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***INROADS, INC. AND AFFILIATES***  
***COMBINED FINANCIAL STATEMENTS***  
***MAY 31, 2012***

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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, 2012 and 2011, 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, 2012 and 2011, 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 15, 2012

**INROADS, INC. AND AFFILIATES**

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**COMBINED STATEMENT OF FINANCIAL POSITION**

Assets

|   | <b>May 31,</b>       |                      |
|---|----------------------|----------------------|
|   | <b>2012</b>          | <b>2011</b>          |
| <b>Cash And Cash Equivalents</b>  | \$ 3,369,515         | \$ 2,968,184         |
| <b>Accounts Receivable And Unconditional Promises To Give (Notes 4 And 5)</b> | 464,009              | 456,560              |
| <b>Prepays And Other Assets</b>   | 217,931              | 263,687              |
| <b>Investments (Note 6)</b>   | 12,808,262           | 13,052,708           |
| <b>Property And Equipment (Note 7)</b>  | 111,592              | 214,682              |
| <b>Investments Restricted For Endowment (Note 6)</b>                          | 994,795              | 1,344,795            |
|   | <b>\$ 17,966,104</b> | <b>\$ 18,300,616</b> |

Liabilities And Net Assets

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Liabilities</b>                              |                      |                      |
| Accounts payable and accrued expenses (Note 11) | \$ 679,755           | \$ 811,351           |
| Deferred income                                 | 597,345              | 588,608              |
| Line of credit (Note 8)                         | 7,000,000            | 2,684,097            |
| <b>Total Liabilities</b>                        | <b>8,277,100</b>     | <b>4,084,056</b>     |
| <b>Net Assets</b>                               |                      |                      |
| Unrestricted                                    | 7,812,717            | 11,750,246           |
| Temporarily restricted (Note 9)                 | 881,492              | 1,121,519            |
| Permanently restricted (Note 9)                 | 994,795              | 1,344,795            |
| <b>Total Net Assets</b>                         | <b>9,689,004</b>     | <b>14,216,560</b>    |
|   | <b>\$ 17,966,104</b> | <b>\$ 18,300,616</b> |

**INROADS, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF ACTIVITIES**  
**For The Years Ended May 31, 2012 And 2011**

|  | 2012                |                        |                        |                     | 2011                 |                        |                        |                      |
|--|---------------------|------------------------|------------------------|---------------------|----------------------|------------------------|------------------------|----------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                |
| <b>Public Support And Revenues</b>                             |                     |                        |                        |                     |                      |                        |                        |                      |
| Sponsorship and participation fees                             | \$ 7,899,715        | \$ —                   | \$ —                   | \$ 7,899,715        | \$ 7,733,600         | \$ —                   | \$ —                   | \$ 7,733,600         |
| Contributions and grants                                       | 1,462,925           | 142,000                | —                      | 1,604,925           | 489,487              | 347,354                | —                      | 836,841              |
| Activity and miscellaneous income                              | 123,035             | —                      | —                      | 123,035             | 150,832              | —                      | —                      | 150,832              |
| Investment income (loss) (Note 6)                              | 953,749             | (19,571)               | —                      | 934,178             | 910,322              | 39,702                 | —                      | 950,024              |
| Banquet event income   | 307,983             | —                      | —                      | 307,983             | 368,549              | —                      | —                      | 368,549              |
| Golf event income  | 155,467             | —                      | —                      | 155,467             | 166,721              | —                      | —                      | 166,721              |
| Donated services   | 63,807              | —                      | —                      | 63,807              | 63,807               | —                      | —                      | 63,807               |
| Alumni, parent and student                                     | 12,315              | —                      | —                      | 12,315              | 124,280              | —                      | —                      | 124,280              |
| <b>Total Public Support And Revenues</b>                       | <b>10,978,996</b>   | <b>122,429</b>         | <b>—</b>               | <b>11,101,425</b>   | <b>10,007,598</b>    | <b>387,056</b>         | <b>—</b>               | <b>10,394,654</b>    |
| <b>Net Assets Released From Restrictions (Note 9)</b>          | <b>362,456</b>      | <b>(362,456)</b>       | <b>—</b>               | <b>—</b>            | <b>726,107</b>       | <b>(726,107)</b>       | <b>—</b>               | <b>—</b>             |
| <b>Total Public Support And Revenues</b>                       | <b>11,341,452</b>   | <b>(240,027)</b>       | <b>—</b>               | <b>11,101,425</b>   | <b>10,733,705</b>    | <b>(339,051)</b>       | <b>—</b>               | <b>10,394,654</b>    |
| <b>Expenses</b>  |                     |                        |                        |                     |                      |                        |                        |                      |
| Salaries and payroll taxes                                     | 6,486,938           | —                      | —                      | 6,486,938           | 6,841,238            | —                      | —                      | 6,841,238            |
| Training, development and recruitment                          | 1,528,041           | —                      | —                      | 1,528,041           | 1,600,192            | —                      | —                      | 1,600,192            |
| Scholarship disbursements                                      | 230,960             | —                      | —                      | 230,960             | 296,325              | —                      | —                      | 296,325              |
| Office   | 1,461,315           | —                      | —                      | 1,461,315           | 1,351,592            | —                      | —                      | 1,351,592            |
| Rent   | 1,574,519           | —                      | —                      | 1,574,519           | 1,697,477            | —                      | —                      | 1,697,477            |
| Travel   | 724,665             | —                      | —                      | 724,665             | 841,822              | —                      | —                      | 841,822              |
| Insurance  | 878,143             | —                      | —                      | 878,143             | 957,202              | —                      | —                      | 957,202              |
| Depreciation and amortization                                  | 168,291             | —                      | —                      | 168,291             | 159,319              | —                      | —                      | 159,319              |
| Public relations   | 123,751             | —                      | —                      | 123,751             | 30,703               | —                      | —                      | 30,703               |
| Pension (Note 11)  | 108,491             | —                      | —                      | 108,491             | 196,097              | —                      | —                      | 196,097              |
| Professional fees  | 473,282             | —                      | —                      | 473,282             | 519,091              | —                      | —                      | 519,091              |
| Uncollected fees   | 157,825             | —                      | —                      | 157,825             | 24,250               | —                      | —                      | 24,250               |
| Alumni, parent and student                                     | 16,160              | —                      | —                      | 16,160              | 18,142               | —                      | —                      | 18,142               |
| Special events   | 300,141             | —                      | —                      | 300,141             | 316,009              | —                      | —                      | 316,009              |
| Other  | 68,226              | —                      | —                      | 68,226              | 3,734                | —                      | —                      | 3,734                |
| <b>Total Expenses</b>  | <b>14,300,748</b>   | <b>—</b>               | <b>—</b>               | <b>14,300,748</b>   | <b>14,853,193</b>    | <b>—</b>               | <b>—</b>               | <b>14,853,193</b>    |
| <b>Deficiency Of Public Support And Revenues Over Expenses</b> | <b>(2,959,296)</b>  | <b>(240,027)</b>       | <b>—</b>               | <b>(3,199,323)</b>  | <b>(4,119,488)</b>   | <b>(339,051)</b>       | <b>—</b>               | <b>(4,458,539)</b>   |
| <b>Unrealized Gains (Losses) On Investments (Note 6)</b>       | <b>(1,328,233)</b>  | <b>—</b>               | <b>—</b>               | <b>(1,328,233)</b>  | <b>581,343</b>       | <b>—</b>               | <b>—</b>               | <b>581,343</b>       |
| <b>Change In Donor Intent</b>                                  | <b>350,000</b>      | <b>—</b>               | <b>(350,000)</b>       | <b>—</b>            | <b>—</b>             | <b>—</b>               | <b>—</b>               | <b>—</b>             |
| <b>Decrease In Net Assets</b>                                  | <b>(3,937,529)</b>  | <b>(240,027)</b>       | <b>(350,000)</b>       | <b>(4,527,556)</b>  | <b>(3,538,145)</b>   | <b>(339,051)</b>       | <b>—</b>               | <b>(3,877,196)</b>   |
| <b>Net Assets - Beginning Of Year</b>                          | <b>11,750,246</b>   | <b>1,121,519</b>       | <b>1,344,795</b>       | <b>14,216,560</b>   | <b>15,288,391</b>    | <b>1,460,570</b>       | <b>1,344,795</b>       | <b>18,093,756</b>    |
| <b>Net Assets - End Of Year</b>                                | <b>\$ 7,812,717</b> | <b>\$ 881,492</b>      | <b>\$ 994,795</b>      | <b>\$ 9,689,004</b> | <b>\$ 11,750,246</b> | <b>\$ 1,121,519</b>    | <b>\$ 1,344,795</b>    | <b>\$ 14,216,560</b> |

**INROADS, INC. AND AFFILIATES**

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**COMBINED STATEMENT OF CASH FLOWS**

|  | <b>For The Years<br/>Ended May 31,</b> |                     |
|--|--|---------------------|
|  | <b>2012</b>                            | <b>2011</b>         |
| <b>Cash Flows From Operating Activities</b>  |  |                     |
| Decrease in net assets   | \$ (4,527,556)                         | \$ (3,877,196)      |
| Adjustments to reconcile decrease in net assets to<br>net cash used in operating activities: |  |                     |
| Depreciation and amortization  | 168,291                                | 159,319             |
| Loss on retirement of property and equipment   | —                                      | 892                 |
| Realized and unrealized (gain) loss on investments   | 881,383                                | (1,184,945)         |
| Changes in assets and liabilities:   |  |                     |
| Increase in accounts receivable and<br>unconditional promises to give                        | (7,449)                                | (388,560)           |
| Decrease in prepaids and other assets  | 45,756                                 | 54,656              |
| Decrease in accounts payable and<br>accrued expenses   | (131,596)                              | (107,722)           |
| Increase (decrease) in deferred income   | 8,737                                  | (32,076)            |
| <b>Net Cash Used In Operating Activities</b>   | <b>(3,562,434)</b>                     | <b>(5,375,632)</b>  |
| <b>Cash Flows From Investing Activities</b>  |  |                     |
| Additions to property and equipment, net   | (65,201)                               | (28,139)            |
| Purchases of investments   | (23,592,473)                           | (1,483,700)         |
| Proceeds from sales of investments   | 23,305,536                             | 2,551,527           |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                                   | <b>(352,138)</b>                       | <b>1,039,688</b>    |
| <b>Cash Flows Provided By Financing Activities</b>   |  |                     |
| Net proceeds from line of credit   | 4,315,903                              | 2,437,644           |
| <b>Net Increase (Decrease) In Cash And Cash Equivalents</b>                                  | <b>401,331</b>                         | <b>(1,898,300)</b>  |
| <b>Cash And Cash Equivalents - Beginning Of Year</b>   | <b>2,968,184</b>                       | <b>4,866,484</b>    |
| <b>Cash And Cash Equivalents - End Of Year</b>   | <b>\$ 3,369,515</b>                    | <b>\$ 2,968,184</b> |

# INROADS, INC. AND AFFILIATES

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## NOTES TO COMBINED FINANCIAL STATEMENTS

May 31, 2012 And 2011

### 1. Organization

INROADS, Inc., an Illinois not-for-profit corporation, has entered into affiliation agreements with regional 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 regional corporations.

The primary activities of the regional corporations consist of the initial selection, year-round academic coaching and advising and year-round job-related training of high potential underserved 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 regional corporations (collectively, INROADS) are presented on a combined basis and include all regional corporations except for the INROADS de Mexico, Inc., the INROADS Saskatchewan, Inc., and the INROADS Toronto, Inc. regional corporations (Note 17). All significant transactions between INROADS, Inc. and the combined regional 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**

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### 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 \$3,001,250 at May 31, 2012 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, 2012 or 2011.

INROADS records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$157,825 and \$24,250 in 2012 and 2011, respectively, represents the amount of current year write-offs of accounts receivable.



## **INROADS, INC. AND AFFILIATES**

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### Notes To Combined Financial Statements (*Continued*)

#### **Unconditional Promises To Give**

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give, which depend upon specified future and certain events, are reported at the amount management expects to collect on balances outstanding at year end. Management provides for probable uncollected amounts through a charge to contribution revenue and a credit to a valuation allowance based on its assessment of the current status of the existing receivables. 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 promises to give. Management has determined that no change in the allowance is necessary as of May 31, 2012 and 2011.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimate future cash flows. The resulting discount is amortized and reported as contribution revenue in the combined statement of activities.

#### **Investments**

Certificates of deposits are reported at cost plus accrued interest which approximates fair value. All other investments are reported at fair valued based on quoted prices in active markets for identical assets (Level 1), on significant other observable inputs (Level 2), and significant unobservable inputs (Level 3) as described in Note 16. Gains or losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations. All investment income is reported as increases or decreases in unrestricted net assets unless a donor or law restricts the use of the income.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

#### **Fair Value Of Financial Instruments**

Various methods and assumptions were used to estimate the fair value of each class of financial instruments. Cash and cash equivalents are valued at their carrying amount due to their short maturities. Investments are reported at fair value based on quoted market prices or other significant inputs. The carrying value of all other financial instruments approximates fair value.

## **INROADS, INC. AND AFFILIATES**

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### 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. However, if the restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

#### **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 (the 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 2009 and later remain subject to examination by taxing authorities.

## **INROADS, INC. AND AFFILIATES**

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### Notes To Combined Financial Statements (*Continued*)

#### **Reclassifications**

In the current year, INROADS made 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 15, 2012, the date which the combined 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 \$364,485 and \$456,560 as of May 31, 2012 and 2011, respectively. INROADS anticipates collection of all sponsorship fees and miscellaneous receivables within one year.

## INROADS, INC. AND AFFILIATES

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### Notes To Combined Financial Statements (Continued)

#### 5. Unconditional Promises To Give

Unconditional short-term promises consist of pledges that had not yet been collected at year end and are due within one year. Long-term promises to give include promises to give that are payable over a period greater than one year. At May 31, 2012, unconditional promises to give are expected to be collected as follows:

|                        |                  |
|------------------------|------------------|
| Less than one year     | \$ 80,774        |
| One year to five years | <u>18,750</u>    |
|                        | <u>\$ 99,524</u> |

Unconditional promises to give are combined with accounts receivable on the statement of financial position in the amount of \$464,009 as of May 31, 2012.

#### 6. Investments

Investments consist of the following:

|                                       | 2012                 |                      | 2011                 |                      |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | Cost                 | Fair Value           | Cost                 | Fair Value           |
| Equity securities<br>and mutual funds | \$ 5,359,855         | \$ 5,108,042         | \$ 2,793,694         | \$ 3,351,748         |
| Taxable bond funds                    | 14,675               | 11,738               | 20,618               | 18,562               |
| Fixed income securities               | 5,796,420            | 5,781,561            | 9,877,917            | 10,414,437           |
| Alternative investments               | 2,986,138            | 2,901,716            | —                    | —                    |
|                                       | <u>\$ 14,157,088</u> | <u>\$ 13,803,057</u> | <u>\$ 12,692,229</u> | <u>\$ 13,784,747</u> |

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

|   | 2012                 | 2011                 |
|---|----------------------|----------------------|
| Investments                             | \$ 12,808,262        | \$ 13,052,708        |
| Investments restricted<br>for endowment | <u>994,795</u>       | <u>732,039</u>       |
|   | <u>\$ 13,803,057</u> | <u>\$ 13,784,747</u> |

## INROADS, INC. AND AFFILIATES

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### Notes To Combined Financial Statements (Continued)

For the year ended May 31, 2012, unrealized losses of \$(1,328,233) were recorded to adjust investments to fair value. For the year ended May 31, 2011, unrealized gains of \$581,343 were recorded. Realized gains on investments are reflected in investment income in the combined statement of activities and total \$446,850 and \$603,602 for the years ended May 31, 2012 and 2011, respectively.

Investments restricted for endowment included cash equivalents of \$612,756 in 2011.

### 7. Property And Equipment

Property and equipment consist of the following:

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| Furniture, fixtures, leasehold improvements,<br>computers and software | \$ 4,299,762      | \$ 4,267,953      |
| Less: Accumulated depreciation   | 4,188,170         | 4,053,271         |
|  | <u>\$ 111,592</u> | <u>\$ 214,682</u> |

Depreciation expense amounted to \$168,291 in 2012 and \$159,319 in 2011.

### 8. 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 (0.24% at May 31, 2012) plus 1.5%. 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 \$3,000,000 and \$2,684,097, for the years ended May 31, 2012 and 2011, respectively. Interest expense paid on the borrowings amounted to \$47,793 and \$27,366 for 2012 and 2011, respectively. On May 27, 2012 INROADS directed the bank to liquidate \$2,500,000 from the collateral account and pay down the correspondent amount of the line of credit. This transaction closed on July 5, 2012.

## INROADS, INC. AND AFFILIATES

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### Notes To Combined Financial Statements (Continued)

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 (0.24% at May 31, 2012) plus 1.7%. The line is secured by investments held at the bank. The balance on the line of credit was \$4,000,000 for the year ended May 31, 2012. There were no borrowings on the line as of May 31, 2011. Interest expense paid on the borrowings amounted to \$42,795 for the year ended May 31, 2012.

## 9. 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>2012</u>       | <u>2011</u>         |
|-------------------------------|-------------------|---------------------|
| Scholarships                  | \$ 622,442        | \$ 620,274          |
| Resource Development Campaign | —                 | 87,605              |
| Other                         | 259,050           | 413,640             |
|                               | <u>\$ 881,492</u> | <u>\$ 1,121,519</u> |

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

|                               | <u>2012</u>       | <u>2011</u>       |
|-------------------------------|-------------------|-------------------|
| Scholarships                  | \$ 163,725        | \$ 216,775        |
| Resource Development Campaign | 70,811            | 495,846           |
| Endowment spending            | —                 | 9,970             |
| Other                         | 127,920           | 3,516             |
|                               | <u>\$ 362,456</u> | <u>\$ 726,107</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.

## INROADS, INC. AND AFFILIATES

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### Notes To Combined Financial Statements (Continued)

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 13) 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 temporarily restricted.

The purpose of the Resource Development Campaign Fund (Note 14) 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 temporarily restricted.

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 temporarily restricted.

As of May 31, 2012 and 2011, the endowment funds are classified as permanently restricted in the following categories and amounts:

|                               | <u>2012</u>       | <u>2011</u>         |
|-------------------------------|-------------------|---------------------|
| Scholarships                  | \$ 136,245        | \$ 136,245          |
| National Development Fund     | 595,794           | 595,794             |
| Resource Development Campaign | 262,756           | 612,756             |
|                               | <u>\$ 994,795</u> | <u>\$ 1,344,795</u> |

## INROADS, INC. AND AFFILIATES

### Notes To Combined Financial Statements (Continued)

#### Endowment Asset Composition By Type Of Fund As Of May 31, 2012:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted<br>endowment funds | \$ —                | \$ 20,131                         | \$ 994,795                        | \$ 1,014,926 |

#### Endowment Asset Composition By Type Of Fund As Of May 31, 2011:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted<br>endowment funds | \$ —                | \$ 39,702                         | \$ 1,344,795                      | \$ 1,384,497 |

Changes in the endowment for the years ended May 31, 2012 and 2011 are as follows:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Net assets - June 1, 2010        | \$ —                | \$ 9,970                          | \$ 1,344,795                      | \$ 1,354,765        |
| Investment income                | —                   | 39,702                            | —                                 | 39,702              |
| <u>Appropriated for spending</u> | <u>—</u>            | <u>(9,970)</u>                    | <u>—</u>                          | <u>(9,970)</u>      |
| Balance - May 31, 2011           | —                   | 39,702                            | 1,344,795                         | 1,384,497           |
| Investment loss                  | —                   | (19,571)                          | —                                 | (19,571)            |
| <u>Change in donor intent</u>    | <u>—</u>            | <u>—</u>                          | <u>(350,000)</u>                  | <u>(350,000)</u>    |
| <u>Balance - May 31, 2012</u>    | <u>\$ —</u>         | <u>\$ 20,131</u>                  | <u>\$ 994,795</u>                 | <u>\$ 1,014,926</u> |

## 10. 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.



## INROADS, INC. AND AFFILIATES

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Notes To Combined Financial Statements (*Continued*)

### 11. Employee Benefit Plans

#### Group Health Insurance

INROADS transitioned from being self-insured for health insurance the year ended May 31, 2011 to being fully insured for health insurance at May 31, 2012. Accrued expenses included approximately \$136,000 of estimated medical claims at May 31, 2011.

#### 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 \$108,491 and \$196,097 for fiscal years 2012 and 2011, respectively.

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

### 12. 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>       |
|-------------|---------------------|
| 2013        | \$ 970,664          |
| 2014        | 703,973             |
| 2015        | 438,638             |
| 2016        | 345,867             |
| 2017        | 345,867             |
| Thereafter  | 259,400             |
|             | <u>\$ 3,064,409</u> |

## INROADS, INC. AND AFFILIATES

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Notes To Combined Financial Statements (Continued)

### 13. 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 temporarily restricted, and the corpus of \$595,794 as of May 31, 2012 and 2011 is reported as permanently restricted net assets.

### 14. 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 had 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. During 2012, \$350,000 of corpus was released to operations upon donor consent. At May 31, 2012, total net assets of the campaign are \$633,179, of which \$370,423 is reported as unrestricted net assets. At May 31, 2011, total net assets of the campaign were \$774,836, of which \$74,475 was reported as unrestricted net assets.

### 15. 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, 2012 and 2011 are as follows:

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Selection, coach and placement of<br>minority college students | \$ 10,514,436        | \$ 11,197,740        |
| Management and general   | 3,251,349            | 3,096,539            |
| Fundraising  | 534,963              | 558,914              |
|  | <u>\$ 14,300,748</u> | <u>\$ 14,853,193</u> |

## INROADS, INC. AND AFFILIATES

### Notes To Combined Financial Statements (Continued)

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.

## 16. Fair Value Measurements

INROADS accounts for certain investments at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended May 31, 2012 and 2011 using quoted market prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

|                                    | 2012          |           |         | Total         |
|------------------------------------|---------------|-----------|---------|---------------|
|                                    | Level 1       | Level 2   | Level 3 |               |
| Investments:                       |               |           |         |               |
| Fixed income mutual fund           | \$ 5,781,561  | \$ —      | \$ —    | \$ 5,781,561  |
| Equity securities and mutual funds |               |           |         |               |
| Large cap mutual fund              | 2,312,466     | —         | —       | 2,312,466     |
| Mid cap mutual fund                | 846,209       | —         | —       | 846,209       |
| EAFE equity                        | 876,474       | —         | —       | 876,474       |
| Asia ex-Japan equity               | 560,046       | —         | —       | 560,046       |
| Emerging market equity             | 512,847       | —         | —       | 512,847       |
| Taxable bond funds                 | —             | 11,738    | —       | 11,738        |
| Alternative                        |               |           |         |               |
| Hedge funds                        | 1,723,932     | —         | —       | 1,723,932     |
| Real estate and infrastructure     | —             | —         | 286,923 | 286,923       |
| Hard assets                        | 890,861       | —         | —       | 890,861       |
|                                    | \$ 13,504,396 | \$ 11,738 | \$ —    | \$ 13,803,057 |

## INROADS, INC. AND AFFILIATES

### Notes To Combined Financial Statements (Continued)

|                                    | 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 |

During 2012 and 2011, there were no changes in the methods and/or assumptions utilized to derive the fair value of INROADS' assets.

Changes in fair value are presented on INROADS' statement of activities for the years ended May 31, 2012 and 2011.

#### **17. INROADS de Mexico, Inc., INROADS Saskatchewan, Inc. Affiliates, And INROADS Toronto, Inc. (Unaudited)**

During the 2011 and 2012 fiscal years, INROADS, Inc. did not consolidate the financial information of INROADS de Mexico, Inc. INROADS Saskatchewan, Inc. and INROADS Toronto, Inc. The affiliates' activity and net assets have been deemed not to be significant or material to these combined financial statements.



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](http://rubinbrown.com)  
E [info@rubinbrown.com](mailto:info@rubinbrown.com)

## Independent Auditors' Report On Supplementary Information

Board of Directors  
INROADS, Inc.

We have audited the combined financial statements of INROADS, Inc. and affiliates as of and for the year ended May 31, 2012, and our report thereon dated November 15, 2012, which expressed an unqualified opinion on those combined financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the 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 do not express an opinion or provide any assurance on it.

*RubinBrown LLP*

November 15, 2012

# INROADS, INC. AND AFFILIATES

## COMBINING STATEMENT OF FINANCIAL POSITION

Page 1 Of 2  
May 31, 2012

|  | Florida          | Great<br>Lakes    | Mid<br>Atlantic   | Midwest           | New<br>England      | New York/<br>New Jersey | North<br>Central | Pacific<br>Northwest | Pacific<br>Southwest | Rocky<br>Mountain |
|--|------------------|-------------------|-------------------|-------------------|---------------------|-------------------------|------------------|----------------------|----------------------|-------------------|
| <b>Assets</b>                            |                  |                   |                   |                   |                     |                         |                  |                      |                      |                   |
| Cash And Cash Equivalents                | \$ (215,358)     | \$ (517,816)      | \$ (222,763)      | \$ (252,971)      | \$ (217,958)        | \$ (436,320)            | \$ (408,090)     | \$ (453,808)         | \$ (386,946)         | \$ (270,988)      |
| Accounts Receivable                      | 44,625           | 69,900            | 25,000            | 4,200             | 54,500              | 9,270                   | 35,500           | 27,000               | 16,000               | —                 |
| Prepays And Other Assets                 | 10,801           | 11,540            | 4,334             | 2,408             | 29,389              | 47,095                  | 900              | 9,530                | 25,452               | 7,445             |
| Investments                              | 184,193          | 1,261,153         | 309,728           | 817,543           | 1,539,278           | 1,673,496               | 416,818          | 1,508,865            | 729,588              | 563,857           |
| Property And Equipment                   | 11,144           | 2,480             | 7,065             | 5,106             | 4,373               | 24,177                  | 3,663            | 865                  | 4,216                | 1,932             |
| Investments Restricted<br>For Endowment  | —                | 10,550            | —                 | 14,655            | —                   | —                       | —                | —                    | —                    | 111,040           |
|  | <b>\$ 35,405</b> | <b>\$ 837,807</b> | <b>\$ 123,364</b> | <b>\$ 590,941</b> | <b>\$ 1,409,582</b> | <b>\$ 1,317,718</b>     | <b>\$ 48,791</b> | <b>\$ 1,092,452</b>  | <b>\$ 388,310</b>    | <b>\$ 413,286</b> |
| <b>Liabilities And Net Assets</b>        |                  |                   |                   |                   |                     |                         |                  |                      |                      |                   |
| Accounts Payable And<br>Accrued Expenses | \$ 7,934         | \$ 9,608          | \$ 2,612          | \$ 12,387         | \$ 8,207            | \$ 70,675               | \$ 6,122         | \$ 18,367            | \$ 3,448             | \$ 1,741          |
| Deferred Income                          | 5,000            | 8,050             | —                 | 12,085            | —                   | 49,670                  | 60               | 12,275               | 4,500                | 5,382             |
| Line Of Credit                           | —                | —                 | —                 | —                 | —                   | —                       | —                | —                    | —                    | —                 |
| <b>Total Liabilities</b>                 | <b>12,934</b>    | <b>17,658</b>     | <b>2,612</b>      | <b>24,472</b>     | <b>8,207</b>        | <b>120,345</b>          | <b>6,182</b>     | <b>30,642</b>        | <b>7,948</b>         | <b>7,123</b>      |
| <b>Net Assets</b>                        |                  |                   |                   |                   |                     |                         |                  |                      |                      |                   |
| Unrestricted                             | 19,305           | 611,518           | 104,252           | 551,814           | 1,351,978           | 1,031,582               | 2,429            | 1,068,152            | 380,362              | 274,818           |
| Temporarily restricted                   | 3,166            | 198,081           | 16,500            | —                 | 49,397              | 165,791                 | 40,180           | (6,342)              | —                    | 20,305            |
| Permanently restricted                   | —                | 10,550            | —                 | 14,655            | —                   | —                       | —                | —                    | —                    | 111,040           |
| <b>Total Net Assets</b>                  | <b>22,471</b>    | <b>820,149</b>    | <b>120,752</b>    | <b>566,469</b>    | <b>1,401,375</b>    | <b>1,197,373</b>        | <b>42,609</b>    | <b>1,061,810</b>     | <b>380,362</b>       | <b>406,163</b>    |
|  | <b>\$ 35,405</b> | <b>\$ 837,807</b> | <b>\$ 123,364</b> | <b>\$ 590,941</b> | <b>\$ 1,409,582</b> | <b>\$ 1,317,718</b>     | <b>\$ 48,791</b> | <b>\$ 1,092,452</b>  | <b>\$ 388,310</b>    | <b>\$ 413,286</b> |

# INROADS, INC. AND AFFILIATES

## COMBINING STATEMENT OF FINANCIAL POSITION

Page 2 Of 2  
May 31, 2012

|  | South<br>Central  | Southeast         | Total<br>Affiliates | INROADS,<br>Inc.    | Resource<br>Development<br>Campaign | Total<br>Before<br>Eliminations | Eliminations       | Total<br>Combined    |
|--|-------------------|-------------------|---------------------|---------------------|-------------------------------------|---------------------------------|--------------------|----------------------|
| <b>Assets</b>                            |                   |                   |                     |                     |                                     |                                 |                    |                      |
| Cash And Cash Equivalents                | \$ (492,447)      | \$ (420,033)      | \$ (4,295,498)      | \$ 7,644,590        | \$ 20,423                           | \$ 3,369,515                    | \$ —               | \$ 3,369,515         |
| Accounts Receivable                      | 45,200            | 33,600            | 364,795             | 156,689             | —                                   | 521,484                         | (57,475)           | 464,009              |
| Prepays And Other Assets                 | 1,917             | 16,066            | 166,877             | 51,054              | —                                   | 217,931                         | —                  | 217,931              |
| Investments                              | 1,242,754         | 850,875           | 11,098,148          | 1,360,114           | 350,000                             | 12,808,262                      | —                  | 12,808,262           |
| Property And Equipment                   | 6,837             | 5,778             | 77,636              | 33,956              | —                                   | 111,592                         | —                  | 111,592              |
| Investments Restricted<br>For Endowment  | —                 | —                 | 136,245             | 595,794             | 262,756                             | 994,795                         | —                  | 994,795              |
|  | <b>\$ 804,261</b> | <b>\$ 486,286</b> | <b>\$ 7,548,203</b> | <b>\$ 9,842,197</b> | <b>\$ 633,179</b>                   | <b>\$ 18,023,579</b>            | <b>\$ (57,475)</b> | <b>\$ 17,966,104</b> |
| <b>Liabilities And Net Assets</b>        |                   |                   |                     |                     |                                     |                                 |                    |                      |
| Accounts Payable And<br>Accrued Expenses | \$ 6,283          | \$ 16,541         | \$ 163,925          | \$ 573,305          | \$ —                                | \$ 737,230                      | \$ (57,475)        | \$ 679,755           |
| Deferred Income                          | 8,000             | 14,300            | 119,322             | 478,023             | —                                   | 597,345                         | —                  | 597,345              |
| Line Of Credit                           | —                 | —                 | —                   | 7,000,000           | —                                   | 7,000,000                       | —                  | 7,000,000            |
| <b>Total Liabilities</b>                 | <b>14,283</b>     | <b>30,841</b>     | <b>283,247</b>      | <b>8,051,328</b>    | <b>—</b>                            | <b>8,334,575</b>                | <b>(57,475)</b>    | <b>8,277,100</b>     |
| <b>Net Assets</b>                        |                   |                   |                     |                     |                                     |                                 |                    |                      |
| Unrestricted                             | 779,653           | 274,765           | 6,450,628           | 991,666             | 370,423                             | 7,812,717                       | —                  | 7,812,717            |
| Temporarily restricted                   | 10,325            | 180,680           | 678,083             | 203,409             | —                                   | 881,492                         | —                  | 881,492              |
| Permanently restricted                   | —                 | —                 | 136,245             | 595,794             | 262,756                             | 994,795                         | —                  | 994,795              |
| <b>Total Net Assets</b>                  | <b>789,978</b>    | <b>455,445</b>    | <b>7,264,956</b>    | <b>1,790,869</b>    | <b>633,179</b>                      | <b>9,689,004</b>                | <b>—</b>           | <b>9,689,004</b>     |
|  | <b>\$ 804,261</b> | <b>\$ 486,286</b> | <b>\$ 7,548,203</b> | <b>\$ 9,842,197</b> | <b>\$ 633,179</b>                   | <b>\$ 18,023,579</b>            | <b>\$ (57,475)</b> | <b>\$ 17,966,104</b> |

**INROADS, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES**  
**Page 1 Of 2**  
**For The Year Ended May 31, 2012**

|  | Florida          | Great<br>Lakes    | Mid<br>Atlantic   | Midwest           | New<br>England      | New York/<br>New Jersey | North<br>Central | Pacific<br>Northwest | Pacific<br>Southwest | Rocky<br>Mountain |
|--|------------------|-------------------|-------------------|-------------------|---------------------|-------------------------|------------------|----------------------|----------------------|-------------------|
| <b>Unrestricted Public Support And Revenues</b>  |                  |                   |                   |                   |                     |                         |                  |                      |                      |                   |
| Sponsorship and participation fees   | \$ 696,750       | \$ 845,850        | \$ 485,000        | \$ 424,200        | \$ 1,491,000        | \$ 730,515              | \$ 485,000       | \$ 476,500           | \$ 743,500           | \$ 378,400        |
| Assessment from affiliates   | —                | —                 | —                 | —                 | —                   | —                       | —                | —                    | —                    | —                 |
| Contributions and grants   | 201,165          | 39,502            | 197,697           | 23,674            | 37,247              | 58,523                  | 58,059           | 32,244               | 34,605               | 10,603            |
| Activity and miscellaneous income  | 9,115            | 7,800             | 3,400             | 8,640             | 22,790              | 16,500                  | 1,660            | 11,600               | 21,650               | 11,880            |
| Investment income  | 13,475           | 92,264            | 22,659            | 59,810            | 112,611             | 122,430                 | 30,494           | 110,386              | 53,376               | 41,251            |
| Banquet event income   | 30,788           | 28,417            | —                 | 9,063             | 27,240              | 69,519                  | —                | —                    | 118,688              | 24,268            |
| Golf event income  | 19,466           | —                 | —                 | 25,220            | 87,610              | —                       | —                | —                    | —                    | 23,171            |
| Donated services   | —                | —                 | —                 | —                 | —                   | —                       | —                | 4,874                | 26,125               | 32,808            |
| Alumni, parent and student   | —                | —                 | —                 | —                 | —                   | 349                     | 10,000           | —                    | —                    | —                 |
| <b>Total Unrestricted Public Support<br/>And Revenues</b>                                | <b>970,759</b>   | <b>1,013,833</b>  | <b>708,756</b>    | <b>550,607</b>    | <b>1,778,498</b>    | <b>997,836</b>          | <b>585,213</b>   | <b>635,604</b>       | <b>997,944</b>       | <b>522,381</b>    |
| <b>Net Assets Released From Restrictions</b>   | <b>11,250</b>    | <b>22,875</b>     | <b>5,000</b>      | <b>10,000</b>     | <b>54,100</b>       | <b>—</b>                | <b>12,500</b>    | <b>—</b>             | <b>10,000</b>        | <b>—</b>          |
| <b>Total Unrestricted Public Support And Revenues</b>                                    | <b>982,009</b>   | <b>1,036,708</b>  | <b>713,756</b>    | <b>560,607</b>    | <b>1,832,598</b>    | <b>997,836</b>          | <b>597,713</b>   | <b>635,604</b>       | <b>1,007,944</b>     | <b>522,381</b>    |
| <b>Expenses</b>  |                  |                   |                   |                   |                     |                         |                  |                      |                      |                   |
| Salaries and payroll taxes   | 319,571          | 413,871           | 341,134           | 201,673           | 556,994             | 360,258                 | 301,661          | 283,453              | 457,069              | 234,445           |
| Training, development and recruitment  | 90,931           | 67,337            | 60,390            | 38,763            | 86,240              | 80,847                  | 37,929           | 39,371               | 42,160               | 42,167            |
| Scholarship disbursements  | 4,500            | 22,875            | 6,150             | 6,750             | 54,100              | 7,660                   | —                | 22,725               | 47,350               | 9,000             |
| Office   | 88,444           | 101,668           | 51,161            | 60,065            | 104,776             | 61,552                  | 66,125           | 56,871               | 58,115               | 25,122            |
| Rent   | 120,471          | 192,747           | 42,245            | 55,779            | 170,114             | 371,184                 | 42,820           | 68,527               | 63,304               | 32,808            |
| Travel   | 41,516           | 27,259            | 25,337            | 16,528            | 38,356              | 30,336                  | 29,094           | 31,977               | 38,101               | 13,553            |
| Insurance  | 90,843           | 94,929            | 56,651            | 53,207            | 71,889              | 70,576                  | 78,256           | 60,315               | 101,078              | 50,731            |
| Depreciation and amortization  | 5,819            | 1,824             | 4,739             | 3,652             | 8,991               | 16,788                  | 1,620            | 627                  | 5,436                | 242               |
| Public relations   | —                | —                 | —                 | —                 | —                   | —                       | —                | —                    | —                    | —                 |
| Pension  | 4,418            | 9,113             | 3,006             | 3,362             | 10,442              | 9,059                   | 5,791            | 6,458                | 6,993                | 4,509             |
| Professional fees  | —                | 2,378             | —                 | —                 | 4,230               | 5,000                   | —                | 7,588                | 1,945                | —                 |
| Uncollected fees   | 14,375           | 21,100            | 27,950            | —                 | 25,000              | 10,000                  | 17,000           | —                    | 4,000                | 4,000             |
| Alumni, parent and student   | 1,377            | —                 | —                 | —                 | —                   | 4,630                   | 10,000           | —                    | 153                  | —                 |
| Special events   | 28,137           | 28,414            | —                 | 13,397            | 94,902              | 41,810                  | —                | —                    | 66,417               | 27,064            |
| Other  | —                | —                 | —                 | —                 | —                   | —                       | —                | —                    | —                    | —                 |
| National assessment  | 343,886          | 488,829           | 295,602           | 266,264           | 590,209             | 390,300                 | 300,967          | 327,240              | 417,890              | 257,834           |
| <b>Total Expenses</b>  | <b>1,154,288</b> | <b>1,472,344</b>  | <b>914,365</b>    | <b>719,440</b>    | <b>1,816,243</b>    | <b>1,460,000</b>        | <b>891,263</b>   | <b>905,152</b>       | <b>1,310,011</b>     | <b>701,475</b>    |
| <b>Excess (Deficiency) Of Unrestricted Public Support<br/>And Revenues Over Expenses</b> | <b>(172,279)</b> | <b>(435,636)</b>  | <b>(200,609)</b>  | <b>(158,833)</b>  | <b>16,355</b>       | <b>(462,164)</b>        | <b>(293,550)</b> | <b>(269,548)</b>     | <b>(302,067)</b>     | <b>(179,094)</b>  |
| <b>Unrealized Gains/(Losses) On Investments</b>  | <b>(18,530)</b>  | <b>(126,872)</b>  | <b>(31,159)</b>   | <b>(82,647)</b>   | <b>(154,852)</b>    | <b>(168,354)</b>        | <b>(41,932)</b>  | <b>(151,792)</b>     | <b>(73,397)</b>      | <b>(56,724)</b>   |
| <b>Increase (Decrease) In Unrestricted Net Assets</b>                                    | <b>(190,809)</b> | <b>(562,508)</b>  | <b>(231,768)</b>  | <b>(241,480)</b>  | <b>(138,497)</b>    | <b>(630,518)</b>        | <b>(335,482)</b> | <b>(421,340)</b>     | <b>(375,464)</b>     | <b>(235,818)</b>  |
| <b>Temporarily Restricted Public Support<br/>And Revenues - Net</b>                      | <b>(1,250)</b>   | <b>78,891</b>     | <b>5,000</b>      | <b>—</b>          | <b>(54,100)</b>     | <b>—</b>                | <b>(48,000)</b>  | <b>5,000</b>         | <b>—</b>             | <b>(2,043)</b>    |
| <b>Net Assets - Beginning Of Year</b>  | <b>214,530</b>   | <b>1,303,766</b>  | <b>347,520</b>    | <b>807,949</b>    | <b>1,593,972</b>    | <b>1,827,891</b>        | <b>426,091</b>   | <b>1,478,150</b>     | <b>755,826</b>       | <b>644,024</b>    |
| <b>Net Assets - End Of Year</b>  | <b>\$ 22,471</b> | <b>\$ 820,149</b> | <b>\$ 120,752</b> | <b>\$ 566,469</b> | <b>\$ 1,401,375</b> | <b>\$ 1,197,373</b>     | <b>\$ 42,609</b> | <b>\$ 1,061,810</b>  | <b>\$ 380,362</b>    | <b>\$ 406,163</b> |

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, 2012**

|  | South<br>Central  | Southeast         | Total<br>Affiliates | INROADS,<br>Inc.    | Resource<br>Development<br>Campaign | Total<br>Before<br>Eliminations | Eliminations       | Total<br>Combined   |
|--|-------------------|-------------------|---------------------|---------------------|-------------------------------------|---------------------------------|--------------------|---------------------|
| <b>Unrestricted Public Support And Revenues</b>  |                   |                   |                     |                     |                                     |                                 |                    |                     |
| Sponsorship and participation fees   | \$ 392,400        | \$ 750,600        | \$ 7,899,715        | \$ —                | \$ —                                | \$ 7,899,715                    | \$ —               | \$ 7,899,715        |
| Assessment from affiliates   | —                 | —                 | —                   | 4,381,784           | —                                   | 4,381,784                       | (4,381,784)        | —                   |
| Contributions and grants   | 25,816            | 17,006            | 736,141             | 726,784             | —                                   | 1,462,925                       | —                  | 1,462,925           |
| Activity and miscellaneous income  | 5,236             | 2,764             | 123,035             | —                   | —                                   | 123,035                         | —                  | 123,035             |
| Investment income  | 90,918            | 62,249            | 811,923             | 141,826             | —                                   | 953,749                         | —                  | 953,749             |
| Banquet event income   | —                 | —                 | 307,983             | —                   | —                                   | 307,983                         | —                  | 307,983             |
| Golf event income  | —                 | —                 | 155,467             | —                   | —                                   | 155,467                         | —                  | 155,467             |
| Donated services   | —                 | —                 | 63,807              | —                   | —                                   | 63,807                          | —                  | 63,807              |
| Alumni, parent and student   | —                 | —                 | 10,349              | 1,966               | —                                   | 12,315                          | —                  | 12,315              |
| <b>Total Unrestricted Public Support And Revenues</b>                                    | <b>514,370</b>    | <b>832,619</b>    | <b>10,108,420</b>   | <b>5,252,360</b>    | <b>—</b>                            | <b>15,360,780</b>               | <b>(4,381,784)</b> | <b>10,978,996</b>   |
| <b>Net Assets Released From Restrictions</b>   | <b>—</b>          | <b>50,500</b>     | <b>176,225</b>      | <b>115,420</b>      | <b>70,811</b>                       | <b>362,456</b>                  | <b>—</b>           | <b>362,456</b>      |
| <b>Total Unrestricted Public Support And Revenues</b>                                    | <b>514,370</b>    | <b>883,119</b>    | <b>10,284,645</b>   | <b>5,367,780</b>    | <b>70,811</b>                       | <b>15,723,236</b>               | <b>(4,381,784)</b> | <b>11,341,452</b>   |
| <b>Expenses</b>  |                   |                   |                     |                     |                                     |                                 |                    |                     |
| Salaries and payroll taxes   | 252,021           | 327,134           | 4,049,284           | 2,437,654           | —                                   | 6,486,938                       | —                  | 6,486,938           |
| Training, development and recruitment  | 49,678            | 101,685           | 737,498             | 752,511             | 38,032                              | 1,528,041                       | —                  | 1,528,041           |
| Scholarship disbursements  | 1,500             | 25,600            | 208,210             | 22,750              | —                                   | 230,960                         | —                  | 230,960             |
| Office   | 51,374            | 99,184            | 824,457             | 633,400             | 3,458                               | 1,461,315                       | —                  | 1,461,315           |
| Rent   | 56,606            | 187,245           | 1,403,850           | 170,669             | —                                   | 1,574,519                       | —                  | 1,574,519           |
| Travel   | 35,409            | 24,180            | 351,646             | 373,019             | —                                   | 724,665                         | —                  | 724,665             |
| Insurance  | 58,632            | 82,984            | 870,091             | 8,052               | —                                   | 878,143                         | —                  | 878,143             |
| Depreciation and amortization  | 4,246             | 6,721             | 60,705              | 24,213              | 83,373                              | 168,291                         | —                  | 168,291             |
| Public relations   | —                 | —                 | —                   | 123,751             | —                                   | 123,751                         | —                  | 123,751             |
| Pension  | 4,421             | 6,127             | 73,699              | 34,792              | —                                   | 108,491                         | —                  | 108,491             |
| Professional fees  | 30,060            | —                 | 51,201              | 422,081             | —                                   | 473,282                         | —                  | 473,282             |
| Uncollected fees   | 22,000            | 12,400            | 157,825             | —                   | —                                   | 157,825                         | —                  | 157,825             |
| Alumni, parent and student   | —                 | —                 | 16,160              | —                   | —                                   | 16,160                          | —                  | 16,160              |
| Special events   | —                 | —                 | 300,141             | —                   | —                                   | 300,141                         | —                  | 300,141             |
| Other  | —                 | —                 | —                   | 68,226              | —                                   | 68,226                          | —                  | 68,226              |
| National assessment  | 318,043           | 384,720           | 4,381,784           | —                   | —                                   | 4,381,784                       | (4,381,784)        | —                   |
| <b>Total Expenses</b>  | <b>883,990</b>    | <b>1,257,980</b>  | <b>13,486,551</b>   | <b>5,071,118</b>    | <b>124,863</b>                      | <b>18,682,532</b>               | <b>(4,381,784)</b> | <b>14,300,748</b>   |
| <b>Excess (Deficiency) Of Unrestricted Public Support<br/>And Revenues Over Expenses</b> | <b>(369,620)</b>  | <b>(374,861)</b>  | <b>(3,201,906)</b>  | <b>296,662</b>      | <b>(54,052)</b>                     | <b>(2,959,296)</b>              | <b>—</b>           | <b>(2,959,296)</b>  |
| <b>Unrealized Gains On Investments</b>   | <b>(125,022)</b>  | <b>(85,598)</b>   | <b>(1,116,879)</b>  | <b>(211,354)</b>    | <b>—</b>                            | <b>(1,328,233)</b>              | <b>—</b>           | <b>(1,328,233)</b>  |
| <b>Increase (Decrease) In Unrestricted Net Assets</b>                                    | <b>(494,642)</b>  | <b>(460,459)</b>  | <b>(4,318,785)</b>  | <b>85,308</b>       | <b>(54,052)</b>                     | <b>(4,287,529)</b>              | <b>—</b>           | <b>(4,287,529)</b>  |
| <b>Temporarily Restricted Public Support And Revenues - Net</b>                          | <b>—</b>          | <b>39,500</b>     | <b>22,998</b>       | <b>(175,420)</b>    | <b>(87,605)</b>                     | <b>(240,027)</b>                | <b>—</b>           | <b>(240,027)</b>    |
| <b>Net Assets - Beginning Of Year</b>  | <b>1,284,620</b>  | <b>876,404</b>    | <b>11,560,743</b>   | <b>1,880,981</b>    | <b>774,836</b>                      | <b>14,216,560</b>               | <b>—</b>           | <b>14,216,560</b>   |
| <b>Net Assets - End Of Year</b>  | <b>\$ 789,978</b> | <b>\$ 455,445</b> | <b>\$ 7,264,956</b> | <b>\$ 1,790,869</b> | <b>\$ 633,179</b>                   | <b>\$ 9,689,004</b>             | <b>\$ —</b>        | <b>\$ 9,689,004</b> |