
INROADS, INC. AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
MAY 31, 2010



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RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

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, 2010 and 2009, 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, 2010 and 2009, 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

December 10, 2010

INROADS, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION

Assets

	May 31,	
	2010	2009
Cash And Cash Equivalents (Notes 3 And 5)	\$ 1,866,484	\$ 5,018,524
Accounts Receivable (Note 4)	68,000	294,732
Prepays And Other Assets	318,343	246,578
Investments (Note 5)	15,935,590	13,313,650
Property And Equipment (Note 6)	346,754	570,299
Investments Restricted For Endowment (Note 5)	1,344,795	1,344,795
	\$ 19,879,966	\$ 20,788,578

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses (Note 10)	\$ 919,073	\$ 1,056,260
Deferred income	620,684	674,898
Line of credit (Note 7)	246,453	—
Total Liabilities	1,786,210	1,731,158
Net Assets		
Unrestricted	15,288,391	15,496,693
Temporarily restricted (Note 8)	1,460,570	2,215,932
Permanently restricted (Note 8)	1,344,795	1,344,795
Total Net Assets	18,093,756	19,057,420
	\$ 19,879,966	\$ 20,788,578

INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
For The Years Ended May 31, 2010 And 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Sponsorship and participation fees	\$ 9,547,650	\$ —	\$ —	\$ 9,547,650	\$ 15,542,551	\$ —	\$ —	\$ 15,542,551
Contributions and grants	367,095	321,385	—	688,480	550,926	279,047	—	829,973
Activity and miscellaneous income	177,030	—	—	177,030	291,914	—	—	291,914
Investment income (loss) (Note 5)	666,237	35,998	—	702,235	(1,465,442)	—	—	(1,465,442)
Banquet event income	461,622	—	—	461,622	1,098,241	—	—	1,098,241
Golf event income	143,526	—	—	143,526	174,503	—	—	174,503
Donated services	96,601	—	—	96,601	201,074	—	—	201,074
Alumni, parent and student	97,919	—	—	97,919	(31,259)	—	—	(31,259)
Total Public Support And Revenues	11,557,680	357,383	—	11,915,063	16,362,508	279,047	—	16,641,555
Net Assets Released From Restrictions (Note 8)	1,112,745	(1,112,745)	—	—	919,173	(919,173)	—	—
Total Public Support And Revenues	12,670,425	(755,362)	—	11,915,063	17,281,681	(640,126)	—	16,641,555
Expenses								
Salaries and payroll taxes	6,327,781	—	—	6,327,781	10,614,999	—	—	10,614,999
Training, development and recruitment	1,118,329	—	—	1,118,329	1,277,688	—	—	1,277,688
Scholarship disbursements	286,951	—	—	286,951	411,170	—	—	411,170
Office	1,374,009	—	—	1,374,009	1,636,923	—	—	1,636,923
Rent	1,704,284	—	—	1,704,284	1,914,336	—	—	1,914,336
Travel	479,771	—	—	479,771	1,032,468	—	—	1,032,468
Insurance	1,030,002	—	—	1,030,002	1,582,567	—	—	1,582,567
Depreciation and amortization	251,101	—	—	251,101	630,935	—	—	630,935
Public relations	40,490	—	—	40,490	54,202	—	—	54,202
Pension (Note 10)	119,169	—	—	119,169	449,909	—	—	449,909
Professional fees	252,787	—	—	252,787	252,643	—	—	252,643
Fundraising expense	—	—	—	—	4,786	—	—	4,786
Uncollected fees	132,020	—	—	132,020	249,650	—	—	249,650
Alumni, parent and student	11,992	—	—	11,992	38,304	—	—	38,304
Special events	364,042	—	—	364,042	1,010,701	—	—	1,010,701
Other	14,313	—	—	14,313	20,480	—	—	20,480
Total Expenses	13,507,041	—	—	13,507,041	21,181,761	—	—	21,181,761
Deficiency Of Public Support And Revenues Over Expenses								
	(836,616)	(755,362)	—	(1,591,978)	(3,900,080)	(640,126)	—	(4,540,206)
Unrealized Gains (Losses) On Investments (Note 5)								
	628,314	—	—	628,314	(212,744)	—	—	(212,744)
Decrease In Net Assets	(208,302)	(755,362)	—	(963,664)	(4,112,824)	(640,126)	—	(4,752,950)
Net Assets - Beginning Of Year								
	15,496,693	2,215,932	1,344,795	19,057,420	19,609,517	2,856,058	1,344,795	23,810,370
Net Assets - End 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

INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS

	For The Years Ended May 31,	
	2010	2009
Cash Flows From Operating Activities		
Decrease in net assets	\$ (963,664)	\$ (4,752,950)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	251,101	630,935
(Gain) loss on long-term investments	(903,932)	2,424,930
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	226,732	(199,291)
(Increase) decrease in prepaids and other assets	(71,765)	29,213
Decrease in accounts payable and accrued expenses	(137,187)	(162,661)
Decrease in deferred income	(54,214)	(113,835)
Net Cash Used In Operating Activities	(1,652,929)	(2,143,659)
Cash Flows From Investing Activities		
Additions to property and equipment, net	(27,556)	(158,691)
Purchases of investments	(3,634,463)	(514,550)
Proceeds from sales of investments	1,916,455	442,039
Net Cash Used In Investing Activities	(1,745,564)	(231,202)
Cash Flows Provided By Financing Activities		
Proceeds from line of credit	246,453	—
Net Decrease In Cash And Cash Equivalents	(3,152,040)	(2,374,861)
Cash And Cash Equivalents - Beginning Of Year	5,018,524	7,393,385
Cash And Cash Equivalents - End Of Year	\$ 1,866,484	\$ 5,018,524
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 13	\$ —

INROADS, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

May 31, 2010 And 2009

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. and the INROADS Saskatchewan, 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*)

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 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. 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, 2010 or 2009.

INROADS records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$132,020 and \$249,650 in 2010 and 2009, respectively, represents the amount of current year write-offs of accounts receivable.

Investments And Investments Restricted For Endowment

INROADS invests in debt and equity securities with readily determinable fair values. 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 (*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.

Currency Translation

The functional currency is the Canadian dollar for the INROADS Toronto affiliate. The translation of the foreign currency into U.S. dollars is performed for statement of financial position accounts using current exchange rates in effect at the statement of financial position date and for revenue and expense accounts using a weighted-average exchange rate during each year. Gains or losses resulting from such translation are included in activity income on the combined statement of activities. Cumulative translation gains or losses were not significant to INROADS at May 31, 2010 or 2009.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements *(Continued)*

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.

On June 1, 2009, INROADS adopted recently issued accounting rules for uncertain tax positions. These rules require financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. The rules also provide guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, transition and disclosure requirements for uncertain tax positions. The adoption of the new rules had no impact on the combined financial statements as of May 31, 2010. INROADS' tax returns for the tax years ended 2007 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through December 10, 2010, 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.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

4. Accounts Receivable

Accounts receivable consist of sponsorship fees and miscellaneous receivables in the amount of \$68,000 and \$294,732 as of May 31, 2010 and 2009, respectively. INROADS anticipates collection of all sponsorship fees and miscellaneous receivables within one year.

5. Investments

Investments include:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Equity securities and mutual funds	\$ 2,756,563	\$ 2,630,658	\$ 15,808	\$ 15,248
Fixed income securities	10,437,260	11,036,971	14,250,461	14,030,441
Certificate of deposit (Note 7)	3,000,000	3,000,000	—	—
	<u>\$ 16,193,823</u>	<u>\$ 16,667,629</u>	<u>\$ 14,266,269</u>	<u>\$ 14,045,689</u>

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

	2010	2009
Investments	\$ 15,935,590	\$ 13,313,650
Investments restricted for endowment	732,039	732,039
	<u>\$ 16,667,629</u>	<u>\$ 14,045,689</u>

Unrealized gains (losses) on investments are reflected in the combined statement of activities and total \$628,314 and \$(212,744) for the years ended May 31, 2010 and 2009, respectively. Realized gains and (losses) on investments are reflected in investment income in the combined statement of activities and total \$275,618 and \$(2,212,186) for the years ended May 31, 2010 and 2009, respectively.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

Assets restricted for endowment are comprised of the following:

	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 612,756	\$ 612,756
Investments	732,039	732,039
	<u>\$ 1,344,795</u>	<u>\$ 1,344,795</u>

6. Property And Equipment

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Furniture, fixtures, leasehold improvements, computers and software	\$ 4,240,814	\$ 4,213,258
Less: Accumulated depreciation	3,894,060	3,642,959
	<u>\$ 346,754</u>	<u>\$ 570,299</u>

Depreciation expense amounted to \$251,101 in 2010 and \$630,935 in 2009.

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 (0.46% at May 31, 2010) 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 (Note 5). As of May 31, 2010, the balance on the line of credit was \$246,453. During 2010, interest expense of \$13 was paid on the borrowings.

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)

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

	<u>2010</u>	<u>2009</u>
Scholarships	\$ 556,008	\$ 516,036
Resource Development Campaign	583,450	1,369,718
Other	321,112	330,178
	<u>\$ 1,460,570</u>	<u>\$ 2,215,932</u>

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

	<u>2010</u>	<u>2009</u>
Scholarships	\$ 160,250	\$ 118,558
Resource Development Campaign	786,266	746,568
Endowment spending	26,028	—
Other	140,201	54,047
	<u>\$ 1,112,745</u>	<u>\$ 919,173</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)

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 had 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 principle remain restricted. The earnings on these funds are classified as unrestricted.

As of May 31, 2010 and 2009, 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		<u>612,756</u>
	\$	<u>1,344,795</u>

Changes in the endowment for the year ended May 31, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - June 1, 2008	\$ —	\$ —	\$ 1,344,795	\$ 1,344,795
Investment income	—	35,976	—	35,976
<u>Appropriated for spending</u>	<u>—</u>	<u>(35,976)</u>	<u>—</u>	<u>(35,976)</u>
Balance - May 31, 2009	—	—	1,344,795	1,344,795
Investment income	—	35,998	—	35,998
<u>Appropriated for spending</u>	<u>—</u>	<u>(26,028)</u>	<u>—</u>	<u>(26,028)</u>
<u>Balance - May 31, 2010</u>	<u>\$ —</u>	<u>\$ 9,970</u>	<u>\$ 1,344,795</u>	<u>\$ 1,354,765</u>

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 \$80,000 of estimated medical claims at both May 31, 2010 and 2009.

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 \$119,169 and \$449,909 for fiscal years 2010 and 2009, respectively.

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>
2011	\$ 1,277,181
2012	1,180,700
2013	833,038
2014	657,847
2015	412,638
Thereafter	951,134
	<u>\$ 5,312,538</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, 2010 and 2009 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, 2010, total net assets of the campaign are \$1,270,681, of which \$74,475 is reported as unrestricted net assets. At May 31, 2009, total net assets of the campaign were \$2,046,949, of which \$64,475 was reported as unrestricted net assets.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

14. Functional Expenses

INROADS' purpose is to develop and place talented minority 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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Selection, coach and placement of minority college students	\$ 10,877,653	\$ 14,753,378
Management and general	2,059,335	5,290,992
Fundraising	570,053	1,137,391
	<u>\$ 13,507,041</u>	<u>\$ 21,181,761</u>

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.

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, 2010 and 2009 using quoted market prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	<u>2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ 11,036,971	\$ —	\$ —	\$ 11,036,971
Equity securities and mutual funds	2,630,658	—	—	2,630,658
	<u>\$ 13,667,629</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,667,629</u>
	<u>2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ 14,030,441	\$ —	\$ —	\$ 14,030,441
Equity securities	15,248	—	—	15,248
	<u>\$ 14,045,689</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,045,689</u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

During 2010 and 2009, there were no changes in the methods and/or assumptions utilized to derive the fair value of INROADS' assets.

16. INROADS de Mexico, Inc. And INROADS Saskatchewan, Inc. Affiliates (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 and is subject to a separate audit. Due to the difference in fiscal years, the INROADS de Mexico, Inc. affiliate is not included in the accompanying combining schedules. The unaudited financial information for the INROADS de Mexico, Inc. affiliate at May 31, 2010 and 2009 in U.S. dollars is as follows:

	<u>2010</u>	<u>2009</u>
Assets	\$ 45,113	\$ 59,234
Liabilities	24,976	19,070
Net assets	20,138	40,164
Decrease in net assets	(20,026)	(92,525)

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.

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

December 10, 2010

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

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May 31, 2010

	Florida	Great Lakes	Mid Atlantic	Midwest	New England	New York/ New Jersey	North Central	Pacific Northwest	Pacific Southwest	Rocky Mountain
Assets										
Cash And Cash Equivalents	\$ 118,756	\$ 410,311	\$ 138,288	\$ 223,742	\$ 432,118	\$ 547,522	\$ 172,396	\$ 380,323	\$ 227,995	\$ 148,736
Accounts Receivable	—	—	44,000	—	—	—	—	—	—	—
Prepays And Other Assets	20,493	4,455	16,619	4,271	38,349	55,258	900	9,530	11,170	7,240
Investments	429,734	1,493,302	500,415	794,986	1,563,676	1,602,145	623,837	1,376,256	825,032	427,180
Property And Equipment	21,625	7,217	15,574	12,213	26,060	55,762	4,244	7,766	16,439	1,250
Investments Restricted For Endowment	—	10,550	—	14,655	—	—	—	—	—	111,040
	<u>\$ 590,608</u>	<u>\$ 1,925,835</u>	<u>\$ 714,896</u>	<u>\$ 1,049,867</u>	<u>\$ 2,060,203</u>	<u>\$ 2,260,687</u>	<u>\$ 801,377</u>	<u>\$ 1,773,875</u>	<u>\$ 1,080,636</u>	<u>\$ 695,446</u>
Liabilities And Net Assets										
Accounts Payable And Accrued Expenses	\$ 12,528	\$ 29,584	\$ 6,969	\$ 12,160	\$ 12,998	\$ 37,022	\$ 994	\$ 5,656	\$ 5,103	\$ 485
Deferred Income	—	33,090	15,600	12,300	16,500	41,400	20,060	—	875	26,400
Line Of Credit	—	—	—	—	—	—	—	—	—	—
Total Liabilities	<u>12,528</u>	<u>62,674</u>	<u>22,569</u>	<u>24,460</u>	<u>29,498</u>	<u>78,422</u>	<u>21,054</u>	<u>5,656</u>	<u>5,978</u>	<u>26,885</u>
Net Assets										
Unrestricted	571,664	1,705,819	675,827	1,010,752	1,932,189	2,017,538	706,715	1,729,561	1,074,658	545,614
Temporarily restricted	6,416	146,792	16,500	—	98,516	164,727	73,608	38,658	—	11,907
Permanently restricted	—	10,550	—	14,655	—	—	—	—	—	111,040
Total Net Assets	<u>578,080</u>	<u>1,863,161</u>	<u>692,327</u>	<u>1,025,407</u>	<u>2,030,705</u>	<u>2,182,265</u>	<u>780,323</u>	<u>1,768,219</u>	<u>1,074,658</u>	<u>668,561</u>
	<u>\$ 590,608</u>	<u>\$ 1,925,835</u>	<u>\$ 714,896</u>	<u>\$ 1,049,867</u>	<u>\$ 2,060,203</u>	<u>\$ 2,260,687</u>	<u>\$ 801,377</u>	<u>\$ 1,773,875</u>	<u>\$ 1,080,636</u>	<u>\$ 695,446</u>

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

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May 31, 2010

	South Central	Southeast	Toronto Inc.	Total Affiliates	INROADS, Inc.	Resource Development Campaign	Total Before Eliminations	Eliminations	Total Combined
Assets									
Cash And Cash Equivalents	\$ 322,987	\$ 264,334	\$ (12,994)	\$ 3,374,514	\$ (2,274,544)	\$ 766,514	\$ 1,866,484	\$ —	\$ 1,866,484
Accounts Receivable	24,000	—	—	68,000	—	—	68,000	—	68,000
Prepays And Other Assets	1,917	19,266	—	189,468	128,875	—	318,343	—	318,343
Investments	1,168,771	956,529	—	11,761,863	4,173,727	—	15,935,590	—	15,935,590
Property And Equipment	15,339	21,265	—	204,754	56,082	85,918	346,754	—	346,754
Investments Restricted For Endowment	—	—	—	136,245	595,794	612,756	1,344,795	—	1,344,795
	\$ 1,533,014	\$ 1,261,394	\$ (12,994)	\$ 15,734,844	\$ 2,679,934	\$ 1,465,188	\$ 19,879,966	\$ —	\$ 19,879,966
Liabilities And Net Assets									
Accounts Payable And Accrued Expenses	\$ 1,346	\$ 16,638	\$ —	\$ 141,483	\$ 583,084	\$ 194,506	\$ 919,073	\$ —	\$ 919,073
Deferred Income	—	35,300	—	201,525	419,159	—	620,684	—	620,684
Line Of Credit	—	—	—	—	246,453	—	246,453	—	246,453
Total Liabilities	1,346	51,938	—	343,008	1,248,696	194,506	1,786,210	—	1,786,210
Net Assets									
Unrestricted	1,521,343	1,095,223	(12,994)	14,573,909	640,007	74,475	15,288,391	—	15,288,391
Temporarily restricted	10,325	114,233	—	681,682	195,437	583,451	1,460,570	—	1,460,570
Permanently restricted	—	—	—	136,245	595,794	612,756	1,344,795	—	1,344,795
Total Net Assets	1,531,668	1,209,456	(12,994)	15,391,836	1,431,238	1,270,682	18,093,756	—	18,093,756
	\$ 1,533,014	\$ 1,261,394	\$ (12,994)	\$ 15,734,844	\$ 2,679,934	\$ 1,465,188	\$ 19,879,966	\$ —	\$ 19,879,966

INROADS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Page 1 Of 2
For The Year Ended May 31, 2010

	Florida	Great Lakes	Mid Atlantic	Midwest	New England	New York/ New Jersey	North Central	Pacific Northwest	Pacific Southwest	Rocky Mountain
Unrestricted Public Support And Revenues										
Sponsorship and participation fees	\$ 703,000	\$ 1,102,150	\$ 542,000	\$ 640,300	\$ 1,446,400	\$ 1,120,000	\$ 780,200	\$ 635,000	\$ 772,800	\$ 360,000
Assessment from affiliates	—	—	—	—	—	—	—	—	—	—
Contributions and grants	14,854	19,909	27,197	13,287	16,058	56,131	13,902	80,457	27,833	13,563
Activity and miscellaneous income	19,881	4,880	1,800	7,600	23,538	25,324	5,320	13,370	23,745	7,550
Investment income (loss)	32,198	87,245	32,816	46,723	84,757	92,164	36,242	70,899	48,721	26,955
Banquet event income	84,655	79,934	—	11,055	21,400	81,100	—	12,375	127,612	35,116
Golf event income	18,165	—	—	24,259	74,342	—	—	—	—	26,760
Donated services	—	—	—	13,146	—	—	—	4,874	26,125	21,696
Alumni, parent and student	5,884	6,958	2,597	2,469	7,026	9,030	4,322	10,788	6,224	12,502
Total Unrestricted Public Support And Revenues	878,637	1,301,076	606,410	758,839	1,673,521	1,383,749	839,986	827,763	1,033,060	504,142
Net Assets Released From Restrictions	17,500	20,000	20,000	7,000	47,750	13,000	67,179	2,522	7,000	—
Total Public Support And Revenues	896,137	1,321,076	626,410	765,839	1,721,271	1,396,749	907,165	830,285	1,040,060	504,142
Expenses										
Salaries and payroll taxes	372,072	540,063	223,635	222,421	504,047	429,975	298,780	264,306	404,056	193,069
Training, development and recruitment	39,054	52,307	25,679	24,111	63,080	36,399	65,041	28,679	46,905	23,265
Scholarship disbursements	1,250	41,600	18,100	7,100	57,750	21,700	24,500	30,890	23,061	9,150
Office	87,507	124,116	62,353	71,076	112,886	75,646	82,388	64,879	68,912	32,718
Rent	160,551	207,665	108,307	71,133	154,257	389,814	43,117	73,699	94,453	21,696
Travel	23,923	25,964	20,256	13,196	28,438	21,431	30,063	30,706	13,383	11,831
Insurance	99,702	120,427	42,118	53,919	100,220	87,350	79,874	56,579	80,067	31,037
Depreciation	16,233	12,679	11,074	11,863	21,627	26,436	7,262	12,001	17,496	3,018
Public relations	—	—	—	—	—	—	—	—	—	—
Pension	12,334	17,455	2,243	4,521	12,098	13,406	9,520	7,674	14,349	7,163
Professional fees	—	—	244	214	—	2,796	12,923	1,446	—	—
Uncollected fees	20,000	18,000	12,000	6,720	17,500	9,000	8,000	9,000	8,000	—
Alumni, parent and student	4,076	—	—	—	2,100	2,416	—	1,400	—	—
Special events	37,694	79,934	—	21,071	103,627	30,231	—	13,066	43,976	26,933
Other	—	—	—	—	—	7,802	477	—	—	—
National assessment	278,585	418,443	232,162	239,849	442,395	335,059	288,045	256,115	322,050	160,013
Total Expenses	1,152,981	1,658,653	758,171	747,194	1,620,025	1,489,461	949,990	850,440	1,136,708	519,893
Excess (Deficiency) Of Public Support And Revenues Over Expenses	(256,844)	(337,577)	(131,761)	18,645	101,246	(92,712)	(42,825)	(20,155)	(96,648)	(15,751)
Unrealized Gains On Investments	26,822	72,677	27,336	38,921	70,604	76,775	30,191	59,061	40,586	22,454
Increase (Decrease) In Unrestricted Net Assets	(230,022)	(264,900)	(104,425)	57,566	171,850	(15,937)	(12,634)	38,906	(56,062)	6,703
Temporarily Restricted Public Support And Revenues - Net	(10,500)	29,345	5,000	—	8,418	(5,848)	(2,179)	22,478	—	11,907
Net Assets - Beginning Of Year	818,602	2,098,716	791,752	967,841	1,850,437	2,204,050	795,136	1,706,835	1,130,720	649,951
Net Assets - End 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

INROADS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Page 2 Of 2
For The Year Ended May 31, 2010

	South Central	Southeast	Toronto Inc.	Total Affiliates	INROADS, Inc.	Resource Development Campaign	Total Before Eliminations	Eliminations	Total Combined
Unrestricted Public Support And Revenues									
Sponsorship and participation fees	\$ 608,800	\$ 837,000	\$ —	\$ 9,547,650	\$ —	\$ —	\$ 9,547,650	\$ —	\$ 9,547,650
Assessment from affiliates	—	—	—	—	3,527,520	—	3,527,520	(3,527,520)	—
Contributions and grants	13,203	35,573	—	331,967	35,128	—	367,095	—	367,095
Activity and miscellaneous income	8,430	13,440	—	154,878	22,152	—	177,030	—	177,030
Investment income (loss)	61,010	53,348	—	673,078	(2,720)	(4,121)	666,237	—	666,237
Banquet event income	8,375	—	—	461,622	—	—	461,622	—	461,622
Golf event income	—	—	—	143,526	—	—	143,526	—	143,526
Donated services	30,760	—	—	96,601	—	—	96,601	—	96,601
Alumni, parent and student	17,750	7,982	—	93,532	4,387	—	97,919	—	97,919
Total Unrestricted Public Support And Revenues	748,328	947,343	—	11,502,854	3,586,467	(4,121)	15,085,200	(3,527,520)	11,557,680
Net Assets Released From Restrictions	—	15,000	—	216,951	112,943	782,851	1,112,745	—	1,112,745
Total Public Support And Revenues	748,328	962,343	—	11,719,805	3,699,410	778,730	16,197,945	(3,527,520)	12,670,425
Expenses									
Salaries and payroll taxes	273,297	310,394	—	4,036,115	2,239,494	52,172	6,327,781	—	6,327,781
Training, development and recruitment	31,382	43,210	—	479,112	163,935	475,282	1,118,329	—	1,118,329
Scholarship disbursements	19,350	10,500	—	264,951	22,000	—	286,951	—	286,951
Office	66,205	135,417	—	984,103	257,716	132,190	1,374,009	—	1,374,009
Shared resource costs	—	—	—	—	—	—	—	—	—
Rent	60,240	175,139	—	1,560,071	144,213	—	1,704,284	—	1,704,284
Travel	25,855	16,060	—	261,106	218,665	—	479,771	—	479,771
Insurance	59,340	109,837	—	920,470	106,206	3,326	1,030,002	—	1,030,002
Depreciation and amortization	12,348	21,359	—	173,396	69,550	8,155	251,101	—	251,101
Public relations	—	—	—	—	40,490	—	40,490	—	40,490
Pension	6,047	10,875	—	117,685	1,484	—	119,169	—	119,169
Professional fees	5,856	—	—	23,479	131,703	97,605	252,787	—	252,787
Uncollected fees	19,800	4,000	—	132,020	—	—	132,020	—	132,020
Alumni, parent and student	2,000	—	—	11,992	—	—	11,992	—	11,992
Special events	7,510	—	—	364,042	—	—	364,042	—	364,042
Other	6,034	—	—	14,313	—	—	14,313	—	14,313
National assessment	259,663	295,141	—	3,527,520	—	—	3,527,520	(3,527,520)	—
Total Expenses	854,927	1,131,932	—	12,870,375	3,395,456	768,730	17,034,561	(3,527,520)	13,507,041
Excess (Deficiency) Of Public Support And Revenues Over Expenses	(106,599)	(169,589)	—	(1,150,570)	303,954	10,000	(836,616)	—	(836,616)
Unrealized Gains On Investments	50,822	44,440	—	560,689	67,625	—	628,314	—	628,314
Increase (Decrease) In Unrestricted Net Assets	(55,777)	(125,149)	—	(589,881)	371,579	10,000	(208,302)	—	(208,302)
Temporarily Restricted Public Support And Revenues - Net	—	17,283	—	75,904	(45,000)	(786,266)	(755,362)	—	(755,362)
Net Assets - Beginning Of Year	1,587,445	1,317,322	(12,994)	15,905,813	1,104,659	2,046,948	19,057,420	—	19,057,420
Net Assets - End Of Year	\$ 1,531,668	\$ 1,209,456	\$ (12,994)	\$ 15,391,836	\$ 1,431,238	\$ 1,270,682	\$ 18,093,756	\$ —	\$ 18,093,756

See the accompanying independent auditors' report on supplementary information.