
INROADS, INC. AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
MAY 31, 2013



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Independent Auditors' Report

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

Report On The Combined Financial Statements

We have audited the accompanying combined financial statements of INROADS, Inc. and affiliates (collectively, INROADS), all of which are under common management, which comprise the combined statement of financial position as of May 31, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility For The Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of INROADS as of May 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

December 23, 2013

INROADS, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION

Assets

	May 31,	
	2013	2012
Cash And Cash Equivalents	\$ 1,566,620	\$ 3,369,515
Accounts Receivable And Unconditional Promises To Give (Notes 4 And 5)	226,931	464,009
Prepays And Other Assets	193,917	217,931
Investments (Note 6)	8,772,420	12,808,262
Property And Equipment (Note 7)	113,046	111,592
Investments Restricted For Endowment (Note 6)	994,795	994,795
	\$ 11,867,729	\$ 17,966,104

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 1,154,661	\$ 679,755
Deferred income	703,166	597,345
Line of credit (Note 8)	3,000,000	7,000,000
Total Liabilities	4,857,827	8,277,100
Net Assets		
Unrestricted	4,908,510	7,812,717
Temporarily restricted (Note 9)	1,106,597	881,492
Permanently restricted (Note 9)	994,795	994,795
Total Net Assets	7,009,902	9,689,004
	\$ 11,867,729	\$ 17,966,104

INROADS, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
For The Years Ended May 31, 2013 And 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenues								
Sponsorship and participation fees	\$ 7,767,560	\$ —	\$ —	\$ 7,767,560	\$ 7,899,715	\$ —	\$ —	\$ 7,899,715
Contributions and grants	1,451,955	432,635	—	1,884,590	1,475,240	142,000	—	1,617,240
Activity and miscellaneous income	122,159	—	—	122,159	123,035	—	—	123,035
Investment income (loss) (Note 6)	528,112	40,915	—	569,027	953,749	(19,571)	—	934,178
Banquet event income	432,286	—	—	432,286	307,983	—	—	307,983
Golf event income	204,142	—	—	204,142	155,467	—	—	155,467
Donated services	107,299	—	—	107,299	63,807	—	—	63,807
Total Public Support And Revenues	10,613,513	473,550	—	11,087,063	10,978,996	122,429	—	11,101,425
Net Assets Released From Restrictions (Note 9)								
	314,055	(314,055)	—	—	362,456	(362,456)	—	—
Total Public Support And Revenues	10,927,568	159,495	—	11,087,063	11,341,452	(240,027)	—	11,101,425
Expenses								
Salaries and payroll taxes	6,838,490	—	—	6,838,490	6,486,938	—	—	6,486,938
Training, development and recruitment	1,850,282	—	—	1,850,282	1,528,041	—	—	1,528,041
Scholarship disbursements	232,725	—	—	232,725	230,960	—	—	230,960
Office	1,042,751	—	—	1,042,751	1,461,315	—	—	1,461,315
Rent	1,905,744	—	—	1,905,744	1,574,519	—	—	1,574,519
Travel	673,893	—	—	673,893	724,665	—	—	724,665
Insurance	988,411	—	—	988,411	878,143	—	—	878,143
Depreciation and amortization	65,163	—	—	65,163	168,291	—	—	168,291
Public relations	169,815	—	—	169,815	123,751	—	—	123,751
Pension (Note 11)	—	—	—	—	108,491	—	—	108,491
Professional fees	294,344	—	—	294,344	473,282	—	—	473,282
Uncollected fees	176,408	—	—	176,408	157,825	—	—	157,825
Alumni, parent and student	—	—	—	—	16,160	—	—	16,160
Special events	374,052	—	—	374,052	300,141	—	—	300,141
Other	64,444	—	—	64,444	68,226	—	—	68,226
Total Expenses	14,676,522	—	—	14,676,522	14,300,748	—	—	14,300,748
Excess (Deficiency) Of Public Support And Revenues Over Expenses								
	(3,748,954)	159,495	—	(3,589,459)	(2,959,296)	(240,027)	—	(3,199,323)
Unrealized Gains (Losses) On Investments (Note 6)								
	844,747	65,610	—	910,357	(1,328,233)	—	—	(1,328,233)
Change In Donor Intent								
	—	—	—	—	350,000	—	(350,000)	—
Increase (Decrease) In Net Assets	(2,904,207)	225,105	—	(2,679,102)	(3,937,529)	(240,027)	(350,000)	(4,527,556)
Net Assets - Beginning Of Year	7,812,717	881,492	994,795	9,689,004	11,750,246	1,121,519	1,344,795	14,216,560
Net Assets - End Of Year	\$ 4,908,510	\$ 1,106,597	\$ 994,795	\$ 7,009,902	\$ 7,812,717	\$ 881,492	\$ 994,795	\$ 9,689,004

INROADS, INC. AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS

	For The Years Ended May 31,	
	2013	2012
Cash Flows From Operating Activities		
Decrease in net assets	\$ (2,679,102)	\$ (4,527,556)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	65,163	168,291
Realized and unrealized (gain) loss on investments	(1,111,624)	881,383
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and unconditional promises to give	237,078	(7,449)
Decrease in prepaids and other assets	24,014	45,756
Increase (decrease) in accounts payable and accrued expenses	474,906	(131,596)
Increase in deferred income	105,821	8,737
Net Cash Used In Operating Activities	(2,883,744)	(3,562,434)
Cash Flows From Investing Activities		
Additions to property and equipment, net	(66,617)	(65,201)
Purchases of investments	(1,877,624)	(23,592,473)
Proceeds from sales of investments	7,025,090	23,305,536
Net Cash Provided By (Used In) Investing Activities	5,080,849	(352,138)
Cash Flows Provided By (Used In) Financing Activities		
Net proceeds from (repayments on) line of credit	(4,000,000)	4,315,903
Net Increase (Decrease) In Cash And Cash Equivalents	(1,802,895)	401,331
Cash And Cash Equivalents - Beginning Of Year	3,369,515	2,968,184
Cash And Cash Equivalents - End Of Year	\$ 1,566,620	\$ 3,369,515

INROADS, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

May 31, 2013 And 2012

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

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. 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, 2013 or 2012.

INROADS records uncollected fees expense in the period it specifically identifies those receivables as uncollectible. The uncollected fees expense of \$176,408 and \$157,825 in 2013 and 2012, respectively, represents the amount of current year write-offs of accounts receivable.

INROADS, INC. AND AFFILIATES

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, 2013 or 2012.

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

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 2010 and later remain subject to examination by taxing authorities.

INROADS, INC. AND AFFILIATES

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 December 23, 2013, 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 \$150,316 and \$364,485 as of May 31, 2013 and 2012, 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. 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, 2013, unconditional promises to give are expected to be collected as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 61,615	\$ 80,774
One year to five years	15,000	18,750
	<u>\$ 76,615</u>	<u>\$ 99,524</u>

Unconditional promises to give are combined with accounts receivable on the statement of financial position in the amount of \$226,931 and \$464,009 as of May 31, 2013 and 2012, respectively.

6. Investments

Investments consist of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities and mutual funds	\$ 4,171,832	\$ 4,693,482	\$ 5,359,855	\$ 5,108,042
Taxable bond funds	14,328	11,114	14,675	11,738
Fixed income securities	2,494,404	2,548,889	5,796,420	5,781,561
Alternative investments	2,530,327	2,513,730	2,986,138	2,901,716
	<u>\$ 9,210,891</u>	<u>\$ 9,767,215</u>	<u>\$ 14,157,088</u>	<u>\$ 13,803,057</u>

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

	<u>2013</u>	<u>2012</u>
Investments	\$ 8,772,420	\$ 12,808,262
Investments restricted for endowment	994,795	994,795
	<u>\$ 9,767,215</u>	<u>\$ 13,803,057</u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

For the year ended May 31, 2013, unrealized gains of \$910,357 were recorded to adjust investments to fair value. For the year ended May 31, 2012, unrealized losses of \$(1,328,233) were recorded. Realized gains on investments are reflected in investment income in the combined statement of activities and total \$201,267 and \$446,850 for the years ended May 31, 2013 and 2012, respectively.

7. Property And Equipment

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures, leasehold improvements, computers and software	\$ 4,366,290	\$ 4,299,762
Less: Accumulated depreciation	4,253,244	4,188,170
	<u>\$ 113,046</u>	<u>\$ 111,592</u>

Depreciation expense amounted to \$65,163 in 2013 and \$168,291 in 2012.

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 bore interest at the LIBOR rate plus 1.5%. Terms of the line required INROADS to maintain a \$3,000,000 collateral account with the bank. The assets in the collateral account were invested in a certificate of deposit recorded in cash and cash equivalents. The balance on the line of credit was \$3,000,000 for the year ended May 31, 2012 and interest expense paid on the borrowings amounted to \$47,793 for 2012. In July 2013, the collateral account was liquidated and the line of credit was closed.

INROADS established a line of credit with another bank in May 2011 in the amount of \$4,000,000. The line of credit bears interest at LIBOR (0.20% at May 31, 2013) plus 1.6%. The line is secured by investments held at the bank. The maximum borrowing amount was reduced from \$4,000,000 to \$3,000,000 during 2013. The balance on the line of credit was \$3,000,000 and \$4,000,000, for the years ended May 31, 2013 and 2012, respectively. Interest expense paid on the borrowings amounted to \$58,582 and \$42,795, for the years ended May 31, 2013 and 2012, respectively. This line of credit matured on September 20, 2013.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

During September 2013, this line of credit was renegotiated and the maximum borrowing amount was reduced from \$3,000,000 to \$2,500,000 with the same interest and collateral terms. This line of credit matures on July 20, 2014.

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>2013</u>	<u>2012</u>
Scholarships	\$ 662,295	\$ 622,442
Resource Development Campaign	28,137	—
Program	416,165	259,050
	<u>\$ 1,106,597</u>	<u>\$ 881,492</u>

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

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 143,000	\$ 163,725
Resource Development Campaign	—	70,811
Endowment spending	65,368	—
Program	105,687	127,920
	<u>\$ 314,055</u>	<u>\$ 362,456</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

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, 2013 and 2012, the endowment funds are classified as permanently restricted in the following categories and amounts:

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 136,245	\$ 136,245
National Development Fund	595,794	595,794
Resource Development Campaign	262,756	262,756
	<u>\$ 994,795</u>	<u>\$ 994,795</u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

Endowment Asset Composition By Type Of Fund As Of May 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 61,288	\$ 994,795	\$ 1,056,083

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

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

Changes in the endowment for the years ended May 31, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - June 1, 2011	\$ —	\$ 39,702	\$ 1,344,795	\$ 1,384,497
Investment loss	—	(19,571)	—	(19,571)
Change in donor intent	—	—	(350,000)	(350,000)
Balance - May 31, 2012	—	20,131	994,795	1,014,926
Investment income	—	106,525	—	106,525
Appropriated for spending	—	(65,368)	—	(65,368)
Balance - May 31, 2013	\$ —	\$ 61,288	\$ 994,795	\$ 1,056,083

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

Notes To Combined Financial Statements (*Continued*)

11. Employee Benefit 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 contributed 4% of total employees' compensation to the 401(a) defined contribution plan. An employee qualified 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. In August 2011, INROADS amended both plans. A new 401(k) plan was established that no longer allows new participants or employer contributions. INROADS' contributions totaled \$108,491 for fiscal year 2012. INROADS made no contributions in 2013.

12. Operating Leases

INROADS has entered into noncancellable leases for office space expiring at various times through the year 2019. Future minimum payments under these operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 642,248
2015	255,128
2016	212,566
2017	163,223
2018	108,476
Thereafter	105,654
	<u>\$ 1,487,295</u>

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.

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

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, 2013 and 2012 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, 2013, total net assets of the campaign are \$698,794, of which \$407,902 is reported as unrestricted net assets. At May 31, 2012, total net assets of the campaign were \$633,179, of which \$370,423 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Selection, coach and placement of minority college students	\$ 11,441,556	\$ 10,514,436
Management and general	2,565,283	3,251,349
Fundraising	669,683	534,963
	<u>\$ 14,676,522</u>	<u>\$ 14,300,748</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)

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, 2013 and 2012 using quoted market prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	2013			Total
	Level 1	Level 2	Level 3	
Investments:				
Fixed income mutual fund	\$ 2,548,889	\$ —	\$ —	\$ 2,548,889
Equity securities and mutual funds				
Large cap mutual fund	1,838,676	—	—	1,838,676
Mid cap mutual fund	715,734	—	—	715,734
EAFE equity	719,554	—	—	719,554
European equity	160,388	—	—	160,388
Asia ex-Japan equity	468,246	—	—	468,246
Emerging market equity	790,884	—	—	790,884
Taxable bond funds	—	11,114	—	11,114
Other				
Hedge funds	1,692,299	—	—	1,692,299
Real estate and infrastructure	278,874	—	—	278,874
Hard assets	542,557	—	—	542,557
	<u>\$ 9,756,101</u>	<u>\$ 11,114</u>	<u>\$ —</u>	<u>\$ 9,767,215</u>

INROADS, INC. AND AFFILIATES

Notes To Combined Financial Statements (Continued)

	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
Other				
Hedge funds	1,723,932	—	—	1,723,932
Real estate and infrastructure	286,923	—	—	286,923
Hard assets	890,861	—	—	890,861
	<u>\$ 13,791,319</u>	<u>\$ 11,738</u>	<u>\$ —</u>	<u>\$ 13,803,057</u>

During 2013 and 2012, 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, 2013 and 2012.

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

During the 2013 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.

Independent Auditors' Report On Supplementary Information

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

We have audited the combined financial statements of INROADS, Inc. and affiliates as of and for the year ended May 31, 2013, and our report thereon dated December 23, 2013, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 and 2. 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

December 23, 2013

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

Page 1 Of 2
May 31, 2013

	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	\$ (329,387)	\$ (386,560)	\$ (295,732)	\$ (117,887)	\$ 373,339	\$ (207,692)	\$ (506,501)	\$ (116,163)	\$ (437,280)	\$ (125,894)
Accounts Receivable	10,500	4,800	12,800	4,800	4,000	6,000	4,800	36,000	—	—
Prepays And Other Assets	9,100	1,250	—	500	83,389	9,380	—	11,093	4,776	3,740
Investments	126,873	868,691	213,343	563,129	1,060,265	1,152,716	287,107	1,039,317	502,545	388,389
Property And Equipment	5,196	4,738	3,001	3,566	26,790	13,135	1,833	2,742	3,607	2,312
Investments Restricted For Endowment	—	10,550	—	14,655	—	—	—	—	—	111,040
	<u>\$ (177,718)</u>	<u>\$ 503,469</u>	<u>\$ (66,588)</u>	<u>\$ 468,763</u>	<u>\$ 1,547,783</u>	<u>\$ 973,539</u>	<u>\$ (212,761)</u>	<u>\$ 972,989</u>	<u>\$ 73,648</u>	<u>\$ 379,587</u>
Liabilities And Net Assets										
Accounts Payable And Accrued Expenses	\$ 9,882	\$ 14,634	\$ 2,768	\$ 7,777	\$ 9,751	\$ 614,482	\$ 2,581	\$ 6,159	\$ 6,217	\$ 2,726
Deferred Income	11,517	45,000	21,500	22,650	400	5,150	4,725	—	43,500	18,350
Line Of Credit	—	—	—	—	—	—	—	—	—	—
Total Liabilities	<u>21,399</u>	<u>59,634</u>	<u>24,268</u>	<u>30,427</u>	<u>10,151</u>	<u>619,632</u>	<u>7,306</u>	<u>6,159</u>	<u>49,717</u>	<u>21,076</u>
Net Assets										
Unrestricted	(227,283)	346,808	(108,356)	423,681	1,463,235	149,116	(301,247)	884,195	23,931	213,776
Temporarily restricted	28,166	86,477	17,500	—	74,397	204,791	81,180	82,635	—	33,695
Permanently restricted	—	10,550	—	14,655	—	—	—	—	—	111,040
Total Net Assets	<u>(199,117)</u>	<u>443,835</u>	<u>(90,856)</u>	<u>438,336</u>	<u>1,537,632</u>	<u>353,907</u>	<u>(220,067)</u>	<u>966,830</u>	<u>23,931</u>	<u>358,511</u>
	<u>\$ (177,718)</u>	<u>\$ 503,469</u>	<u>\$ (66,588)</u>	<u>\$ 468,763</u>	<u>\$ 1,547,783</u>	<u>\$ 973,539</u>	<u>\$ (212,761)</u>	<u>\$ 972,989</u>	<u>\$ 73,648</u>	<u>\$ 379,587</u>

INROADS, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION

Page 2 Of 2

May 31, 2013

	South Central	Southeast	Total Affiliates	INROADS, Inc.	Resource Development Campaign	Total Before Eliminations	Eliminations	Total Combined
Assets								
Cash And Cash Equivalents	\$ (262,173)	\$ (432,441)	\$ (2,844,371)	\$ 4,216,035	\$ 194,956	\$ 1,566,620	\$ —	\$ 1,566,620
Accounts Receivable	17,900	10,000	111,600	212,248	—	323,848	(96,917)	226,931
Prepays And Other Assets	5,183	27,571	155,982	37,935	—	193,917	—	193,917
Investments	856,018	586,089	7,644,482	886,856	241,082	8,772,420	—	8,772,420
Property And Equipment	4,736	4,038	75,694	37,352	—	113,046	—	113,046
Investments Restricted For Endowment	—	—	136,245	595,794	262,756	994,795	—	994,795
	\$ 621,664	\$ 195,257	\$ 5,279,632	\$ 5,986,220	\$ 698,794	\$ 11,964,646	\$ (96,917)	\$ 11,867,729
Liabilities And Net Assets								
Accounts Payable And Accrued Expenses	\$ 11,503	\$ 10,567	\$ 699,047	\$ 552,531	\$ —	\$ 1,251,578	\$ (96,917)	\$ 1,154,661
Deferred Income	12,620	41,700	227,112	476,054	—	703,166	—	703,166
Line Of Credit	—	—	—	3,000,000	—	3,000,000	—	3,000,000
Total Liabilities	24,123	52,267	926,159	4,028,585	—	4,954,744	(96,917)	4,857,827
Net Assets								
Unrestricted	587,216	(62,385)	3,392,687	1,107,921	407,902	4,908,510	—	4,908,510
Temporarily restricted	10,325	205,375	824,541	253,920	28,136	1,106,597	—	1,106,597
Permanently restricted	—	—	136,245	595,794	262,756	994,795	—	994,795
Total Net Assets	597,541	142,990	4,353,473	1,957,635	698,794	7,009,902	—	7,009,902
	\$ 621,664	\$ 195,257	\$ 5,279,632	\$ 5,986,220	\$ 698,794	\$ 11,964,646	\$ (96,917)	\$ 11,867,729

INROADS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Page 1 Of 2
For The Year Ended May 31, 2013

	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	\$ 779,750	\$ 869,750	\$ 480,500	\$ 333,000	\$ 1,483,500	\$ 846,660	\$ 400,500	\$ 409,000	\$ 634,500	\$ 312,800
Assessment from affiliates	—	—	—	—	—	—	—	—	—	—
Contributions and grants	3,537	29,468	29,207	17,527	28,536	87,041	6,342	30,360	41,253	12,712
Activity and miscellaneous income	10,761	8,691	5,754	4,823	19,673	22,066	1,717	8,197	17,868	7,752
Investment income	7,576	52,304	12,739	34,227	63,309	68,829	17,143	62,058	30,007	23,191
Banquet event income	71,330	53,102	8,986	650	44,238	91,226	—	4,016	104,269	34,866
Golf event income	12,576	—	—	23,336	109,757	—	—	—	—	24,533
Donated services	—	—	—	—	—	24,143	—	6,948	26,125	32,808
Total Unrestricted Public Support And Revenues	885,530	1,013,315	537,186	413,563	1,749,013	1,139,965	425,702	520,579	854,022	448,662
Net Assets Released From Restrictions	15,500	117,500	10,000	16,069	—	—	—	6,023	14,500	—
Total Unrestricted Public Support And Revenues	901,030	1,130,815	547,186	429,632	1,749,013	1,139,965	425,702	526,602	868,522	448,662
Expenses										
Salaries and payroll taxes	340,706	480,771	298,554	195,342	571,184	346,322	276,977	272,476	460,115	186,053
Training, development and recruitment	95,098	114,298	34,843	21,903	103,146	182,470	20,282	38,234	40,815	21,895
Scholarship disbursements	3,650	17,500	—	3,750	57,500	7,200	2,500	17,425	60,175	8,050
Office	95,561	99,739	35,147	50,515	98,407	75,162	64,077	58,522	59,661	22,885
Rent	104,552	140,391	39,445	40,034	115,974	959,344	26,669	72,837	71,820	32,808
Travel	37,816	30,229	20,684	15,282	23,008	22,607	26,320	16,654	39,507	8,211
Insurance	83,592	107,675	48,917	48,091	91,714	78,131	72,315	67,376	84,680	23,628
Depreciation and amortization	5,948	1,925	4,063	2,785	6,872	11,042	1,829	575	3,278	945
Professional fees	—	—	—	—	—	897	—	—	—	—
Uncollected fees	26,500	14,403	20,000	300	16,300	9,270	5,361	—	25,905	—
Special events	25,307	43,130	8,193	8,160	86,860	64,236	—	1,860	70,302	23,758
National assessment	341,036	428,207	270,375	224,920	568,311	376,124	260,537	264,115	356,814	218,659
Total Expenses	1,159,766	1,478,268	780,221	611,082	1,739,276	2,132,805	756,867	810,074	1,273,072	546,892
Excess (Deficiency) Of Unrestricted Public Support And Revenues Over Expenses	(258,736)	(347,453)	(233,035)	(181,450)	9,737	(992,840)	(331,165)	(283,472)	(404,550)	(98,230)
Unrealized Gains/(Losses) On Investments	12,148	82,743	20,427	53,317	101,520	110,373	27,490	99,515	48,119	37,188
Increase (Decrease) In Unrestricted Net Assets	(246,588)	(264,710)	(212,608)	(128,133)	111,257	(882,467)	(303,675)	(183,957)	(356,431)	(61,042)
Temporarily Restricted Public Support And Revenues - Net	25,000	(111,604)	1,000	—	25,000	39,000	41,000	88,977	—	13,390
Net Assets - Beginning Of Year	22,471	820,149	120,752	566,469	1,401,375	1,197,373	42,609	1,061,810	380,362	406,163
Net Assets - End Of Year	\$ (199,117)	\$ 443,835	\$ (90,856)	\$ 438,336	\$ 1,537,632	\$ 353,906	\$ (220,066)	\$ 966,830	\$ 23,931	\$ 358,511

INROADS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Page 2 Of 2
For The Year Ended May 31, 2013

	South Central	Southeast	Total Affiliates	INROADS, Inc.	Resource Development Campaign	Total Before Eliminations	Eliminations	Total Combined
Unrestricted Public Support And Revenues								
Sponsorship and participation fees	\$ 511,900	\$ 705,700	\$ 7,767,560	\$ —	\$ —	\$ 7,767,560	\$ —	\$ 7,767,560
Assessment from affiliates	—	—	—	3,943,604	—	3,943,604	(3,943,604)	—
Contributions and grants	31,388	37,341	354,712	1,097,243	—	1,451,955	—	1,451,955
Activity and miscellaneous income	7,122	3,135	117,559	4,600	—	122,159	—	122,159
Investment income	51,113	34,995	457,491	56,226	14,395	528,112	—	528,112
Banquet event income	19,603	—	432,286	—	—	432,286	—	432,286
Golf event income	—	33,940	204,142	—	—	204,142	—	204,142
Donated services	—	—	90,024	17,275	—	107,299	—	107,299
Total Unrestricted Public Support And Revenues	621,126	815,111	9,423,774	5,118,948	14,395	14,557,117	(3,943,604)	10,613,513
Net Assets Released From Restrictions	—	54,500	234,092	79,963	—	314,055	—	314,055
Total Unrestricted Public Support And Revenues	621,126	869,611	9,657,866	5,198,911	14,395	14,871,172	(3,943,604)	10,927,568
Expenses								
Salaries and payroll taxes	284,337	270,725	3,983,562	2,854,928	—	6,838,490	—	6,838,490
Training, development and recruitment	60,251	210,738	943,973	906,309	—	1,850,282	—	1,850,282
Scholarship disbursements	21,925	10,500	210,175	22,550	—	232,725	—	232,725
Office	66,105	110,906	836,687	206,064	—	1,042,751	—	1,042,751
Rent	48,268	117,710	1,769,852	135,892	—	1,905,744	—	1,905,744
Travel	38,651	39,259	318,228	355,665	—	673,893	—	673,893
Insurance	70,202	97,352	873,673	114,738	—	988,411	—	988,411
Depreciation and amortization	3,628	3,067	45,957	19,206	—	65,163	—	65,163
Public relations	—	—	—	169,815	—	169,815	—	169,815
Professional fees	4,162	—	5,059	289,285	—	294,344	—	294,344
Uncollected fees	3,217	20,652	141,908	34,500	—	176,408	—	176,408
Special events	8,305	33,941	374,052	—	—	374,052	—	374,052
Other	—	—	—	64,444	—	64,444	—	64,444
National assessment	286,476	348,030	3,943,604	—	—	3,943,604	(3,943,604)	—
Total Expenses	895,527	1,262,880	13,446,730	5,173,396	—	18,620,126	(3,943,604)	14,676,522
Excess (Deficiency) Of Unrestricted Public Support And Revenues Over Expenses	(274,401)	(393,269)	(3,788,864)	25,515	14,395	(3,748,954)	—	(3,748,954)
Unrealized Gains On Investments	81,964	56,118	730,922	90,741	23,084	844,747	—	844,747
Increase (Decrease) In Unrestricted Net Assets	(192,437)	(337,151)	(3,057,942)	116,256	37,479	(2,904,207)	—	(2,904,207)
Temporarily Restricted Public Support And Revenues - Net	—	24,695	146,458	50,511	28,136	225,105	—	225,105
Net Assets - Beginning Of Year	789,978	455,445	7,264,956	1,790,869	633,179	9,689,004	—	9,689,004
Net Assets - End Of Year	\$ 597,541	\$ 142,989	\$ 4,353,472	\$ 1,957,636	\$ 698,794	\$ 7,009,902	\$ —	\$ 7,009,902