

MALT BEVERAGE EDUCATIONAL CORPORATION

AUDIT REPORT

June 30, 2005

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.

JAMES CLOUSE, C.P.A.

BERNADETTE SMITH, C.P.A.

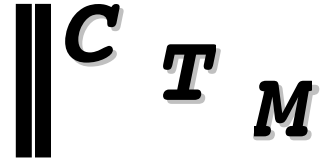
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Malt Beverage Educational Corporation
Frankfort, Kentucky

We have audited the accompanying statement of assets, liabilities, and net assets-cash basis of Malt Beverage Educational Corporation as of June 30, 2005, and the related statement of support, revenue, and expenses – cash basis for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 audit provides a reasonable basis for our opinion.

As described Note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Malt Beverage Educational Corporation as of June 30, 2005, and its support, revenue, and expenses for the year then ended, on the basis of accounting described in Note A.

Charles T. Mitchell Co.

February 13, 2006

MALT BEVERAGE EDUCATIONAL CORPORATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
June 30, 2005

ASSETS	
Cash	\$ <u>94,622</u>
TOTAL ASSETS	\$ <u><u>94,622</u></u>
NET ASSETS	
Net Assets - Unrestricted	\$ <u>94,622</u>
TOTAL NET ASSETS	\$ <u><u>94,622</u></u>

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

MALT BEVERAGE EDUCATIONAL CORPORATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES-CASH BASIS
For The Year Ended June 30, 2005

SUPPORT AND REVENUE	
Donations	\$ 99,026
Government Matching Funds	95,026
Interest Income	<u>1,368</u>
Total Support and Revenue	195,420
EXPENSES	
Program Expenses	
Grants	116,144
Advertising	77,256
Program Development	<u>4,000</u>
Total Program Expenses	197,400
Supporting Expenses	
Management Fees	11,179
Website	2,667
Office Supplies	1,288
Accounting	655
Legal	327
Meeting Expenses	265
Postage	186
Bank Charges	127
License Fee	<u>4</u>
Total Supporting Expenses	<u>16,698</u>
Total Expenses	<u>214,098</u>
Decrease in Unrestricted Net Assets	(18,678)
Net Assets, Beginning of Year	<u>113,300</u>
Net Assets, End of Year	<u><u>\$ 94,622</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The corporation presents its financial statements in accordance with a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related support and revenues and expenses are recorded when they result from cash transactions.

B. Organization and Nature of Activities

The Malt Beverage Educational Corporation educates the citizens of Kentucky about responsible consumption of malt beverages. The corporation's support comes primarily from donations from businesses in the malt beverage industry and matching contributions from the State of Kentucky.

The corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

C. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received with donor imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. The Malt Beverage Educational Corporation has not received any contributions with donor imposed restrictions that would result in temporarily or permanently restricted net assets.

CASH

The corporation's deposits as of June 30, 2005 are fully covered by insurance provided by the federal government. However, there were various times during the year when deposits were not fully covered by as much as \$97,045.