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INROADS, INC. AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

MAY 31, 2011



INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION

Assets

| | May 31, | |
|---|---------------|---------------|
| | 2011 | 2010 |
| Cash And Cash Equivalents (Note 3) | \$ 2,968,184 | \$ 4,866,484 |
| Accounts Receivable (Note 4) | 456,560 | 68,000 |
| Prepays And Other Assets | 263,687 | 318,343 |
| Investments (Note 5) | 13,052,708 | 12,935,590 |
| Property And Equipment (Note 6) | 214,682 | 346,754 |
| Investments Restricted For Endowment (Note 5) | 1,344,795 | 1,344,795 |
| | \$ 18,300,616 | \$ 19,879,966 |

Liabilities And Net Assets

| | | |
|---|---------------|---------------|
| Liabilities | | |
| Accounts payable and accrued expenses (Note 10) | \$ 811,351 | \$ 919,073 |
| Deferred income | 588,608 | 620,684 |
| Line of credit (Note 7) | 2,684,097 | 246,453 |
| Total Liabilities | 4,084,056 | 1,786,210 |
| Net Assets | | |
| Unrestricted | 11,750,246 | 15,288,391 |
| Temporarily restricted (Note 8) | 1,121,519 | 1,460,570 |
| Permanently restricted (Note 8) | 1,344,795 | 1,344,795 |
| Total Net Assets | 14,216,560 | 18,093,756 |
| | \$ 18,300,616 | \$ 19,879,966 |

See the accompanying notes to combined financial statements.



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 & Business Consultants

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Independent Auditors' Report

Board of Directors
 INROADS, Inc.
 St. Louis, Missouri

We have audited the accompanying combined statement of financial position of INROADS, Inc. and affiliates (collectively, INROADS), all of which are under common management, as of May 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of INROADS' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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 combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of INROADS' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of INROADS, Inc. and affiliates as of May 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

RubinBrown LLP

November 21, 2011

INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS

| | For The Years Ended May 31, | |
|---|--------------------------------|---------------------|
| | 2011 | 2010 |
| Cash Flows From Operating Activities | | |
| Decrease in net assets | \$ (3,877,196) | \$ (963,664) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 159,319 | 251,101 |
| Loss on retirement of property and equipment | 892 | — |
| Realized and unrealized gains on long-term investments | (1,184,945) | (903,932) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (388,560) | 226,732 |
| (Increase) decrease in prepaids and other assets | 54,656 | (71,765) |
| Decrease in accounts payable and accrued expenses | (107,722) | (137,187) |
| Decrease in deferred income | (32,076) | (54,214) |
| Net Cash Used In Operating Activities | (5,375,632) | (1,652,929) |
| Cash Flows From Investing Activities | | |
| Additions to property and equipment, net | (28,139) | (27,556) |
| Purchases of investments | (1,483,700) | (634,463) |
| Proceeds from sales of investments | 2,551,527 | 1,916,455 |
| Net Cash Provided By Investing Activities | 1,039,688 | 1,254,436 |
| Cash Flows From Financing Activities | | |
| Net proceeds from line of credit | 2,437,644 | 246,453 |
| Net Decrease In Cash And Cash Equivalents | (1,898,300) | (152,040) |
| Cash And Cash Equivalents - Beginning Of Year | 4,866,484 | 5,018,524 |
| Cash And Cash Equivalents - End Of Year | \$ 2,968,184 | \$ 4,866,484 |
| Supplemental Disclosure Of Cash Flow Information | | |
| Interest paid | \$ 27,366 | \$ 13 |

See the accompanying notes to combined financial statements.

INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
For The Years Ended May 31, 2011 And 2010

| | 2011 | | | 2010 | | | | |
|--|----------------------|------------------------|------------------------|----------------------|----------------------|------------------------|------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Public Support And Revenues | | | | | | | | |
| Sponsorship and participation fees | \$ 7,733,600 | \$ — | \$ — | \$ 7,733,600 | \$ 9,547,650 | \$ — | \$ — | \$ 9,547,650 |
| Contributions and grants | 489,487 | 347,354 | — | 836,841 | 367,095 | 321,385 | — | 688,480 |
| Activity and miscellaneous income | 150,832 | — | — | 150,832 | 177,030 | — | — | 177,030 |
| Investment income (Note 5) | 910,822 | 39,702 | — | 950,024 | 666,237 | 35,998 | — | 702,235 |
| Banquet event income | 368,549 | — | — | 368,549 | 461,622 | — | — | 461,622 |
| Golf event income | 166,721 | — | — | 166,721 | 143,526 | — | — | 143,526 |
| Donated services | 63,807 | — | — | 63,807 | 96,601 | — | — | 96,601 |
| Alumni, parent and student | 124,280 | — | — | 124,280 | 97,919 | — | — | 97,919 |
| Total Public Support And Revenues | 10,007,598 | 387,056 | — | 10,394,654 | 11,557,680 | 357,383 | — | 11,915,063 |
| Net Assets Released From Restrictions (Note 8) | 726,107 | (726,107) | — | — | 1,112,745 | (1,112,745) | — | — |
| Total Public Support And Revenues | 10,733,705 | (339,051) | — | 10,394,654 | 12,670,425 | (755,362) | — | 11,915,063 |
| Expenses | | | | | | | | |
| Salaries and payroll taxes | 6,841,238 | — | — | 6,841,238 | 6,327,781 | — | — | 6,327,781 |
| Training, development and recruitment | 1,600,192 | — | — | 1,600,192 | 1,118,329 | — | — | 1,118,329 |
| Scholarship disbursements | 296,325 | — | — | 296,325 | 286,951 | — | — | 286,951 |
| Office | 1,351,592 | — | — | 1,351,592 | 1,374,009 | — | — | 1,374,009 |
| Rent | 1,697,477 | — | — | 1,697,477 | 1,704,284 | — | — | 1,704,284 |
| Travel | 841,822 | — | — | 841,822 | 479,771 | — | — | 479,771 |
| Insurance | 957,202 | — | — | 957,202 | 1,080,002 | — | — | 1,080,002 |
| Depreciation and amortization | 159,319 | — | — | 159,319 | 251,101 | — | — | 251,101 |
| Public relations | 30,703 | — | — | 30,703 | 40,490 | — | — | 40,490 |
| Pension (Note 10) | 196,097 | — | — | 196,097 | 119,169 | — | — | 119,169 |
| Professional fees | 298,772 | — | — | 298,772 | 155,182 | — | — | 155,182 |
| Fundraising expense | 220,319 | — | — | 220,319 | 97,605 | — | — | 97,605 |
| Uncollected fees | 24,250 | — | — | 24,250 | 132,020 | — | — | 132,020 |
| Alumni, parent and student | 18,142 | — | — | 18,142 | 11,992 | — | — | 11,992 |
| Special events | 316,009 | — | — | 316,009 | 364,042 | — | — | 364,042 |
| Other | 3,734 | — | — | 3,734 | 14,313 | — | — | 14,313 |
| Total Expenses | 14,853,198 | — | — | 14,853,198 | 13,507,041 | — | — | 13,507,041 |
| Deficiency Of Public Support And Revenues Over Expenses | (4,119,488) | (339,051) | — | (4,458,539) | (836,616) | (755,362) | — | (1,591,978) |
| Unrealized Gains On Investments (Note 5) | 581,343 | — | — | 581,343 | 628,314 | — | — | 628,314 |
| Decrease In Net Assets | (3,538,145) | (339,051) | — | (3,877,196) | (208,302) | (755,362) | — | (963,664) |
| Net Assets - Beginning Of Year | 15,288,391 | 1,460,570 | 1,344,795 | 18,093,756 | 15,496,693 | 2,215,932 | 1,344,795 | 19,057,420 |
| Net Assets - End Of Year | \$ 11,750,246 | \$ 1,121,519 | \$ 1,344,795 | \$ 14,216,560 | \$ 15,288,391 | \$ 1,460,570 | \$ 1,344,795 | \$ 18,093,756 |

See the accompanying notes to combined financial statements.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

Estimates And Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts in the combined financial statements and accompanying notes. 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.

Cash And Cash Equivalents

Cash and cash equivalents are comprised of demand deposits, certificate of deposits, and other short-term investments which are readily convertible to cash. INROADS considers all investments with a maturity of three months or less to be cash equivalents. Certificates of deposits totaling \$3,000,000 are held as collateral against the line of credit. INROADS pools cash and cash equivalents to streamline disbursements and maximize return on investments.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has deemed that no valuation allowance is considered necessary as of May 31, 2011 or 2010.

INROADS records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$24,250 and \$132,020 in 2011 and 2010, respectively, represents the amount of current year write-offs of accounts receivable.

Investments And Investments Restricted For Endowment

All investments are reported at fair value with gains and losses on investments included in the combined statement of activities. Unrealized gains and losses are determined based on year-end market fluctuations.

INROADS, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

May 31, 2011 And 2010

1. Organization

INROADS, Inc., an Illinois not-for-profit corporation, has entered into affiliation agreements with local INROADS corporations. The affiliation agreements provide, among other things, that the Board of Directors of INROADS set broad policies which govern the activities of the local corporations. Beginning in 2005, the 48 corporations located in the United States voted to consolidate into 12 regional corporations which were finalized by May 31, 2010.

The primary activities of the local corporations consist of the initial selection, year-round academic coaching and advising and year-round job-related training of high potential minority college students in order to prepare them for responsible positions in the business community upon graduation.

2. Summary Of Significant Accounting Policies

Basis Of Presentation

The combined financial statements of INROADS, Inc. and affiliated local corporations (collectively, INROADS) are presented on a combined basis and include all local corporations except for the INROADS de Mexico, Inc., the INROADS Saskatchewan, Inc., and the INROADS Toronto, Inc. local corporations (Note 16). All significant transactions between INROADS, Inc. and the combined local corporations have been eliminated in the combined financial statements. For consistency purposes, the supplemental combining information is shown in the regional format for the U.S. corporations.

The combined financial statement presentation follows the recommendations of the Financial Accounting Standards Board for Not-for-Profit Organizations. As a result, INROADS 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.

Basis Of Accounting

The combined financial statements of INROADS have been prepared on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when incurred.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

Reclassifications

In the current year, INROADS made some reclassifications to the prior years' financial statements presentations to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Subsequent Events

Management has evaluated subsequent events through November 21, 2011, the date which the financial statements were available for issue.

3. Concentrations Of Credit Risk

Financial instruments which potentially subject INROADS to concentrations of credit risk consist of money market accounts and investment securities.

INROADS places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. A significant portion of the funds are not insured by the Federal Deposit Insurance Corporation or a related entity.

INROADS has significant investments in stocks, bonds and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by INROADS, and the investments are monitored by an investment advisor. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of INROADS.

4. Accounts Receivable

Accounts receivable consist of sponsorship fees and miscellaneous receivables in the amount of \$456,560 and \$68,000 as of May 31, 2011 and 2010, respectively. INROADS anticipates collection of all sponsorship fees and miscellaneous receivables within one year.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

Property And Equipment

Furniture, fixtures, leasehold improvements, computer equipment and software development costs are carried at cost and are depreciated using the straight-line method over a three or five year estimated useful life. Leasehold improvements are recorded at cost and are amortized over the lives of the respective leases.

Deferred Income

INROADS occasionally receives payment in advance for future interns to be employed by sponsors. These amounts are recorded as deferred income until earned. Deferred income is earned over the period the interns are employed by the sponsor.

Contributions

Unconditional promises to give cash and other assets to INROADS are reported at fair value at the date the promise is received. Contributions are reported as unrestricted support when there are no donor restrictions. Contributions 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 reclassified as unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donated Use Of Facilities, Materials And Services

Various furniture and fixtures, office space, training facilities, equipment and professional services have been donated to INROADS. These items are reflected as items of support in the combined statement of activities at their estimated fair values in the fiscal year donated.

Tax Status

INROADS is an organization described in Internal Revenue Code Section 501(c)(3) and has received an Internal Revenue Service (IRS) determination letter stating that it is exempt from federal tax on income from its related, exempt activities. However, INROADS is subject to federal income tax on any unrelated business taxable income.

The Organization's federal and state tax returns for tax years 2008 and later remain subject to examination by taxing authorities.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

6. Property And Equipment

Property and equipment consist of the following:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Furniture, fixtures, leasehold improvements, computers and software | \$ 4,267,953 | \$ 4,240,814 |
| Less: Accumulated depreciation | 4,053,271 | 3,894,060 |
| | <u>\$ 214,682</u> | <u>\$ 346,754</u> |

Depreciation expense amounted to \$159,319 in 2011 and \$251,101 in 2010.

7. Line Of Credit

INROADS established a line of credit with a bank in January 2010 in the amount of \$3,000,000. The line of credit bears interest at the LIBOR rate (0.26% at May 31, 2011) plus 1.50%. Terms of the line require INROADS to maintain a \$3,000,000 collateral account with the bank. The assets in the collateral account are invested in a certificate of deposit reported in cash and cash equivalents. The balance on the line of credit was \$2,684,097 and \$246,453, for the years ended May 31, 2011 and 2010, respectively. Interest expense paid on the borrowings amounted to \$27,366 and \$13 for 2011 and 2010, respectively.

INROADS established a line of credit with another bank on May 23, 2011 in the amount of \$4,000,000. The line of credit bears interest at the LIBOR rate (0.46% at May 31, 2011) plus 1.70%. The line is secured by investments held at the bank. There were no borrowings on the line as of May 31, 2011. The balance on the line of credit was \$1,500,000 as of September 21, 2011.

8. Net Assets And Endowment Funds

Temporarily restricted net assets are assets whose use by INROADS is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of INROADS pursuant to those restrictions. Temporarily restricted net assets are primarily available for scholarship awards and special projects at the affiliates.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

5. Investments

Investments include:

| | 2011 | | 2010 | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Equity securities and mutual funds | \$ 2,793,694 | \$ 3,351,748 | \$ 2,756,563 | \$ 2,630,658 |
| Taxable bond funds | 20,618 | 18,562 | — | — |
| Fixed income securities | 9,877,917 | 10,414,437 | 10,437,260 | 11,036,971 |
| | <u>\$ 12,692,229</u> | <u>\$ 13,784,747</u> | <u>\$ 13,193,823</u> | <u>\$ 13,667,629</u> |

These amounts are reported in the combined statement of financial position as follows:

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Investments | \$ 13,052,708 | \$ 15,935,590 |
| Investments restricted for endowment | 732,039 | 732,039 |
| | <u>\$ 13,784,747</u> | <u>\$ 16,667,629</u> |

Unrealized gains on investments are reflected in the combined statement of activities and total \$581,343 and \$628,314 for the years ended May 31, 2011 and 2010, respectively. Realized gains on investments are reflected in investment income in the combined statement of activities and total \$603,602 and \$275,618 for the years ended May 31, 2011 and 2010, respectively.

Investments restricted for endowment includes cash equivalents of \$612,756 in 2011 and 2010.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

The purpose of the Resource Development Campaign Fund (Note 13) is to aid in development of students, staff and information systems. A portion of the fund has been restricted in perpetuity by the donors. The earnings on these funds are classified as unrestricted.

The purpose of the Scholarship Endowment is to assist with funding of annual scholarship awards to students in the program. The donor conditions mandate that the corpus remain restricted. The earnings on these funds are classified as unrestricted.

As of May 31, 2011 and 2010, the endowment funds are classified as permanently restricted in the following categories and amounts:

| | | |
|-------------------------------|----|------------------|
| Scholarships | \$ | 136,245 |
| National Development Fund | | 595,794 |
| Resource Development Campaign | | 612,756 |
| | \$ | <u>1,344,795</u> |

Changes in the endowment for the year ended May 31, 2011 and 2010 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------|---------------------|-------------------------------|-------------------------------|--------------|
| Net assets - June 1, 2009 | \$ — | \$ — | \$ 1,344,795 | \$ 1,344,795 |
| Investment income | — | 35,998 | — | 35,998 |
| Appropriated for spending | — | (26,028) | — | (26,028) |
| Balance - May 31, 2010 | — | 9,970 | 1,344,795 | 1,354,765 |
| Investment income | — | 39,702 | — | 39,702 |
| Appropriated for spending | — | (9,970) | — | (9,970) |
| Balance - May 31, 2011 | \$ — | \$ 39,702 | \$ 1,344,795 | \$ 1,384,497 |

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

Temporarily restricted net assets are subject to the following donor-imposed restrictions:

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|---------------------|---------------------|
| Scholarships | \$ 620,274 | \$ 556,008 |
| Resource Development Campaign | 87,605 | 583,450 |
| Other | 413,640 | 321,112 |
| | <u>\$ 1,121,519</u> | <u>\$ 1,460,570</u> |

Net assets were released from donor-imposed restrictions as follows:

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|-------------------|---------------------|
| Scholarships | \$ 216,775 | \$ 160,250 |
| Resource Development Campaign | 495,846 | 786,266 |
| Endowment spending | 9,970 | 26,028 |
| Other | 3,516 | 140,201 |
| | <u>\$ 726,107</u> | <u>\$ 1,112,745</u> |

INROADS' permanently restricted net assets consist of three separate endowment funds. As required by financial accounting standards, assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The principal of the endowment are assets subject to a donor-imposed restriction that will be maintained permanently by INROADS.

The Board of Directors of INROADS has an investment policy that requires preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. INROADS has adopted a formal investment policy for the Endowment and other investments which accepts only a moderate risk posture in order to provide a stable return to INROADS. The investment policy requires minimization of year to year volatility and avoidance of high risk investments. The policy further gives authority to the Board of Directors, along with the investment manager, to review and change investment allocations as necessary to meet INROADS objectives.

The purpose of the National Development Fund (Note 12) is to assist in the start-up of new affiliated corporations and development of existing regional affiliates. The corpus of the fund is restricted in perpetuity, in accordance with the Board of Directors interpretation of UPMIFA and the earnings are classified as unrestricted.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

11. Operating Leases

INROADS has entered into noncancellable leases for office space expiring at various times through the year 2018. Future minimum payments under these operating leases are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------------|
| 2012 | \$ 1,238,667 |
| 2013 | 891,496 |
| 2014 | 665,251 |
| 2015 | 412,638 |
| 2016 | 345,867 |
| Thereafter | 605,267 |
| | <u>\$ 4,159,186</u> |

12. National Development Fund

The National Development Fund was established to assist in funding the start-up costs which INROADS, Inc. incurs while setting up new affiliated corporations and to provide the local affiliates with services related to the training and development of staff, students and corporate sponsors.

The earnings on the corpus of the National Development Fund are recorded as unrestricted, and the corpus of \$595,794 as of May 31, 2011 and 2010 is reported as permanently restricted net assets.

13. Resource Development Campaign

The Resource Development Campaign was established to generate additional funds to upgrade three operational aspects: student training competencies, staff development, and information systems enhancements. Contributions are restricted for these purposes and for fundraising costs. The campaign has raised more than \$10,000,000 to fund the three initiatives. Additionally, the campaign has raised \$612,756 as a permanently restricted corpus whose earnings will be used to fund the initiatives going forward. At May 31, 2011, total net assets of the campaign are \$774,836, of which \$74,475 is reported as unrestricted net assets. At May 31, 2010, total net assets of the campaign were \$1,270,681, of which \$74,475 was reported as unrestricted net assets.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

9. Affiliation Agreements

The combined domestic local INROADS corporations and three international affiliates have entered into affiliation agreements with INROADS, Inc. New affiliates are assessed a start-up fee by INROADS, Inc. In addition, each affiliate is assessed a fee based upon the number of students participating in the local affiliate's basic program. These fee assessments are used to provide the affiliates with assistance in fundraising, hiring, and supervision of new staff, training of students, preparation of promotional material, accounting services and computer technology services. Such fee assessments have been eliminated in combination.

10. Employee Benefit Plans

Group Health Insurance

INROADS is self-insured for health insurance subject to an excess (stop) loss insurance policy. INROADS is eligible for a refund for all claims over the deductible of \$40,000 per person and approximately \$1,000,000 annual aggregate, subject to terms in the policy agreement. Accruals for unpaid medical claims are made based on INROADS' claims experience. Accrued expenses include approximately \$136,000 and \$80,000 of estimated medical claims at May 31, 2011 and 2010, respectively.

Defined Contribution Plans

INROADS maintains two defined contribution plans, pursuant to Sections 401(a) and 403(b) of the Internal Revenue Code of 1986. The plan established under Section 401(a) is funded solely by employer contributions, and the Section 403(b) plan is funded solely by voluntary employee contributions.

INROADS contributes 4% of total employees' compensation to the 401(a) defined contribution plan. An employee qualifies under this plan on the first enrollment date (January 1 or July 1) occurring after the employee has completed one year and 1,000 hours of service. INROADS' contributions totaled \$196,097 and \$119,169 for fiscal years 2011 and 2010, respectively.

In August 2011, INROADS amended both plans and no longer allow new participants or contributions. A new 401(K) plan was established.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

15. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended May 31, 2011 and 2010 using quoted market prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

| | 2011 | | | Total |
|------------------------------------|---------------|-----------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments: | | | | |
| Fixed income mutual fund | \$ 10,414,437 | \$ — | \$ — | \$ 10,414,437 |
| Equity securities and mutual funds | | | | |
| International mutual fund | 1,187,221 | — | — | 1,187,221 |
| Large cap mutual fund | 636,693 | — | — | 636,693 |
| Contra mutual fund | 669,613 | — | — | 669,613 |
| Choice mutual fund | 418,376 | — | — | 418,376 |
| Small company | 439,845 | — | — | 439,845 |
| Taxable bond funds | — | 18,562 | — | 18,562 |
| | \$ 13,766,185 | \$ 18,562 | \$ — | \$ 13,784,747 |
| | | | | |
| | 2010 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Investments: | | | | |
| Fixed income mutual fund | \$ 11,036,971 | \$ — | \$ — | \$ 11,036,971 |
| Equity securities and mutual funds | | | | |
| International mutual fund | 914,276 | — | — | 914,276 |
| Large cap mutual fund | 520,102 | — | — | 520,102 |
| Contra mutual fund | 531,321 | — | — | 531,321 |
| Choice mutual fund | 333,707 | — | — | 333,707 |
| Small company | 331,252 | — | — | 331,252 |
| | \$ 13,667,629 | \$ — | \$ — | \$ 13,667,629 |

During 2011 and 2010, there were no changes in the methods and/or assumptions utilized to derive the fair value of INROADS' assets.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

14. Functional Expenses

INROADS' purpose is to develop and place talented underserved youth in business and industry and prepare them for corporate and community leadership. Expenses related to providing these services for the years ended May 31, 2011 and 2010 are as follows:

| | 2011 | 2010 |
|---|---------------|---------------|
| Selection, coach and placement of minority college students | \$ 11,197,740 | \$ 10,877,653 |
| Management and general | 3,096,539 | 2,059,335 |
| Fundraising | 558,914 | 570,053 |
| | \$ 14,853,193 | \$ 13,507,041 |

Fundraising includes both direct fundraising expenses and an allocated portion of salaries and payroll taxes based on estimated time spent. Management's functional expense policy includes the estimated portion of management expense at the affiliate level within the management and general classification. Additionally, the costs of golf and banquet events are reported as special events expense in the combined statement of activities and are classified as fundraising for functional expense reporting purposes.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements *(Continued)*

16. INROADS de Mexico, Inc., INROADS Saskatchewan, Inc. Affiliates, And INROADS Toronto, Inc. (Unaudited)

During fiscal year 1997, INROADS, Inc. entered into an affiliation agreement with the newly established INROADS de Mexico, Inc. affiliate. By law, the fiscal year for INROADS de Mexico, Inc. is the same as the calendar year. Due to the difference in fiscal years, the INROADS de Mexico, Inc. affiliate is not included in the accompanying combining schedules. The affiliate's activity and net assets have been deemed not to be significant or material to these combined financial statements.

During the 2002 fiscal year, INROADS, Inc. entered into an affiliation agreement with the newly established INROADS Saskatchewan, Inc. The affiliate's activity and net assets have been minor since its origination and thus are deemed not to be significant or material to these combined financial statements.

During the 2011 fiscal year, INROADS, Inc. did not consolidate the financial information of INROADS Toronto, Inc. The affiliate's activity and net assets have been deemed not to be significant or material to these combined financial statements.

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

Page 1 Of 2
May 31, 2011

| Assets | Florida | Great Lakes | Mid Atlantic | Midwest | New England | New Jersey | North Central | Pacific Northwest | Pacific Southwest | Rocky Mountain |
|--------------------------------------|------------|--------------|--------------|-------------|--------------|--------------|---------------|-------------------|-------------------|----------------|
| Cash and cash equivalents | \$ (3,191) | \$ (21,709) | \$ (5,366) | \$ (14,417) | \$ (26,668) | \$ 75,838 | \$ (7,221) | \$ (26,141) | \$ (12,640) | \$ (11,690) |
| Accounts Receivable | 20,000 | 102,600 | 28,000 | 4,200 | 40,500 | 77,000 | 16,000 | 27,000 | 24,000 | 4,000 |
| Prepays And Other Assets | 9,291 | 1,250 | 19,255 | 2,924 | 35,849 | 48,909 | 1,000 | 9,630 | 18,776 | 10,280 |
| Investments | 184,419 | 1,262,700 | 310,108 | 818,546 | 1,541,167 | 1,675,549 | 417,329 | 1,510,716 | 730,483 | 564,549 |
| Property And Equipment | 12,223 | 1,778 | 9,556 | 5,515 | 9,705 | 34,882 | 1,864 | 381 | 7,378 | — |
| Investments Restricted For Endowment | — | 10,550 | — | 14,655 | — | — | — | — | — | 111,040 |
| | \$ 222,742 | \$ 1,357,169 | \$ 361,553 | \$ 831,423 | \$ 1,600,553 | \$ 1,912,178 | \$ 428,972 | \$ 1,521,586 | \$ 767,997 | \$ 678,179 |

| | | | | | | | | | | |
|---------------------------------------|------------|--------------|------------|------------|--------------|--------------|------------|--------------|------------|------------|
| Liabilities And Net Assets | | | | | | | | | | |
| Accounts Payable And Accrued Expenses | \$ 8,212 | \$ 20,863 | \$ 2,433 | \$ 11,974 | \$ 6,581 | \$ 51,887 | \$ 2,761 | \$ 8,436 | \$ 4,671 | \$ 1,980 |
| Deferred Income | — | 32,540 | 11,600 | 11,500 | — | 32,400 | 120 | 35,000 | 7,500 | 32,175 |
| Line Of Credit | — | — | — | — | — | — | — | — | — | — |
| Total Liabilities | 8,212 | 53,403 | 14,033 | 23,474 | 6,581 | 84,287 | 2,881 | 43,436 | 12,171 | 34,155 |
| Net Assets | | | | | | | | | | |
| Unrestricted | 210,114 | 1,174,026 | 336,020 | 793,294 | 1,490,475 | 1,662,100 | 337,911 | 1,464,492 | 755,826 | 510,636 |
| Temporarily restricted | 4,416 | 119,190 | 11,500 | — | 103,497 | 165,791 | 88,180 | 13,658 | — | 22,348 |
| Permanently restricted | — | 10,550 | — | 14,655 | — | — | — | — | — | 111,040 |
| Total Net Assets | 214,530 | 1,303,766 | 347,520 | 807,949 | 1,593,972 | 1,827,891 | 426,091 | 1,478,150 | 755,826 | 644,024 |
| | \$ 222,742 | \$ 1,357,169 | \$ 361,553 | \$ 831,423 | \$ 1,600,553 | \$ 1,912,178 | \$ 428,972 | \$ 1,521,586 | \$ 767,997 | \$ 678,179 |

See the accompanying independent auditors' report on supplementary information.

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Independent Auditors' Report On Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, accordingly, we express no opinion on it.

RubinBrown LLP

November 21, 2011

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Page 1 Of 2

For The Year Ended May 31, 2011

| | Florida | Great Lakes | Atlantic | Midwest | England | New Jersey | North Central | Pacific Northwest | Pacific Southwest | Rocky Mountain |
|--|------------|--------------|------------|------------|--------------|--------------|---------------|-------------------|-------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Unrestricted Public Support And Revenues | 656,000 | 860,300 | 451,500 | 464,100 | 1,197,000 | 914,000 | 516,000 | 428,500 | 656,000 | 392,000 |
| Sponsorship and participation fees | 10,767 | 19,497 | 14,796 | 20,395 | 14,333 | 76,809 | 13,798 | 13,167 | 7,926 | 16,867 |
| Assessment from affiliates | 13,682 | 6,063 | 100 | 8,705 | 19,988 | 19,785 | 5,000 | 11,233 | 23,110 | 11,586 |
| Contributions and grants | 29,073 | 98,996 | 30,255 | 55,129 | 108,567 | 113,631 | 36,463 | 89,075 | 56,363 | 35,671 |
| Activity and miscellaneous income | 36,110 | 52,095 | — | 8,735 | 21,320 | 86,025 | — | 12,375 | 105,312 | 26,747 |
| Investment income | 22,428 | — | — | 23,295 | 98,825 | — | — | — | — | 22,173 |
| Banquet event income | — | — | — | — | — | — | — | — | — | — |
| Golf event income | — | — | — | — | — | — | — | — | — | — |
| Donated services | — | — | — | — | — | — | — | — | — | — |
| Alumni, parent and student | 1,324 | 6,466 | 2,352 | 2,469 | 2,091 | 8,195 | 3,186 | 4,874 | 26,125 | 32,808 |
| Total Unrestricted Public Support | 769,884 | 1,038,417 | 498,943 | 582,828 | 1,462,124 | 1,218,445 | 574,387 | 566,262 | 880,327 | 546,161 |
| Net Assets Released From Restrictions | 2,000 | 48,250 | 10,000 | — | 67,100 | — | 33,878 | 19,400 | 23,025 | — |
| Total Unrestricted Public Support And Revenues | 771,884 | 1,086,667 | 508,943 | 582,828 | 1,529,224 | 1,218,445 | 608,265 | 585,662 | 903,352 | 546,161 |
| Expenses | 310,601 | 495,432 | 303,313 | 266,391 | 684,146 | 473,291 | 325,730 | 288,946 | 413,263 | 200,086 |
| Salaries and payroll taxes | 24,707 | 38,186 | 26,219 | 23,145 | 68,423 | 39,879 | 33,581 | 23,313 | 45,714 | 27,087 |
| Training, development and recruitment | 5,000 | 48,250 | 10,000 | 5,000 | 61,100 | 19,000 | 31,750 | 20,300 | 37,025 | 9,000 |
| Scholarship disbursements | 79,511 | 90,594 | 45,840 | 63,766 | 98,929 | 52,973 | 69,177 | 51,351 | 65,249 | 22,724 |
| Office | 148,537 | 230,754 | 63,831 | 63,905 | 172,889 | 402,631 | 48,711 | 77,151 | 97,221 | 32,808 |
| Rent | 38,195 | 29,077 | 17,328 | 17,748 | 35,629 | 35,236 | 28,303 | 28,303 | 36,228 | 14,380 |
| Travel | 94,292 | 125,326 | 65,392 | 70,124 | 122,315 | 93,244 | 84,128 | 65,659 | 78,484 | 35,013 |
| Insurance | 10,444 | 5,439 | 7,021 | 7,722 | 16,355 | 21,923 | 4,448 | 7,385 | 10,065 | 1,250 |
| Depreciation and amortization | 9,944 | 18,069 | 10,903 | 4,955 | 12,210 | 13,655 | 9,070 | 9,515 | 10,102 | 7,321 |
| Public relations | — | — | — | — | — | — | — | — | — | — |
| Pension | — | — | — | — | — | — | — | — | — | — |
| Professional fees | 4,000 | 5,050 | 4,000 | — | — | 2,691 | — | — | 5,446 | — |
| Uncollected fees | 139 | — | 150 | — | 471 | 2,332 | — | — | (4,000) | — |
| Alumni, parent and student | 33,459 | 52,095 | — | 6,606 | 127,431 | 21,597 | — | 5,296 | 35,306 | 25,859 |
| Special events | — | — | 2,990 | — | — | 15 | 180 | — | — | — |
| Other | — | — | — | — | — | — | — | — | — | — |
| National assessment | 395,253 | 540,478 | 311,669 | 306,285 | 632,876 | 457,300 | 356,489 | 330,646 | 428,227 | 228,491 |
| Total Expenses | 1,152,082 | 1,678,750 | 868,156 | 835,647 | 2,040,574 | 1,646,767 | 1,000,457 | 907,865 | 1,258,330 | 604,019 |
| Excess (Deficiency) Of Unrestricted Public Support And Revenues Over Expenses | (380,198) | (592,083) | (359,213) | (252,819) | (511,950) | (428,322) | (392,192) | (322,203) | (354,978) | (57,858) |
| Unrealized Gains On Investments | 18,648 | 60,290 | 19,406 | 35,361 | 69,636 | 72,884 | 23,388 | 57,134 | 36,146 | 22,880 |
| Increase (Decrease) In Unrestricted Net Assets | (361,550) | (631,793) | (339,807) | (217,458) | (441,714) | (355,438) | (368,804) | (265,069) | (318,832) | (34,978) |
| Temporarily Restricted Public Support And Revenues - Net | (2,000) | (27,602) | (6,000) | — | 4,981 | 1,064 | 14,572 | — | — | 10,441 |
| Net Assets - Beginning Of Year | 578,080 | 1,863,161 | 692,327 | 1,025,407 | 2,030,705 | 2,182,265 | 780,323 | 1,768,219 | 1,074,658 | 668,561 |
| Transfers To Other Affiliates | — | — | — | — | — | — | — | (35,000) | — | — |
| Net Assets - End Of Year | \$ 214,530 | \$ 1,303,766 | \$ 347,520 | \$ 807,949 | \$ 1,593,972 | \$ 1,827,891 | \$ 426,091 | \$ 1,478,150 | \$ 755,826 | \$ 644,024 |

See the accompanying independent auditors' report on supplementary information.

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

Page 2 Of 2

May 31, 2011

| | South Central | Southeast | Total Affiliates | INROADS, Inc. | Development | Campaign | Resource Before Eliminations | Total Combined |
|--|---------------|------------|------------------|---------------|-------------|---------------|------------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | | | |
| Cash and cash equivalents | (21,531) | (14,741) | (89,477) | 2,891,200 | 860 | 166,461 | 2,968,184 | 2,968,184 |
| Accounts Receivable | 54,000 | 58,400 | 455,700 | 860 | — | — | 456,560 | 456,560 |
| Prepays And Other Assets | 1,917 | 21,225 | 180,306 | 83,381 | — | — | 263,687 | 263,687 |
| Investments | 1,244,279 | 851,919 | 11,111,764 | 1,940,944 | — | — | 13,052,708 | 13,052,708 |
| Property And Equipment | 7,653 | 11,366 | 102,301 | 29,008 | 83,373 | — | 214,682 | 214,682 |
| Investments Restricted For Endowment | — | — | 136,245 | 595,794 | 612,756 | — | 1,344,795 | 1,344,795 |
| | \$ 1,286,318 | \$ 928,169 | \$ 11,896,839 | \$ 5,541,187 | \$ 862,590 | \$ 18,300,616 | \$ 18,300,616 | \$ 18,300,616 |
| Liabilities And Net Assets | | | | | | | | |
| Accounts Payable And Accrued Expenses | 1,698 | 16,465 | 137,961 | 585,636 | 87,754 | — | 811,351 | 811,351 |
| Deferred Income | — | 35,300 | 198,135 | 390,473 | — | — | 588,608 | 588,608 |
| Line Of Credit | — | — | — | 2,684,097 | — | — | 2,684,097 | 2,684,097 |
| Total Liabilities | 1,698 | 51,765 | 336,096 | 3,660,206 | 87,754 | — | 4,084,056 | 4,084,056 |
| Net Assets | 1,274,295 | 735,224 | 10,744,413 | 931,358 | 74,475 | — | 11,750,246 | 11,750,246 |
| Temporarily restricted | 10,325 | 141,180 | 680,085 | 353,829 | 87,605 | — | 1,121,519 | 1,121,519 |
| Permanently restricted | — | — | 136,245 | 595,794 | 612,756 | — | 1,344,795 | 1,344,795 |
| Total Net Assets | 1,284,620 | 876,404 | 11,560,743 | 1,880,981 | 774,836 | — | 14,216,560 | 14,216,560 |
| | \$ 1,286,318 | \$ 928,169 | \$ 11,896,839 | \$ 5,541,187 | \$ 862,590 | \$ 18,300,616 | \$ 18,300,616 | \$ 18,300,616 |

See the accompanying independent auditors' report on supplementary information.

INROADS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
 Page 2 Of 2
 For The Year Ended May 31, 2011

| | South Central | Southeast | Toronto Inc. | Total Affiliates | INROADS, Inc. | Resource Development Campaign | Eliminations | Total Before Eliminations | Eliminations | Total Combined |
|--|------------------|------------|-----------------|---------------------|------------------|-------------------------------------|--------------|---------------------------------|--------------|-------------------|
| Unrestricted Public Support And Revenues | | | | | | | | | | |
| Sponsorship and participation fees | \$ 451,800 | \$ 746,400 | \$ — | \$ 7,733,600 | \$ 4,739,255 | — | \$ — | \$ 7,733,600 | \$ — | \$ 7,733,600 |
| Assessment from affiliates | — | — | — | — | 259,021 | — | — | 4,739,255 | (4,739,255) | — |
| Contributions and grants | 13,679 | 8,752 | — | 230,466 | — | — | — | 489,487 | — | 489,487 |
| Activity and miscellaneous income | 6,720 | 23,260 | — | 149,232 | 1,600 | — | — | 150,832 | — | 150,832 |
| Investment income | 70,341 | 61,427 | — | 779,981 | 126,365 | 3,976 | — | 910,322 | — | 910,322 |
| Banquet event income | 19,850 | — | — | 368,549 | — | — | — | 368,549 | — | 368,549 |
| Golf event income | — | — | — | 166,721 | — | — | — | 166,721 | — | 166,721 |
| Donated services | — | — | — | 63,807 | — | — | — | 63,807 | — | 63,807 |
| Alumni, parent and student | 14,309 | 6,707 | — | 68,647 | 55,633 | — | — | 124,280 | — | 124,280 |
| Total Unrestricted Public Support And Revenues | 576,679 | 846,546 | — | 9,561,003 | 5,181,874 | 3,976 | (4,739,255) | 14,746,563 | (4,739,255) | 10,007,598 |
| Net Assets Released From Restrictions | 5,000 | 15,000 | — | 223,653 | 6,608 | 495,846 | — | 726,107 | — | 726,107 |
| Total Unrestricted Public Support And Revenues | 581,679 | 861,546 | — | 9,784,656 | 5,188,482 | 499,822 | (4,739,255) | 15,472,660 | (4,739,255) | 10,733,705 |
| Expenses | | | | | | | | | | |
| Salaries and payroll taxes | 272,083 | 367,545 | — | 4,400,827 | 2,440,411 | — | — | 6,841,238 | — | 6,841,238 |
| Training, development and recruitment | 24,491 | 30,762 | — | 405,507 | 956,075 | 238,610 | — | 1,600,192 | — | 1,600,192 |
| Scholarship disbursements | 16,400 | 11,500 | — | 274,325 | 22,000 | — | — | 296,325 | — | 296,325 |
| Office | 49,166 | 103,625 | — | 792,905 | 522,642 | 36,045 | — | 1,351,592 | — | 1,351,592 |
| Rent | 63,797 | 163,697 | — | 1,563,432 | 134,045 | — | — | 1,697,477 | — | 1,697,477 |
| Travel | 25,973 | 31,529 | — | 352,691 | 488,102 | 1,029 | — | 841,822 | — | 841,822 |
| Insurance | 59,172 | 101,243 | — | 994,392 | (87,190) | — | — | 957,202 | — | 957,202 |
| Depreciation and amortization | 8,710 | 11,945 | — | 112,707 | 44,067 | 2,545 | — | 159,319 | — | 159,319 |
| Public relations | — | 429 | — | 2,557 | 28,146 | — | — | 30,703 | — | 30,703 |
| Pension | 5,036 | 7,319 | — | 118,099 | 77,998 | — | — | 196,097 | — | 196,097 |
| Professional fees | — | 697 | — | 8,834 | 288,664 | 1,274 | — | 298,772 | — | 298,772 |
| Fundraising expense | — | — | — | — | — | 220,319 | — | 220,319 | — | 220,319 |
| Uncollected fees | — | 4,200 | — | 24,250 | — | — | — | 24,250 | — | 24,250 |
| Alumni, parent and student | — | 15,050 | — | 18,142 | — | — | — | 18,142 | — | 18,142 |
| Special events | 8,360 | — | — | 316,009 | — | — | — | 316,009 | — | 316,009 |
| Other | 340,337 | 411,404 | — | 3,505 | 229 | — | — | 3,734 | — | 3,734 |
| National assessment | 873,845 | 1,260,945 | — | 14,127,457 | 4,965,189 | 499,822 | (4,739,255) | 19,592,448 | (4,739,255) | 14,853,193 |
| Total Expenses | (292,166) | (399,399) | — | (4,342,781) | 223,293 | — | — | (4,119,488) | — | (4,119,488) |
| Excess (Deficiency) Of Unrestricted Public Support And Revenues Over Expenses | 45,118 | 39,400 | — | 500,291 | 81,052 | — | — | 581,343 | — | 581,343 |
| Unrealized Gains On Investments | (247,048) | (359,999) | — | (3,842,490) | 304,345 | — | — | (3,538,145) | — | (3,538,145) |
| Increase (Decrease) In Unrestricted Net Assets | — | 26,947 | — | 23,403 | 133,392 | (495,846) | — | (339,051) | — | (339,051) |
| Temporarily Restricted Public Support And Revenues - Net | 1,531,668 | 1,209,456 | — | 15,404,850 | 1,418,244 | 1,270,682 | — | 18,093,756 | — | 18,093,756 |
| Net Assets - Beginning Of Year | — | — | — | (25,000) | 25,000 | — | — | — | — | — |
| Transfers To Other Affiliates | — | — | — | — | — | — | — | — | — | — |
| Net Assets - End Of Year | \$ 1,284,620 | \$ 876,404 | \$ — | \$ 11,560,743 | \$ 1,880,981 | \$ 774,836 | \$ — | \$ 14,216,560 | \$ — | \$ 14,216,560 |

See the accompanying independent auditors' report on supplementary information.