
INROADS, INC. AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
MAY 31, 2009



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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, 2009 and 2008, 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, 2009 and 2008, 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

August 21, 2009

INROADS, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION

Assets

	May 31,	
	2009	2008
Cash And Cash Equivalents (Note 3)	\$ 5,018,524	\$ 7,393,385
Accounts Receivable (Note 4)	294,732	95,441
Prepays And Other Assets	246,578	275,791
Investments (Note 5)	13,313,650	15,666,069
Property And Equipment (Note 6)	570,299	1,042,543
Investments Restricted For Endowment (Note 5)	1,344,795	1,344,795
	\$ 20,788,578	\$ 25,818,024

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses (Note 9)	\$ 1,056,260	\$ 1,218,921
Deferred income	674,898	788,733
Total Liabilities	1,731,158	2,007,654

Net Assets

Unrestricted	15,496,693	19,609,517
Temporarily restricted (Note 7)	2,215,932	2,856,058
Permanently restricted (Note 7)	1,344,795	1,344,795
Total Net Assets	19,057,420	23,810,370
	\$ 20,788,578	\$ 25,818,024

INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
For The Years Ended May 31, 2009 And 2008

	2009				2008			
	Temporarily		Permanently	Total	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted		Unrestricted	Restricted	Restricted	
Public Support And Revenues								
Sponsorship and participation fees	\$ 15,542,551	\$ —	\$ —	\$ 15,542,551	\$ 17,705,939	\$ —	\$ —	\$ 17,705,939
Contributions and grants	550,926	279,047	—	829,973	606,218	402,733	—	1,008,951
Activity and miscellaneous income	291,914	—	—	291,914	400,727	—	—	400,727
Investment income (loss) (Note 5)	(1,465,442)	—	—	(1,465,442)	2,302,775	—	—	2,302,775
Banquet event income	1,098,241	—	—	1,098,241	1,419,827	—	—	1,419,827
Golf event income	174,503	—	—	174,503	194,737	—	—	194,737
Donated services	201,074	—	—	201,074	226,355	—	—	226,355
Alumni, parent and student	(31,259)	—	—	(31,259)	140,344	—	—	140,344
Total Public Support And Revenues	16,362,508	279,047	—	16,641,555	22,996,922	402,733	—	23,399,655
Net Assets Released From Restrictions (Note 7)	919,173	(919,173)	—	—	795,674	(795,674)	—	—
Total Public Support And Revenues	17,281,681	(640,126)	—	16,641,555	23,792,596	(392,941)	—	23,399,655
Expenses (Note 13)								
Salaries and payroll taxes	10,614,999	—	—	10,614,999	11,080,027	—	—	11,080,027
Training, development and recruitment	1,277,688	—	—	1,277,688	3,778,585	—	—	3,778,585
Scholarship disbursements	411,170	—	—	411,170	502,816	—	—	502,816
Office	1,636,923	—	—	1,636,923	2,142,052	—	—	2,142,052
Rent	1,914,336	—	—	1,914,336	1,751,034	—	—	1,751,034
Travel	1,032,468	—	—	1,032,468	1,498,743	—	—	1,498,743
Insurance	1,582,567	—	—	1,582,567	1,312,725	—	—	1,312,725
Depreciation and amortization	630,935	—	—	630,935	624,001	—	—	624,001
Public relations	54,202	—	—	54,202	98,401	—	—	98,401
Pension (Note 9)	449,909	—	—	449,909	468,415	—	—	468,415
Professional fees	252,643	—	—	252,643	371,190	—	—	371,190
Uncollected fees	249,650	—	—	249,650	125,256	—	—	125,256
Alumni, parent and student	38,304	—	—	38,304	168,192	—	—	168,192
Special events	1,010,701	—	—	1,010,701	1,112,991	—	—	1,112,991
Other	25,266	—	—	25,266	34,007	—	—	34,007
Total Expenses	21,181,761	—	—	21,181,761	25,068,435	—	—	25,068,435
Deficiency Of Public Support And Revenues Over Expenses	(3,900,080)	(640,126)	—	(4,540,206)	(1,275,839)	(392,941)	—	(1,668,780)
Unrealized Losses On Investments (Note 5)	(212,744)	—	—	(212,744)	(1,577,122)	—	—	(1,577,122)
Decrease In Net Assets	(4,112,824)	(640,126)	—	(4,752,950)	(2,852,961)	(392,941)	—	(3,245,902)
Net Assets - Beginning Of Year	19,609,517	2,856,058	1,344,795	23,810,370	22,462,478	3,248,999	1,344,795	27,056,272
Net Assets - End 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

See the accompanying notes to combined financial statements.

INROADS, INC. AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS

	For The Years Ended May 31,	
	2009	2008
Cash Flows From Operating Activities		
Decrease in net assets	\$ (4,752,950)	\$ (3,245,902)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	630,935	624,001
Loss on long-term investments	2,424,930	171,978
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(199,291)	57,677
Decrease in prepaids and other assets	29,213	919,505
Decrease in accounts payable and accrued expenses	(162,661)	(48,037)
Decrease in deferred income	(113,835)	(355,997)
Net Cash Used In Operating Activities	(2,143,659)	(1,876,775)
Cash Flows From Investing Activities		
Additions to property and equipment, net	(158,691)	(455,173)
Purchases of investments	(514,550)	(464,767)
Proceeds from sales of investments	442,039	1,446,699
Net Cash Provided By (Used In) Investing Activities	(231,202)	526,759
Net Decrease In Cash And Cash Equivalents	(2,374,861)	(1,350,016)
Cash And Cash Equivalents - Beginning Of Year	7,393,385	8,743,401
Cash And Cash Equivalents - End Of Year	\$ 5,018,524	\$ 7,393,385

INROADS, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

May 31, 2009 And 2008

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. Eleven of the consolidations have been finalized and the remaining one is anticipated to be 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 15). 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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS 117, 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, 2009 and 2008.

INROADS records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$249,650 and \$125,256 in 2009 and 2008, 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 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. As permitted under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-For-Profit Organizations*, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

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.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (*Continued*)

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, 2009 or 2008.

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.

In accordance with Financial Accounting Standards Board Staff Position (FSP) FIN 48-3, INROADS has elected to defer implementation of FIN 48, *Accounting for Uncertainty in Income Taxes*, until June 1, 2009. FIN 48 clarifies the accounting for uncertainty in tax positions. FIN 48 requires 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. Additionally, FIN 48 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, transition, and disclosure requirements for uncertain tax positions. INROADS' current accounting policy is to evaluate uncertain tax positions, including those related to unrelated business income, using the framework set forth in FAS 5, *Accounting for Contingencies*.

Adoption Of New Accounting Standards

Effective June 1, 2008, INROADS adopted Statement of Financial Accounting Standards (FAS) No. 157, *Fair Value Measurements*. FAS 157 requires specific disclosures regarding assets and liabilities measured at fair value, including the primary sources and potentially the inputs used to determine fair value, depending on the type and reliability of those inputs. Currently, the disclosures prescribed by FAS 157 apply only to financial assets and liabilities. Applicability to nonfinancial assets and liabilities is effective for INROADS on June 1, 2009 (Note 14).

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (*Continued*)

Effective June 1, 2008, INROADS adopted Financial Accounting Standards Board (FASB) Staff Position No. 117-1, *Endowments of Not-for Profit Organizations: Net Asset Classification Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*. FASB Statement No. 117-1 expands disclosures related to endowment funds (Note 7).

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 is not insured by the FDIC 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 \$294,732 and \$95,441 as of May 31, 2009 and 2008, respectively. INROADS anticipates collection of all sponsorship fees and miscellaneous receivables within one year.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

5. Investments

Investments include:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Equity securities and mutual funds	\$ 15,808	\$ 15,248	\$ 10,412,181	\$ 8,501,134
Fixed income securities	14,250,461	14,030,441	7,633,605	7,896,974
	<u>\$ 14,266,269</u>	<u>\$ 14,045,689</u>	<u>\$ 18,045,786</u>	<u>\$ 16,398,108</u>

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

	2009	2008
Investments	\$ 13,313,650	\$ 15,666,069
Investments restricted for endowment	732,039	732,039
	<u>\$ 14,045,689</u>	<u>\$ 16,398,108</u>

Unrealized (losses) on investments are reflected in the combined statement of activities and total \$(212,744) and \$(1,577,122) for the years ended May 31, 2009 and 2008, respectively. Realized gains and (losses) on investments are reflected in investment income in the combined statement of activities and total \$(2,212,186) and \$1,405,144 for the years ended May 31, 2009 and 2008, respectively.

Assets restricted for endowment are comprised of the following:

	2009	2008
Cash and equivalents	\$ 612,756	\$ 612,756
Investments	732,039	732,039
	<u>\$ 1,344,795</u>	<u>\$ 1,344,795</u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

6. Property And Equipment

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures, leasehold improvements, computers and software	\$ 4,213,258	\$ 4,622,309
Less: Accumulated depreciation	3,642,959	3,579,766
	<u>\$ 570,299</u>	<u>\$ 1,042,543</u>

Depreciation expense amounted to \$630,935 in 2009 and \$624,001 in 2008.

7. 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.

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

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 516,036	\$ 497,124
Resource Development Campaign	1,369,718	2,116,286
Other	330,178	242,648
	<u>\$ 2,215,932</u>	<u>\$ 2,856,058</u>

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

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 118,558	\$ 175,915
Leadership Development Institute	—	137,000
Resource Development Campaign	746,568	362,752
Other	54,047	120,007
	<u>\$ 919,173</u>	<u>\$ 795,674</u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements *(Continued)*

INROADS' permanently restricted net assets consist of three separate endowment funds. As required under FASB Staff Position No. 117-1, 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 the Organization. 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 11) 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.

The purpose of the Resource Development Campaign Fund (Note 12) 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, 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><u>1,344,795</u></u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - beginning of year	\$ —	\$ —	\$ 1,344,795	\$ 1,344,795
Investment income	35,976	—	—	35,976
Releases	(35,976)	—	—	(35,976)
Ending balance	\$ —	\$ —	\$ 1,344,795	\$ 1,344,795

8. 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.

9. 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 and \$145,000 of estimated medical claims at May 31, 2009 and 2008, 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, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

INROADS contributes 4% of total employees' compensation to the 401(a) defined contribution plan. In addition, INROADS, Inc. matches 1% for every 2% of compensation an employee contributes to the 403(b) plan up to a 3% match. 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 \$449,909 and \$468,415 for fiscal years 2009 and 2008, respectively.

10. 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>
2010	\$ 1,457,648
2011	1,327,724
2012	1,128,024
2013	826,099
2014	657,847
Thereafter	1,363,772
	<u>\$ 6,761,114</u>

11. 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, 2009 and 2008 is reported as permanently restricted net assets.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (*Continued*)

12. 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, 2009, total net assets of the campaign are \$2,046,949, of which \$64,475 is reported as unrestricted net assets.

13. 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, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Selection, coach and placement of minority college students	\$ 14,753,378	\$ 17,731,263
Management and general	5,290,992	6,068,873
Fundraising	1,137,391	1,268,299
	<u>\$ 21,181,761</u>	<u>\$ 25,068,435</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.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

14. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended May 31, 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>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>

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

15. 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, 2009 and 2008 in U.S. dollars is as follows:

	<u>2009</u>	<u>2008</u>
Assets	\$ 59,234	\$ 153,860
Liabilities	19,070	21,171
Net assets	40,164	132,689
Increase (decrease) in net assets	(92,525)	9,676

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.



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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

August 21, 2009

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

Page 1 Of 2
May 31, 2009

	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	\$ 152,742	\$ 408,632	\$ 143,845	\$ 189,977	\$ 342,490	\$ 496,371	\$ 163,155	\$ 327,132	\$ 211,084	\$ 124,728
Accounts Receivable	—	13,550	31,800	—	32,000	16,000	—	—	20,000	8,000
Prepays And Other Assets	16,013	1,250	14,921	3,464	43,023	53,225	2,100	11,798	8,880	13,234
Investments	632,143	1,696,443	595,322	771,594	1,417,443	1,621,320	675,245	1,353,886	873,603	405,165
Property And Equipment	37,857	17,289	26,648	24,077	47,687	76,035	11,506	19,766	33,936	4,269
Investments Restricted For Endowment	—	10,550	—	14,655	—	—	—	—	—	111,040
	\$ 838,755	\$ 2,147,714	\$ 812,536	\$ 1,003,767	\$ 1,882,643	\$ 2,262,951	\$ 852,006	\$ 1,712,582	\$ 1,147,503	\$ 666,436
Liabilities And Net Assets										
Accounts Payable And Accrued Expenses	\$ 9,988	\$ 28,808	\$ 5,084	\$ 13,126	\$ 17,706	\$ 22,001	\$ 3,170	\$ 1,747	\$ 7,758	\$ 1,585
Deferred Income	10,165	20,190	15,700	22,800	14,500	36,900	53,700	4,000	9,025	14,900
Total Liabilities	20,153	48,998	20,784	35,926	32,206	58,901	56,870	5,747	16,783	16,485
Net Assets										
Unrestricted	801,686	1,970,719	780,252	953,186	1,760,339	2,033,475	719,349	1,690,655	1,130,720	538,911
Temporarily restricted	16,916	117,447	11,500	—	90,098	170,575	75,787	16,180	—	—
Permanently restricted	—	10,550	—	14,655	—	—	—	—	—	111,040
Total Net Assets	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
	\$ 838,755	\$ 2,147,714	\$ 812,536	\$ 1,003,767	\$ 1,882,643	\$ 2,262,951	\$ 852,006	\$ 1,712,582	\$ 1,147,503	\$ 666,436

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

Page 2 Of 2
May 31, 2009

	South Central	Southeast	Toronto Inc.	Total Affiliates	INROADS, Inc.	Resource Development Campaign	Total Before Eliminations	Eliminations	Total Combined
Assets									
Cash And Cash Equivalents	\$ 300,170	\$ 244,965	\$ 55,538	\$ 3,160,829	\$ 389,295	\$ 1,468,400	\$ 5,018,524	\$ —	\$ 5,018,524
Accounts Receivable	28,000	33,200	10,892	193,442	177,474	—	370,916	(76,184)	294,732
Prepays And Other Assets	—	19,745	—	187,653	58,925	—	246,578	—	246,578
Investments	1,242,298	1,013,826	—	12,298,288	1,015,362	—	13,313,650	—	13,313,650
Property And Equipment, Net	17,829	33,694	—	350,593	125,632	94,074	570,299	—	570,299
Investments Restricted For Endowment	—	—	—	136,245	595,794	612,756	1,344,795	—	1,344,795
	<u>\$ 1,588,297</u>	<u>\$ 1,345,430</u>	<u>\$ 66,430</u>	<u>\$ 16,327,050</u>	<u>\$ 2,362,482</u>	<u>\$ 2,175,230</u>	<u>\$ 20,864,762</u>	<u>\$ (76,184)</u>	<u>\$ 20,788,578</u>
Liabilities And Net Assets									
Accounts Payable And Accrued Liabilities	\$ 852	\$ 13,808	\$ 79,424	\$ 205,057	\$ 799,105	\$ 128,282	\$ 1,132,444	\$ (76,184)	\$ 1,056,260
Deferred Income	—	14,300	—	216,180	458,718	—	674,898	—	674,898
Total Liabilities	<u>852</u>	<u>28,108</u>	<u>79,424</u>	<u>421,237</u>	<u>1,257,823</u>	<u>128,282</u>	<u>1,807,342</u>	<u>(76,184)</u>	<u>1,731,158</u>
Net Assets									
Unrestricted	1,577,120	1,220,372	(12,994)	15,163,790	268,428	64,475	15,496,693	—	15,496,693
Temporarily restricted	10,325	96,950	—	605,778	240,437	1,369,717	2,215,932	—	2,215,932
Permanently restricted	—	—	—	136,245	595,794	612,756	1,344,795	—	1,344,795
Total Net Assets	<u>1,587,445</u>	<u>1,317,322</u>	<u>(12,994)</u>	<u>15,905,813</u>	<u>1,104,659</u>	<u>2,046,948</u>	<u>19,057,420</u>	<u>—</u>	<u>19,057,420</u>
	<u>\$ 1,588,297</u>	<u>\$ 1,345,430</u>	<u>\$ 66,430</u>	<u>\$ 16,327,050</u>	<u>\$ 2,362,482</u>	<u>\$ 2,175,230</u>	<u>\$ 20,864,762</u>	<u>\$ (76,184)</u>	<u>\$ 20,788,578</u>

INROADS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Page 1 Of 2
For The Year Ended May 31, 2009

	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	\$ 1,126,500	\$ 1,910,800	\$ 1,101,150	\$ 853,700	\$ 1,949,000	\$ 1,800,500	\$ 997,950	\$ 1,067,500	\$ 1,251,900	\$ 586,300
Contributions and grants	4,229	12,969	46,482	10,181	16,008	78,384	37,083	29,071	30,847	14,337
Activity and miscellaneous income	28,681	12,433	9,565	8,330	47,800	37,739	12,215	32,435	39,039	12,100
Investment loss	(79,639)	(184,476)	(74,947)	(89,626)	(141,020)	(184,813)	(75,475)	(139,416)	(100,249)	(52,110)
Banquet event income	129,897	143,763	65,710	38,619	25,835	114,090	—	143,576	198,867	76,302
Golf event income	—	—	9,105	35,973	106,305	—	—	—	—	23,120
Donated services	—	—	—	15,775	—	—	—	4,874	26,125	38,443
Alumni, parent and student	3,288	(3,463)	(1,836)	(1,405)	(1,700)	(6,849)	(2,620)	(5,888)	(4,635)	(2,658)
Total Unrestricted Public Support And Revenues	1,212,956	1,892,026	1,155,229	871,547	2,002,228	1,839,051	969,153	1,132,152	1,441,894	695,834
Net Assets Released From Restrictions	10,000	54,000	14,000	7,088	26,500	17,000	8,214	17,220	5,000	6,583
Total Public Support And Revenues	1,222,956	1,946,026	1,169,229	878,635	2,028,728	1,856,051	977,367	1,149,372	1,446,894	702,417
Expenses										
Salaries and payroll taxes	482,797	663,349	571,574	371,732	687,274	709,528	515,838	416,629	567,084	300,858
Training, development and recruitment	30,718	52,715	26,410	21,633	123,540	87,988	31,489	41,377	67,555	14,690
Scholarship disbursements	8,100	61,550	28,815	13,850	59,425	26,250	32,500	35,380	38,850	9,250
Office	95,531	147,721	79,066	94,630	115,734	94,935	97,648	76,608	79,902	56,689
Shared resource costs	245,777	430,511	260,441	171,274	363,482	366,603	220,659	186,252	258,058	90,507
Rent	158,813	209,127	100,980	67,052	154,068	436,280	33,461	67,157	94,589	35,543
Travel	32,944	57,931	66,067	22,281	59,370	28,740	39,299	45,252	42,725	30,118
Insurance	113,205	138,563	73,076	74,331	122,678	113,954	93,807	74,090	104,592	42,367
Depreciation	14,936	15,572	9,931	11,777	23,190	31,185	11,646	13,013	21,754	5,034
Public relations	—	—	—	—	—	—	—	—	6,888	—
Pension	21,295	29,018	27,957	21,241	28,360	31,239	26,997	17,024	30,478	16,292
Professional fees	486	—	—	928	—	—	—	2,252	—	—
Uncollected fees	8,000	27,750	46,650	—	10,000	—	4,000	31,500	14,650	4,000
Alumni, parent and student	6,455	7,907	—	121	463	2,696	—	3,966	—	4,466
Special events	76,658	143,763	62,577	39,475	147,220	101,519	—	127,971	154,687	35,339
Other	1,685	8,870	—	—	5,832	—	—	—	—	44
National assessment	141,500	248,500	150,000	115,000	244,000	212,500	135,000	125,500	167,500	92,500
Total Expenses	1,438,900	2,242,847	1,503,544	1,025,325	2,144,636	2,243,417	1,242,344	1,263,971	1,649,312	737,697
Excess (Deficiency) Of Public Support And Revenues Over Expenses	(215,944)	(296,821)	(334,315)	(146,690)	(115,908)	(387,366)	(264,977)	(114,599)	(202,418)	(35,280)
Unrealized Losses On Investments	(10,848)	(25,129)	(10,209)	(12,208)	(19,209)	(25,175)	(10,281)	(18,991)	(13,656)	(7,098)
Increase (Decrease) In Unrestricted Net Assets	(226,792)	(321,950)	(344,524)	(158,898)	(135,117)	(412,541)	(275,258)	(133,590)	(216,074)	(42,378)
Temporarily Restricted Public Support And Revenues - Net	3,500	(6,019)	(2,500)	(88)	49,045	(9,694)	33,286	(8,720)	(5,000)	(6,583)
Net Assets - Beginning Of Year	1,041,894	2,426,685	1,138,776	1,126,827	1,936,509	2,626,285	1,037,108	1,849,145	1,351,794	698,912
Net Assets - End 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

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, 2009

	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	\$ 1,189,400	\$ 1,542,650	\$ 165,201	\$ 15,542,551	\$ —	\$ —	\$ 15,542,551	\$ —	\$ 15,542,551
Assessment from affiliates	—	—	—	—	2,010,953	—	2,010,953	(2,010,953)	—
Contributions and grants	17,784	119,474	19,418	436,267	114,659	—	550,926	—	550,926
Activity and miscellaneous income	12,584	18,030	14,391	285,342	6,572	—	291,914	—	291,914
Investment loss	(126,672)	(126,528)	—	(1,374,971)	(119,853)	29,382	(1,465,442)	—	(1,465,442)
Banquet event income	90,557	71,025	—	1,098,241	—	—	1,098,241	—	1,098,241
Golf event income	—	—	—	174,503	—	—	174,503	—	174,503
Donated services	93,921	875	17,629	197,642	—	3,432	201,074	—	201,074
Alumni, parent and student	(3,166)	(233)	—	(31,165)	(94)	—	(31,259)	—	(31,259)
Total Unrestricted Public Support And Revenues	1,274,408	1,625,293	216,639	16,328,410	2,012,237	32,814	18,373,461	(2,010,953)	16,362,508
Net Assets Released From Restrictions	—	7,000	—	172,605	—	746,568	919,173	—	919,173
Total Public Support And Revenues	1,274,408	1,632,293	216,639	16,501,015	2,012,237	779,382	19,292,634	(2,010,953)	17,281,681
Expenses									
Salaries and payroll taxes	510,540	684,193	106,960	6,588,356	3,925,624	101,019	10,614,999	—	10,614,999
Training, development and recruitment	54,017	46,060	12,297	610,489	96,863	570,336	1,277,688	—	1,277,688
Scholarship disbursements	34,700	36,500	—	385,170	26,000	—	411,170	—	411,170
Office	106,562	207,024	24,315	1,276,365	360,558	—	1,636,923	—	1,636,923
Shared resource costs	265,005	392,687	—	3,251,256	(3,251,256)	—	—	—	—
Rent	110,476	234,629	17,629	1,719,804	194,532	—	1,914,336	—	1,914,336
Travel	41,074	52,487	5,647	523,935	507,999	534	1,032,468	—	1,032,468
Insurance	97,656	121,959	10,964	1,181,242	393,940	7,385	1,582,567	—	1,582,567
Depreciation and amortization	14,978	32,517	5,176	210,709	74,098	346,128	630,935	—	630,935
Public relations	—	—	—	6,888	47,314	—	54,202	—	54,202
Pension	23,821	26,379	9,316	309,417	140,492	—	449,909	—	449,909
Professional fees	—	11,163	286	15,115	145,637	91,891	252,643	—	252,643
Fundraising expense	—	—	—	—	—	4,786	4,786	—	4,786
Uncollected fees	32,000	71,100	—	249,650	—	—	249,650	—	249,650
Alumni, parent and student	10,559	1,654	—	38,287	17	—	38,304	—	38,304
Special events	45,437	72,132	3,923	1,010,701	—	—	1,010,701	—	1,010,701
Other	—	4,049	—	20,480	—	—	20,480	—	20,480
National assessment	155,000	207,500	16,453	2,010,953	—	—	2,010,953	(2,010,953)	—
Total Expenses	1,501,825	2,202,033	212,966	19,408,817	2,661,818	1,122,079	23,192,714	(2,010,953)	21,181,761
Excess (Deficiency) Of Public Support And Revenues Over Expenses	(227,417)	(569,740)	3,673	(2,907,802)	(649,581)	(342,697)	(3,900,080)	—	(3,900,080)
Unrealized Losses On Investments	(17,255)	(17,235)	—	(187,294)	(25,450)	—	(212,744)	—	(212,744)
Increase (Decrease) In Unrestricted Net Assets	(244,672)	(586,975)	3,673	(3,095,096)	(675,031)	(342,697)	(4,112,824)	—	(4,112,824)
Temporarily Restricted Public Support And Revenues - Net	3,000	140	—	50,367	56,075	(746,568)	(640,126)	—	(640,126)
Net Assets - Beginning Of Year	1,829,117	1,904,157	(16,667)	18,950,542	1,723,615	3,136,213	23,810,370	—	23,810,370
Net Assets - End 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

See the accompanying independent auditors' report on supplementary information.