of Business

Year Up, Inc. (the "School") is a one-year, intensive training program that provides urban, high school graduates and graduate equivalency degree students (GEDs) with a combination of hands-on skill development and real work apprenticeships in the new economy.

The School was incorporated on October 11, 2000, and has training facilities in Boston and Cambridge, Massachusetts, Providence, Rhode Island, Arlington, Virginia, and New York, New York.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. The financial statements include certain prior period 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 School's financial statements for the year ending December 31, 2005, from which the summarized information was derived.

The School classifies resources into net asset classes in accordance with donor-imposed restrictions. A description of these categories follows:

- **Unrestricted** - Net assets are resources over which the School has unrestricted discretionary control.

- **Temporarily Restricted** - Net assets whose use by the School is limited by donor-imposed stipulations or by law that either expire by passage of time or that can be fulfilled or removed by actions of the School pursuant to those stipulations.

- **Permanently Restricted Net Assets**
  Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donor of these assets permits the School to use all or part of the income earned and capital gain if any, on related investments for general or specific purposes.

  The School had no permanently restricted net assets at December 31, 2006 and 2005.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking accounts which are insured up to the federal limit by the Federal Deposit Insurance Corporation and money market accounts. Cash and cash equivalents have maturities at date of purchase of three months or less.

Short-Term Investments

Short-term investments consists of certificates of deposits which generally have maturities in excess of three-months but less than one year.

Contributions

A contribution is an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as owner. Other assets include securities, land, buildings, use of facilities or utilities, materials and supplies, services, and unconditional promises to give those items in the future.

Contributions received, including unconditional promises to give, are recognized as revenues or gains when the donor's commitment is 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 at the date of receipt and are reported as restricted or unrestricted support based upon the existence or absence of donor-imposed restrictions. Contributions, gains, and investment income whose restrictions are met in the same reporting period are reported as unrestricted supports.

Unconditional promises to give are included in the financial statements as contributions receivable and revenue for the appropriate net asset category and are recorded after discounting to the present value of the expected future cash flows. The School has a policy to not record conditional pledges until conditions have been met.

The School recognizes contribution revenue for certain services, space and fixed assets that would be purchased if not donated, at the fair value of those items. Those services, space and fixed assets include the following items:

	December 31, 2006	December 31, 2005
Executive director services	$ 105,968	$ 93,750
Fixed assets	421,811	24,009
Legal services	57,699	54,815
Other expenses	815	34,365
	$ 586,293	$ 206,939

Fixed Assets

Equipment purchased by the School is recorded at cost. Donated equipment is recorded at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the assets estimated useful life. The half-year convention is used for calculating depreciation in the year of acquisition. Estimated useful lives are as follows: the shorter of 5 years or the life of the lease for leasehold improvements, 5 years for furniture and fixtures, and 3 years for computer equipment.

Other Receivables

Other receivables consist of amounts due from donors for sponsorship of students. An allowance for doubtful accounts of $85,000 was recorded at December 31, 2006 and $111,000 at December 31, 2005 for amounts considered uncollectible.

Advertising Expense

Advertising costs are expensed at the time they are incurred.

Income Taxes
On April 25, 2001, the Internal Revenue Service granted the School an exemption from federal taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, the School does not record a provision for income taxes.

Functional Allocation of Expenses
The costs of the program and other activities have been summarized on a functional basis in footnote 4. Methods used in allocating these costs include actual expenses incurred and proportional percentage allocation.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Contributions Receivable

Contributions receivable at December 31 are expected to be realized in the following periods.

	2006	2005
In less than one year	$ 3,515,867	$ 2,101,000
Between one year and four years	2,276,500	1,241,500
Total contributions receivable	5,792,367	3,342,500
Less: Present value discount	154,850	152,729
Contributions receivable, net	$ 5,637,517	$ 3,189,771

The present value discount was calculated using a discount factor based on U.S. Treasury Note rates which range from 2.37% to 5.00%.

Conditional Pledges
The School has a policy to not record conditional pledges until conditions have been met. The School has the following conditional pledges, which will be recorded in the financial statements once the conditions have been met, as of December 31:

	2006	2005
Conditional pledges	$ 1,120,000	$ 909,392

3. Fixed Assets

Fixed assets consist of the following at December 31:

	2006	2005
Leasehold improvements	$ 253,742	$ 172,932
Furniture and fixtures	126,407	78,890
Computer equipment	834,403	432,559
	1,214,552	684,381
Less: Accumulated depreciation	471,934	395,437
Fixed assets, net	$ 742,618	$ 288,944

The School has disposed of $148,023 of fully depreciated assets that were no longer in use for the year ended December 31, 2006.

4. Functional Classification of Expenses

Expenses, as presented on the statement of activities, when shown by functional classification for the period ended December 31 are as follows:

	2006	2005
Training program	$ 7,349,618	$ 5,028,986
Management and general	1,159,275	223,873
Fund-raising	435,432	372,924
	$ 8,944,325	$ 5,625,783

5. Operating Lease

On July 11, 2006, the School entered into a lease for a training facility in New York, NY. The leases in New York, Virginia, Providence and Boston expire on August 31, 2011, October 31, 2011, August 31, 2013 and September 30, 2009, respectively. The following is a schedule of combined future rental payments under the leases for the next five fiscal years.

Year Ending December 31,	Amount
2007	$ 726,437
2008	742,976
2009	768,741
2010	777,333
2011	563,857

Rent expense for the years ended December 31, 2006 and 2005 was $587,113 and $218,948, respectively. Rent expense is recorded on a straight line basis for the School's operating leases. As a result of certain rent holidays included in the leases noted above, approximately $153,000 of deferred rent liabilities are included in accrued expenses on the statement of financial position.

6. Line of Credit

On August 30, 2006, the School entered into a new revolving line of credit agreement with Citizens Bank. The principal amount of the line of credit is $450,000 and has a variable interest rate, the initial rate is 8.75% and the maximum rate is 18%. The line of credit is collateralized by the business assets of the School. The note is payable on demand, until demand is made the School is required to make monthly payments equal to the sum of accrued interest at the close of the billing cycle plus principal in the minimum amount of $200 or 2% of the outstanding principal balance at the close of the billing cycle, whichever is greater, plus any amount which is past due. The agreement stipulates that the School not incur any additional debt, other than in the ordinary course of business during the term of the line of credit. At December 31, 2006 and 2005, there were no amounts outstanding on the lines of credit.

7. Retirement Plan

The School has a defined contribution pension plan covering eligible employees. Participants can make an elective deferral for any plan year up to a maximum of 100% of their eligible compensation, not to exceed the annual dollar limit as permitted by law. The School may elect to make a matching contribution. During 2006 and 2005, the School made matching contributions of 100% of the first 5% of a participant's compensation contributed to the plan. As of December 31, 2006 and 2005, the School contributed $82,943 and $36,205, respectively.

8. Related Party Transactions

At December 31, 2006 and 2005, the balance outstanding on a contribution receivable from an officer of the School was $225,000 and $150,000, respectively. Additionally, an officer of the School has personally guaranteed a security deposit for the lease for the Boston training facility in the amount of $30,000.

The School has an agreement with a local college and has recorded a payable to the college for classroom space, tuition and faculty salaries of $152,000 and $104,000 as of December 31, 2006 and 2005, respectively. A member of the board of trustees serves as chancellor and founder of the local college.

9. Net Assets

The net assets as of December 31, 2006 are summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Undesignated operating	$ 5,303,774	$ -	$ 5,303,774
Time restricted	-	3,482,517	3,482,517
Purpose restricted (may also be time restricted)	-	2,895,900	2,895,900
	$ 5,303,774	$ 6,378,417	$ 11,682,191